

Highlights

Global	<p>The summer rally appears to have run out of steam and is turning into a September market rout amid market trepidation of FOMC rate hike intentions and a Nikkei report suggesting that BOJ could focus on negative rates with QE purchases reaching a limit and may shorten the duration of its purchases. The S&P500 and longer-dated UST bond yields bore the brunt of the positioning recalibration, with VIX at its highest since 28 June, whilst the USD firmed. Even oil prices also extended declines as the IEA trimmed 2017 forecasts amid a global oversupply. On the data front, US' NFIB small business sentiments slipped from 94.6 in July to 94.4 in August (below market expectations) due to presidential election uncertainties after four months of straight improvements. Elsewhere, German ZEW survey's current situation and expectations gauges both also disappointed at 55.1 (previously 57.6) and 0.5 (unchanged from last month, but below market forecast of 2.5). As such, Asian markets continue to appear vulnerable to further de-risking today. Looking ahead, investors will be parsing the BOT policy decision (likely on hold at 1.5%) as well as US' mortgage applications, Eurozone's industrial production, UK's ILO unemployment rate and jobless claims.</p>
US	<p>The NFIB small business survey showed that economic expectations slumped 7% points to -12% (low since May) and hiring plans also slipped 3% points to 9% (low since March).</p>
Asia	<p>12 TPP countries including Japan said they are determined not to renegotiate the agreement but accelerate ratification without a change of a single word of the agreement text before the 8 Nov US presidential election.</p>
AU	<p>Bond curve will be extended to 30 years for the first time, from the current 23 year maturity, to meet global search for yield and domestic investor support.</p>
SG	<p>DPM Tharman has urged Singaporeans with sufficient CPF savings to start taking "controlled risks" from a younger age to earn higher returns.</p>
CH	<p>Green shoots emerged in August with all three major economic indicators beating market expectations. Industrial production re-accelerated to 6.3% yoy in August from 6.0% yoy in July. Retail sales also re-accelerated to 10.6% yoy from 10.2% yoy. The improvement of retail sales was mainly driven by the stronger car sales, which was the result of tax cut for vehicles with 1.6 litre engines or smaller, launched last October. However, given that the stimulus is likely to expire in a couple of months, the outlook on retail sales remains uncertain. The deceleration of fixed asset investment paused, growing by 8.1% yoy in the first eight months. However, despite a general upbeat tone, private investment remains weak, signalling the challenges remaining in China.</p>
TH	<p>The Bank of Thailand is to meet later today, where they discuss policy directives and the overall economic environment. Even though things had appeared to have deteriorated somewhat in the last months, owing to the multiple bomb occurrences in South Thailand and weaker-than-expected external environment in July, we opine that the central bank will still keep to its rate unchanged at 1.50%. Much of our call is based on (1) Thailand's other pockets of healthy economic data including healthy consumer confidence and better-than-expected 2Q GDP growth and (2) the need for BOT to keep policy space especially when domestic economy falters further.</p>

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Major Market

- **US:** The sense of normalcy following Brainard's dovish comments quickly dissipated as equities gave back gains made on Monday to close near last Friday's levels. A broad-based retreat of all main industry groups saw S&P 500 lose 1.48%, while the Dow and Nasdaq fell 1.41% and 1.09% respectively. US Treasuries were also sold off as investors doubted central banks' appetite for continued monetary stimulus. 10-year benchmark yields rose more than 6 bps to close at 1.73%, the highest in 3 months. 2-year Treasuries yield 0.80%. VIX retraced losses to close at 17.85, up 17.74%.
- **Singapore:** STI slumped 1.91% to end at 2818.38 yesterday, playing catch up after Monday's public holiday, and may be susceptible to further consolidation today amid very weak cues from Wall Street overnight. The key 2800 support looks vulnerable and the next support could be 2780. The SGS bond market awoke from its slumber and bond yields spiked 5-8bps yesterday. Let's watch to see if the SGS bond market stabilises today amid the myriad market concerns.
- **Commodities:** The International Energy Agency (IEA) now sees the supply glut to persist into 2017, coupled with its downward revision of oil demand to come in at 96.1 million barrels per day (mbpd) from a previous 96.3 mbpd. The news effectively erased any gains that crude oil saw over the last few days, now with WTI trading at \$45/bbl while Brent at a mere \$47/bbl. Elsewhere, with the implied probability for a Fed rate hike in either Sept or Dec grossly lower when compared to the start of Sept itself, gold prices had remained strongly supported above its \$1,300/oz handle. In Asia, Malaysia's crude palm oil inventories had fallen to its lowest in more than 5 years at a mere 1.46 million tons on the back of very healthy export prints (1.81 million tons and highest since Oct 2011) while production remained lower compared to the previous year likely due to harsh weathers.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve continued to trade upwards yesterday with swap rates trading 5-12bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in ARTSP 4.68%'49s and better selling seen in ABNAV 4.75%'26s and NAB 4.15%'28s. Meanwhile, we also saw mixed interests in SOCGEN 4.3%'26s, GENSSP 5.13%'49s and SINTEC 4.05%'25s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 199bps while the yield on JACI HY corporates decreased 3bps to 6.45%. 10y UST yield increased 6bps to 1.73%, a level not seen post-Brexit.
- **New Issues:** Westpac Banking Corp has priced a AUD1bn 1-year bond at BBSW+43bps. Industrial Bank Co. Ltd. (Hong Kong) has priced a dual-tranche deal with the USD700mn 3-year bonds priced at CT3+113bps, tightening from its initial guidance at CT3+145bps. The other tranche of USD300mn 5-year bonds was priced at CT5+125bps, tightening from its initial price guidance at CT5+155bps. The expected issue ratings are "NR/Baa2/NR". Imperial Pacific International Holdings Ltd. has scheduled investor meetings from 14 September onwards for potential USD bond issuance. KEB Hana Bank has also scheduled investor meetings from Sept 26 for a potential USD bond issue.
- **Rating Changes:** S&P revised its rating outlook on Chevron Corp.'s "AA-" corporate credit rating to negative from stable. The negative outlook reflects S&P's forecast that Chevron's credit measures will be weak for the rating through next year although it will improve to acceptable levels in 2018, based on S&P's increasing commodity price assumptions. S&P revised its rating outlook on Jiangsu New Headline Development Group Co. Ltd.'s (NHL) "BB+" corporate credit rating to negative from stable. Additionally, the rating outlook on HK Zhiyuan Group Ltd.'s (Zhiyuan) "BB" corporate credit rating was also revised to negative from stable. The decisions were in view of the weakened credit quality of Lianyungang municipal government who owns 100% of NHL. Lianyungang's financial

