

Treasury Advisory
Corporate FX & Structured
Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured
Products

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

Highlights

Global	<p>Risk sentiment took a hit as a Brexit poll taken for the Independent daily showed that as many as 55% are in favour of the UK leaving the EU, a 10 percentage points' lead over those who prefer to remain within the group. One year ago, the same poll showed the exact opposite sentiment. European markets took a blow as a result, with FTSE and DAX equity indices down 1.9% and 2.5% respectively, while the 10-year German bund tightened to 0.021%, an all-time low. The risk-off mood could be felt across the Atlantic as well, with a rally in US Treasuries and 0.7-0.9% drop in the major equity indices. For the day ahead, Asian market will likely start on the softer tone while awaiting China's industrial production data. Markets have pencilled in 6.0% growth for May, in line with the actual print from the previous month.</p>
US	<p>Caution prevailed amongst investors as funds were moved out of risky assets. Equity markets declined for the second straight day on Friday, erasing gains earlier in the week. Led by financials, the S&P 500 fell 0.92%, Dow fell 0.67% and Nasdaq tumbled 1.29%. US Treasuries benefited from the risk-off sentiments, with yields sinking to their lowest since 2013. 2-year and 10-year US Treasury bonds yield 0.73% and 1.64% respectively. The yield curve has also flattened considerably. The yield spread between the 2-year and 30-year US Treasuries stand at 172 basis points, the lowest since 2008. Volatility also picked up considerably, with the VIX ending up 16.33%.</p>
China	<p>CNH dropped beyond 6.6 against the US dollar which interestingly did not indicate any disorder sell-off. Rather, the implied volatility of the CNH was much lower lately as compared to early this year. Given the weaker greenback as a result of decreased market expectations over a summer rate hikes, the downward pressure on the CNH may be attributed to the investors' cautiousness of the RMB amid May's mixed data out of China. Elsewhere, China's FDI increased 3.8% yoy over the first five months, with the high-tech sector being the most attractive sector to foreign investment.</p>
Indonesia	<p>Bisnis Indonesia reported that the tax amnesty bill will be discussed at parliament's plenary meeting, whereby it is said that the bill will be approved into law. So far, there has apparently been no agreement yet between the government and the parliament on redemption rates, with some parties reportedly seeking more than 10% tax rate.</p>
FX insights	<p>Ahead of the FOMC next week, we attempt to pre-empt any disappointment towards the Fed by engaging in a tactical short USD-JPY. With a spot ref at 107.16 on Friday, we target 103.85 and place a stop at 108.85. In SE Asian space, investors can also consider a similar short term bearish dollar view ahead of the FOMC via the USD-SGD. Despite some background volatility concerns that we harbour, we note that the SGD remains significantly reactive to broad dollar cues (relative to the NEER's basket constituents). From a spot ref of 1.3546 on Friday, we set a 1.3300 objective and place a stop at 1.3670.</p>
Commodities	<p>Risk aversion reigned on the last trading day of the week, with VIX rising to its highest since March 2016, with growth-related commodities taking a notch down. West Texas crude oil fell below its \$50/bbl handle once again, with the decline aided by the increase in the number of US oil-rig counts for the second week. Base metals also fell across the board, while both the bullion and the greenback rose.</p>

Major Market

- **Singapore:** The pioneer generation (aged 67 and above) will receive between \$200 - \$800 worth of Medisave top-ups, depending on the year they were born. According to the Ministry of Finance, this year's top-up will amount to about S\$190 million.
- Meanwhile, the STI ended Friday's session down 21 points, settling at 2822.97 (-0.73%). The drag came mainly from Sembcorp Marine Ltd (-2.92%), Jardine Cycle & Carriage (-2.86%) and Genting Singapore PLC (-2.63%) with overall losses by the index being cushioned by Thai Beverage PCL, which managed to etch out 1.67% worth of gains. Looking ahead, expect the STI to stay rangebound as investors await this week's FOMC meeting. Resistance and support are tipped at 2860 and 2790 respectively.
- **Macau:** Thanks to the recent recovery in the tourism and gaming sectors as well as consistently low borrowing costs, more end-users buying low-end flats drove housing transaction volume up by 61.5% yoy to 1045 units. As a result, housing prices rose by 0.3% YTD in April. Nevertheless, the increased transaction volume did not translate into higher demand for new residential mortgage loans (RML), which dropped in 7 out of the past 8 months and was down by 35% yoy in April. Fears of steep increases in borrowing cost amid the Fed's tightening may be the main reason behind homebuyers' persistent cautiousness of mortgage loans. Moving forward, though increasing labour demand from new hotels and casinos will likely to attract more non-local residents to work in Macau, this group of labour tend to reside outside the city, providing little support to Macau's housing market. Slower wage growth is also expected to dent housing market demand. Coupled with increasing supply in coming 1-2 years, housing prices are expected to drop 10% yoy by end of this year.

