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Highlights

Global	<p>Global risk appetite continued to increase overnight, with equity markets climbing further and US Treasury bond yields also tipping higher. Fed's Bullard opined that "now that the markets have had some chance to digest the move, I think the ultimate impact on the US economy will be close to zero" and that the May NFP data was "an anomaly". Earlier, George had also renewed her call for hiking rates, citing that "the economy is at or near full employment...and yet short-term interest rates remain at historic lows", and "keeping rates too low can also create risks".</p> <p>Meanwhile, market is cautiously watching potential reactions to the tribunal ruling that China had no "historic rights" to claims in the South China sea, albeit China has already indicated that the decision is "null and void" and "neither accepts nor recognises it".</p> <p>Today's economic data calendar will comprise of US' import prices and mortgage applications, Eurozone's May industrial production, Japan's industrial production, China's trade data for June, and the Fed's Beige book. Both BNM and BOC are likely to keep their policy rates static at 3.25% and 0.5% respectively. Fed's Mester and Kaplan are also speaking today. Asian markets should reflect the overnight improvement in risk sentiments.</p>
US	<p>NFIB small business optimism rose from 93.8 in May to 94.5 in June, while wholesale inventories rose a smaller than expected 0.1% mom in May after an upwardly revised +0.7% gain in April. The Fed has "no intention to engineer an overshoot" of its 2%inflation as recommended by the IMF. Meanwhile, six regional Fed directors have voted to hike the Fed discount rate to 1.25% prior to the 14-15 June FOMC "in light of actual and expected strengthening in economic activity and their expectations for inflation to gradually move towards the 2% objective", according to minutes.</p>
JP	<p>The Japanese government is supposedly mulling "helicopter money" as a policy option, according to a Sankei report. This came after PM Abe met with former Fed chair Bernanke.</p>
UK	<p>BOE governor Carney testified in Parliament that "the exchange rate is helping in this circumstance" as "there will be a new trading relationship, a new economic relationship" and "the exchange rate move can help with that adjustment" post-Brexit.</p>
China	<p>Foreign direct investment grew by 9.7% to CNY98.2 billion, reversing mild decline in May. FDI rose by 5.1% yoy in the first half of 2016. 70% of FDI went to service sector with the investment in the high tech services almost doubled.</p>
Malaysia	<p>Bank Negara is due to announce its monetary policy decision today. We expect the central bank to keep its Overnight Policy Rate unchanged at 3.25%, but will be on the look-out for any change in its tone with regard to growth momentum going forward.</p>
Commodities	<p>Risk-on mood sent growth-related commodity prices higher, with crude oil and base metals clearly observed as beneficiaries. Empirically, WTI surged back above its critical \$45/bbl handle, while copper was up 2.5%. Conversely as well, gold, a commodity traditionally viewed as a safe haven, fell considerably below its \$1,350/oz.</p>

Major Market

- **US:** Momentum in equities continue to be strong due, in part, to the possibility of new Japanese stimulus. The earnings season also started well, with Alcoa Inc. beating estimates. Investors will be looking out for signs of corporate health to keep this momentum going. The S&P 500 and Dow set new record highs, with the S&P 500 rising 0.70% to reach 2152.14 and Dow gaining 0.66% to 18347.67. Nasdaq also ended higher by 0.69%, reaching a new year-to-date high. The sell-off continues in the Treasury space, with yields rising across the board, and the yield curve steepening. The Fed also managed to auction US\$20b of 10-year notes at 1.516%. 2-year and 10-year notes yield 0.69% and 1.51% respectively. Meanwhile, VIX remained largely stagnant at 13.55.
- **Singapore:** The 5th desalination plant on Jurong Island will be built around 2020. Meanwhile, the STI closed above the 2900 handle for the first time since April 2016, climbing by 0.89% to end the session at 2901.82. Top gainers include Genting Singapore PLC (1.97%), Singapore Telecommunications Ltd (1.89%) and Ascendas Real Estate Investment Trust (1.64%) while a dip in CapitaLand Mall Trust (-0.46%) weighed on the overall Index.
- **Macau:** Thanks to the stable labour market and banks' loosening rules on mortgage loans, housing transaction volumes rose for the third straight month, up by 73% yoy to 1067 units. As a result, new residential mortgage loans (RML) approved started to reverse its downward trend, jumping by 45% yoy (91.1% mom) to MOP5.4 billion. This provided a rosy data point to the upbeat housing sentiment also partly due to signs of recovery in both tourism and gaming sectors. Looking ahead, new hotel openings in 2H will bode well for the labour market. More importantly, after the U.K. voted to leave the EU, the Fed is more likely to delay its rate hike schedules. As such, borrowing costs are expected remain low and in turn fuel demand in the housing market, underpinning the rebound in housing transactions in near term. Average housing prices as a result may also stabilize at current level of MOP77,203/sq. m. over 2H 2016. However, the expected slower wage growth and increasing supply ahead are likely to rebuild downward risks on the housing market in a longer term.
- **Indonesia:** A Bank Indonesia survey showed that consumer confidence index rose to 15-month high level of 113.7 in June. The survey also shows that consumers expect price gains to slow in September, with biggest cost declines expected in food and clothing.
- **Thailand:** More fiscal stimulus are observed from Thailand, with the State enterprise policy committee approving infrastructure project spending of (1) THB44.2bn for a rail project in Bangkok's suburbs, (2) THB3.9bn for a electricity project in the islands of Samui and Tao and (3) Phuket airport expansion of THB8.86bn. Elsewhere, the cabinet has also approved a fund to guarantee returns of about 2-3% for investors in the state infrastructure fund.

Bond Market Updates

- **Market Commentary:** SGD dollar swap curve traded upwards yesterday, with the swap rates trading 3-12bps higher across all tenors. Flows in the SGD corporates' space were moderate with better buying seen in BNP 4.3%'25s and mixed interests seen in NAB 4.15%'28s, GEMAU 5.5%'19s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates decreased by 2bps to 221bps while the yield on JACI HY corporates increased by 3bps to 6.49%. 10y UST yield increased by 8bps to 1.51%.
- **New Issues:** SMBC Aviation has priced a AUD500mn 3-year bond at Swap+117bps. Additionally, it also priced another USD500mn 5-year bond at CT5+160bps, tightening from its initial guidance of CT5+200bps. The expected issue ratings are "BBB+/NR/BBB+". Cooperatieve Rabobank UA has priced a USD300mn 5-year bond at MS+95bps, aligned with its initial guidance. The expected issue

ratings are "A+/Aa2/AA-". KT Corp. has priced a USD400mn 10-year bond at CT10+110bps, tightening from its initial guidance of CT10+135bps. The expected issue ratings are "A-/Baa1/A-". Frasers Centrepoint Ltd. has priced a USD200mn 5-year bond at CT5+175bps, tightening from its initial guidance of CT5+190bps. Chongqing Nan'an Urban Construction & Development Group Co. Ltd. launched a two-tranche deal yesterday, with the USD 3-year bond having a final guidance of CT3+240bps, tightening from its initial guidance of CT3+270bps while the other tranche of USD 5-year bond having a final guidance of CT5+275bps, tightening from its initial guidance of CT5+300bps. The expected issue ratings are "BBB+/NR/BBB+". Societe Generale has launched a AUD 12NC7 bond deal with initial price guidance of Swap+320bps that is expected to be price later this week. The expected issue ratings are "BBB/Baa3/A-".

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.441	-0.13%	USD-SGD	1.3463	-0.38%
USD-JPY	104.690	1.84%	EUR-SGD	1.4891	-0.35%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2862	-2.15%
AUD-USD	0.7623	1.21%	GBP-SGD	1.7838	1.57%
GBP-USD	1.3247	1.92%	AUD-SGD	1.0266	0.86%
USD-MYR	3.9805	-0.33%	NZD-SGD	0.9829	0.74%
USD-CNY	6.6885	-0.11%	CHF-SGD	1.3617	-0.96%
USD-IDR	13120	0.10%	SGD-MYR	2.9531	-0.29%
USD-VND	22304	0.00%	SGD-CNY	4.9613	0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3670	--	O/N	0.4137	--
2M	-0.3310	--	1M	0.4779	--
3M	-0.2920	--	2M	0.5615	--
6M	-0.1900	--	3M	0.6691	--
9M	-0.1300	--	6M	0.9514	--
12M	-0.0630	--	12M	1.2695	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.71	0.70	3.13
Italy	-0.06	-0.30	2.20
Ireland	-0.39	-0.50	3.10
Greece*	7.42	2.30	1.20
Spain	-0.12	-0.30	1.90
Russia^	2.18	0.50	4.32

* 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	18,347.67	120.70
S&P	2,152.14	15.00
Nasdaq	5,022.82	34.20
Nikkei 225	16,095.65	386.80
STI	2,901.82	25.70
KLCI	1,653.97	0.10
JCI	5,099.53	30.50
Baltic Dry	711.00	7.00
VIX	13.55	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.94 (+0.02)	0.69 (+0.04)
5Y	1.39 (+0.06)	1.09 (+0.06)
10Y	1.77 (+0.1)	1.51 (+0.08)
15Y	2.05 (+0.11)	--
20Y	2.13 (+0.11)	--
30Y	2.24 (+0.11)	2.22 (+0.08)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.89	-0.12
EURIBOR-OIS	7.00	-0.40
TED	38.33	-0.68