Bond Market Updates

- **Market Commentary:** Caution prevailed amongst investors as funds were moved out of risky assets. Equity markets declined for the second straight day on Friday, erasing gains earlier in the week. Led by financials, the S&P 500 retreated 0.92%, Dow fell 0.67% and Nasdaq tumbled 1.29%. US Treasuries benefited from the risk-off sentiments, with yields sinking to their lowest since 2013. 2-year and 10-year US Treasury bonds yield 0.73% and 1.64% respectively. The yield curve has also flattened considerably. The yield spread between the 2-year and 30-year US Treasuries stand at 172 basis points, the lowest since 2008. Elsewhere, volatility picked up considerably, with the VIX ending up 16.33%.
- **New Issues:** Hua Han Health Industry Holdings Ltd. launched a USD150mn 3-year bond with final guidance at 7%. The bond is to be priced later today and is rated "BB-/Ba3/BB-".
- **Rating Changes:** Moody's affirmed its "A1" credit rating on Daiichi Sankyo Company Limited (Pharmaceuticals) and revised its outlook to negative from stable. The revision reflects Moody's expectation of a material decline in revenues and profits in FY2017 as a result of the loss of exclusivity of the Olmesartan family of products in the US the previous year. Moody's downgraded its senior secured rating on Newcastle Coal Infrastructure Group Pty Ltd. (NCIG) to "Ba1" from "Baa3". The downgrade follows NCIG's announcement of the deferral of its proposed refinancing and capital simplification transaction. S&P affirmed its "BBB" credit rating on Japan-based general trading and investment company (GTIC) Marubeni Corp. and removed the ratings from CreditWatch with negative implications. The outlook is negative.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.571	0.66%	USD-SGD	1.3603	0.55%
USD-JPY	106.970	-0.12%	EUR-SGD	1.5304	-0.03%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2709	0.62%
AUD-USD	0.7373	-0.78%	GBP-SGD	1.9390	-0.86%
GBP-USD	1.4257	-1.39%	AUD-SGD	1.0030	-0.23%
USD-MYR	4.0715	0.66%	NZD-SGD	0.9598	-0.17%
USD-CNY	6.5624	0.00%	CHF-SGD	1.4100	0.54%
USD-IDR	13294	0.05%	SGD-MYR	3.0022	0.27%
USD-VND	22335	-0.04%	SGD-CNY	4.8363	-0.61%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3530	-0.0020	O/N	0.3861	0.0005
2M	-0.3020	-0.0020	1M	0.4466	-0.0005
3M	-0.2630	-0.0010	2M	0.5397	-0.0005
6M	-0.1590	--	3M	0.6556	-0.0005
9M	-0.0880	0.0010	6M	0.9442	0.0003
12M	-0.0180	--	12M	1.2735	-0.0007

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %
Portugal	0.55	2.60	3.10	3.60	3.08
Italy	-0.04	1.50	1.38	-0.10	1.36
Ireland	-0.38	-0.40	0.74	0.80	0.72
Greece*	8.11	51.40	7.49	11.60	7.47
Spain	-0.06	3.60	1.43	0.60	1.41
Russia^	2.68	0.20	4.80	0.70	4.78