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.80	4.56%	Coffee (per lb)	1.460	-1.35%
Brent (per barrel)	48.47	4.80%	Cotton (per lb)	0.7114	4.40%
Heating Oil (per gallon)	1.463	3.31%	Sugar (per lb)	0.1972	-2.76%
Gasoline (per gallon)	1.43	3.37%	Orange Juice (per lb)	1.7680	-1.61%
Natural Gas (per MMBtu)	2.734	1.18%	Cocoa (per mt)	3,153	0.48%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,869.0	2.53%	Wheat (per bushel)	4.2400	1.86%
Nickel (per mt)	10,450	4.43%	Soybean (per bushel)	11.073	2.26%
Aluminium (per mt)	1,663.0	1.31%	Corn (per bushel)	3.4975	1.75%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,335.3	-1.57%	Crude Palm Oil (MYR/MT)	2,270.0	-2.16%
Silver (per oz)	20.130	-0.66%	Rubber (JPY/KG)	167.0	2.39%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/12/2016 07:50	JN PPI MoM	Jun	-0.10%	-0.10%	0.20%	0.10%
07/12/2016 07:50	JN PPI YoY	Jun	-4.20%	-4.20%	-4.20%	-4.30%
07/12/2016 09:00	PH Exports YoY	May	-2.40%	-3.80%	-4.10%	--
07/12/2016 09:30	AU NAB Business Conditions	Jun	--	12	10	--
07/12/2016 09:30	AU NAB Business Confidence	Jun	--	6	3	--
07/12/2016 12:00	MA Industrial Production YoY	May	2.50%	2.70%	3.00%	--
07/12/2016 12:30	JN Tertiary Industry Index MoM	May	-0.70%	-0.70%	1.40%	0.70%
07/12/2016 14:00	GE CPI MoM	Jun F	0.10%	0.10%	0.10%	--
07/12/2016 14:00	GE CPI YoY	Jun F	0.30%	0.30%	0.30%	--
07/12/2016 14:00	GE CPI EU Harmonized MoM	Jun F	0.10%	0.10%	0.10%	--
07/12/2016 14:00	GE CPI EU Harmonized YoY	Jun F	0.20%	0.20%	0.20%	--
07/12/2016 17:24	ID Consumer Confidence Index	Jun	--	113.7	112.1	--
07/12/2016 18:00	US NFIB Small Business Optimism	Jun	93.9	94.5	93.8	--
07/12/2016 20:00	IN CPI YoY	Jun	5.79%	5.77%	5.76%	--
07/12/2016 20:00	IN Industrial Production YoY	May	-0.30%	1.20%	-0.80%	-1.30%
07/12/2016 22:00	US Wholesale Inventories MoM	May	0.20%	0.10%	0.60%	0.70%
07/13/2016 06:45	NZ Food Prices MoM	Jun	--	0.40%	-0.50%	--
07/13/2016 07:00	SK Unemployment rate SA	Jun	3.70%	3.60%	3.70%	--
07/13/2016 12:30	JN Industrial Production MoM	May F	--	--	-2.30%	--
07/13/2016 12:30	JN Industrial Production YoY	May F	--	--	-0.10%	--
07/13/2016 12:30	JN Capacity Utilization MoM	May	--	--	-1.00%	--
07/13/2016 14:45	FR CPI EU Harmonized MoM	Jun F	0.20%	--	0.20%	--
07/13/2016 14:45	FR CPI EU Harmonized YoY	Jun F	0.30%	--	0.30%	--
07/13/2016 14:45	FR CPI MoM	Jun F	0.20%	--	0.20%	--
07/13/2016 14:45	FR CPI YoY	Jun F	0.20%	--	0.20%	--
07/13/2016 14:45	FR CPI Ex-Tobacco Index	Jun	100.66	--	100.51	--
07/13/2016 15:00	MA BNM Overnight Policy Rate	Jul-13	3.25%	--	3.25%	--
07/13/2016 16:00	IT CPI EU Harmonized YoY	Jun F	-0.30%	--	-0.30%	--
07/13/2016 17:00	EC Industrial Production SA MoM	May	-0.80%	--	1.10%	--
07/13/2016 17:00	EC Industrial Production WDA YoY	May	1.30%	--	2.00%	--
07/13/2016 19:00	US MBA Mortgage Applications	Jul-08	--	--	14.20%	--
07/13/2016 20:30	US Import Price Index MoM	Jun	0.50%	--	1.40%	--
07/13/2016 22:00	CA BOC Rate Decision	Jul-13	0.50%	--	0.50%	--
07/13/2016	CH Trade Balance	Jun	\$45.65b	--	\$49.98b	--
07/13/2016	CH Exports YoY	Jun	-5.00%	--	-4.10%	--
07/13/2016	CH Imports YoY	Jun	-6.20%	--	-0.40%	--
07/12/2016 07/15	CH New Yuan Loans CNY	Jun	1000.0b	--	985.5b	--
07/12/2016 07/15	CH Money Supply M1 YoY	Jun	22.60%	--	23.70%	--
07/12/2016 07/15	CH Money Supply M2 YoY	Jun	11.40%	--	11.80%	--
07/11/2016 07/15	PH Budget Balance PHP	May	--	--	55.0b	--
07/13/2016 07/15	IN Imports YoY	Jun	--	--	-13.20%	--
07/13/2016 07/15	IN Exports YoY	Jun	--	--	-0.80%	--

Source: Bloomberg

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