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Equity and Commodity

Index	Value	Net change
DJIA	17,865.34	-119.80
S&P	2,096.07	-19.40
Nasdaq	4,894.55	-64.10
Nikkei 225	16,601.36	-67.00
STI	2,822.97	-20.80
KLCI	1,641.22	-9.30
JCI	4,848.06	-28.70
Baltic Dry	610.00	-1.00
VIX	17.03	2.40

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (+0.02)	0.73 (-0.04)
5Y	1.47 (+0.01)	1.17 (-0.05)
10Y	2.00 (+0.02)	1.64 (-0.05)
15Y	2.27 (+0.03)	--
20Y	2.35 (+0.03)	--
30Y	2.44 (+0.02)	2.45 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	26.31	-0.34
EURIBOR-OIS	8.50	-0.10
TED	41.21	0.47

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.07	-2.95%	Coffee (per lb)	1.370	2.24%
Brent (per barrel)	50.54	-2.71%	Cotton (per lb)	0.6475	-0.32%
Heating Oil (per gallon)	1.516	-2.27%	Sugar (per lb)	0.1970	-0.20%
Gasoline (per gallon)	1.56	-3.65%	Orange Juice (per lb)	1.6755	0.57%
Natural Gas (per MMBtu)	2.556	-2.33%	Cocoa (per mt)	3,135	0.61%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,510.0	-0.11%	Wheat (per bushel)	4.9500	-2.99%
Nickel (per mt)	8,882	-0.13%	Soybean (per bushel)	11.783	0.19%
Aluminium (per mt)	1,568.8	-0.10%	Corn (per bushel)	4.2300	-0.82%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,273.4	0.25%	Crude Palm Oil (MYR/MT)	2,626.0	-0.34%
Silver (per oz)	17.330	0.36%	Rubber (JPY/KG)	150.9	-2.58%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

FX Trade Ideas

	Inception		B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale
	TACTICAL							
1	10-Jun-16		S	USD-JPY	107.1600	103.85	108.85	Potential for USD weakness going into and post-FOMC
2	10-Jun-16		S	USD-SGD	1.3546	1.3300	1.3670	SGD remains reactive to potential USD vulnerability
	STRUCTURAL							
3	18-Feb-16		B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate
4	01-Mar-16		S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries
5	07-Mar-16		B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations
6	12-Apr-16		S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC
7	12-Apr-16		B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclical, search for yield
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	19-Apr-16	13-May-16	S	USD-SGD	1.3439	1.3740	Potential for further broad USD decay, positive risk appetite	-2.17
2	18-May-16	03-Jun-16	B	GBP-USD	1.4438	1.4414	Potential for bounce post-referendum	-0.17
3	19-May-16	03-Jun-16	S	EUR-USD	1.1224	1.1370	Policy dichotomy play, especially after FOMC minutes	-1.24
4	19-May-16	03-Jun-16	B	USD-JPY	110.01	108.25	Policy dichotomy play, especially after FOMC minutes	-1.59
5	09-May-16	08-Jun-16	B	USD-SGD	1.3623	1.3520	Potential for USD strength ahead of Fed-speak	-0.83
6	09-May-16	07-Jun-16	B	USD-CAD	1.2929	1.2735	Weak labor market numbers, deteriorating growth outlook	-1.53
7	29-Apr-16	08-Jun-16	S	AUD-USD	0.7626	0.7490	Negativity post 1Q CPI numbers	1.64

CFTC Commodities Futures and Options

For the week ended: 07 Jun 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	326,643	247,097	79,546	Nymex Crude	384,921	397,518	-12,597
Wheat	-52,875	-88,615	35,740	Silver	58,455	62,861	-4,406
Gold	250,677	215,637	35,040	RBOB Gasoline	55,370	58,336	-2,966
Lean Hogs	69,535	57,139	12,396	Live Cattle	42,444	44,793	-2,349
Sugar	304,878	292,599	12,279	Heating Oil	14,588	16,393	-1,805
Coffee	9,418	86	9,332	Platinum	31,177	31,905	-728
Natural Gas	-154,580	-163,849	9,269	Copper	-39,210	-38,862	-348
Cotton	59,654	51,150	8,504	Palladium	4,267	4,218	49
Soybean	255,950	248,675	7,275	Cocoa	27,228	23,228	4,000

Source: CFTC

Key Economic Indicators

Date Time	Event		Survey	Actual	Prior	Revised
06/10/2016 07:50	JN PPI MoM	May	0.10%	0.20%	-0.30%	-0.40%
06/10/2016 07:50	JN PPI YoY	May	-4.20%	-4.20%	-4.20%	--
06/10/2016 09:00	PH Exports YoY	Apr	-4.70%	-4.10%	-15.10%	--
06/10/2016 11:50	VN Domestic Vehicle Sales YoY	May	--	33.10%	38.10%	--
06/10/2016 12:00	MA Industrial Production YoY	Apr	3.50%	3.00%	2.80%	--
06/10/2016 12:30	JN Tertiary Industry Index MoM	Apr	0.60%	1.40%	-0.70%	-0.50%
06/10/2016 14:00	GE CPI MoM	May F	0.30%	0.30%	0.30%	--
06/10/2016 14:00	GE CPI YoY	May F	0.10%	0.10%	0.10%	--
06/10/2016 14:00	GE CPI EU Harmonized MoM	May F	0.40%	0.40%	0.40%	--
06/10/2016 14:00	GE CPI EU Harmonized YoY	May F	0.00%	0.00%	0.00%	--
06/10/2016 14:45	FR Industrial Production MoM	Apr	0.40%	1.20%	-0.30%	-0.40%
06/10/2016 14:45	FR Industrial Production YoY	Apr	1.00%	1.90%	-0.80%	--
06/10/2016 14:45	FR Manufacturing Production MoM	Apr	0.80%	1.30%	-0.90%	-1.00%
06/10/2016 14:45	FR Manufacturing Production YoY	Apr	0.90%	1.60%	-1.10%	--
06/10/2016 15:30	TH Foreign Reserves	Jun-03	--	\$178.0b	\$176.1b	--
06/10/2016 16:00	IT Industrial Production MoM	Apr	0.30%	0.50%	0.00%	--
06/10/2016 16:00	IT Industrial Production WDA YoY	Apr	1.00%	1.80%	0.50%	--
06/10/2016 16:00	IT Industrial Production NSA YoY	Apr	--	-0.30%	-0.40%	-0.50%
06/10/2016 20:00	IN Industrial Production YoY	Apr	0.60%	-0.80%	0.10%	0.30%
06/10/2016 20:30	CA Net Change in Employment	May	1.8k	13.8k	-2.1k	--
06/10/2016 20:30	CA Unemployment Rate	May	7.20%	6.90%	7.10%	--
06/10/2016 22:00	US U. of Mich. Sentiment	Jun P	94	94.3	94.7	--
06/11/2016 02:00	US Monthly Budget Statement	May	-\$56.0b	-\$52.5b	-\$84.1b	--
06/13/2016 10:00	CH Industrial Production YoY	May	6.00%	--	6.00%	--
06/13/2016 10:00	CH Industrial Production YTD YoY	May	5.90%	--	5.80%	--
06/13/2016 10:00	CH Retail Sales YoY	May	10.10%	--	10.10%	--
06/13/2016 10:00	CH Retail Sales YTD YoY	May	10.20%	--	10.30%	--
06/13/2016 20:00	IN CPI YoY	May	5.60%	--	5.39%	--
06/10/2016 06/15	CH Money Supply M1 YoY	May	21.90%	--	22.90%	--
06/10/2016 06/20	ID Local Auto Sales	May	--	--	84685	--
06/13/2016 06/17	IN Imports YoY	May	--	--	-23.10%	--
06/13/2016 06/17	IN Exports YoY	May	--	--	-6.70%	--
06/10/2016 06/15	CH New Yuan Loans CNY	May	750.0b	--	555.6b	--
06/10/2016 06/15	CH Money Supply M2 YoY	May	12.50%	--	12.80%	--

Source: Bloomberg

OCBC Treasury Research		
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Koh Jun Ming, Nicholas NicholasKoh@ocbc.com Ezien Hoo EzienHoo@ocbc.com	<u>Wing Hang</u> Kam Liu kamyliu@ocbcwh.com Carie Li carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W