capacity to provide support to NHL is likely to diminish further over the next 12 months. Moody's has assigned the following credit ratings to Bank of Nanjing Co. Ltd.: (1) "Baa3" long-term currency deposit ratings with negative outlook; (2) "P-3" short-term currency deposit ratings; (3) "ba2" baseline credit assessment (BCA); and (4) "ba2" adjusted baseline credit assessment. The ratings incorporate the bank's BCA of "ba2" and a two-notch uplift, based on Moody's assumption of a high level of government support for the bank in times of need. Fitch downgraded Wuzhou International Holdings Ltd.'s issuer default ratings to "CCC" from "B-". The downgrade reflects the sustained weakening of Wuzhou's financial position as demand for its main trade centre product remained weak amid poor business sentiment among SMEs. Fitch assigned Sichuan Development Holding Co. Ltd. "A-" issuer default ratings with a stable outlook. Fitch is expected to assign Imperial Pacific International Holdings Ltd (IPI) with a "B" issuer default rating with a stable outlook. The rating reflects the short operating history of IPI's gaming business in Saipan, which is almost entirely driven by the volatile high-rolling VIP segment.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.633	0.57%	USD-SGD	1.3664	0.76%
USD-JPY	102.560	0.70%	EUR-SGD	1.5332	0.63%
EUR-USD	1.1220	-0.13%	JPY-SGD	1.3324	0.06%
AUD-USD	0.7464	-1.35%	GBP-SGD	1.8030	-0.32%
GBP-USD	1.3193	-1.08%	AUD-SGD	1.0199	-0.60%
USD-MYR	4.1093	-0.56%	NZD-SGD	0.9910	-0.62%
USD-CNY	6.6795	-0.01%	CHF-SGD	1.3997	0.32%
USD-IDR	13168	-0.51%	SGD-MYR	3.0221	-0.47%
USD-VND	22303	0.06%	SGD-CNY	4.8920	-0.45%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4210	--
2M	-0.3340	--	1M	0.5277	--
3M	-0.3030	--	2M	0.6702	--
6M	-0.1980	--	3M	0.8558	--
9M	-0.1270	--	6M	1.2553	--
12M	-0.0570	--	12M	1.5664	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.47	0.20	3.30
Italy	-0.04	1.40	1.32
Ireland	-0.33	1.60	0.54
Greece	7.65	--	8.38
Spain	-0.11	--	1.10
Russia	2.07	-10.40	3.97

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	45.14	-2.48%	Coffee (per lb)	1.474	-1.57%
Brent (per barrel)	47.10	-2.52%	Cotton (per lb)	0.6720	0.34%
Heating Oil (per gallon)	1.423	-1.29%	Sugar (per lb)	0.2043	0.94%
Gasoline (per gallon)	1.38	-0.96%	Orange Juice (per lb)	1.9720	2.71%
Natural Gas (per MMBtu)	2.909	-0.21%	Cocoa (per mt)	2,822	-0.28%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,650.0	0.04%	Wheat (per bushel)	3.7475	-2.22%
Nickel (per mt)	9,811	-2.21%	Soybean (per bushel)	9.683	-1.65%
Aluminium (per mt)	1,547.3	-0.16%	Corn (per bushel)	3.1925	-3.04%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,319.6	-0.15%	Crude Palm Oil (MYR/MT)	2,852.0	-1.59%
Silver (per oz)	18.890	-0.13%	Rubber (JPY/KG)	167.5	0.90%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	18,066.75	-258.32
S&P	2,127.02	-32.02
Nasdaq	5,155.26	-56.63
Nikkei 225	16,729.04	56.12
STI	2,818.38	-54.95
KLCI	1,677.18	-9.26
JCI	5,215.57	-66.35
Baltic Dry	796.00	-8.00
VIX	17.85	2.69

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.84 (+0.04)	0.80 (+0.03)
5Y	1.30 (+0.07)	1.25 (+0.05)
10Y	1.82 (+0.08)	1.73 (+0.06)
15Y	2.11 (+0.08)	--
20Y	2.19 (+0.09)	--
30Y	2.23 (+0.08)	2.46 (+0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	42.28	2.26
EURIBOR-OIS	3.70	-0.15
TED	49.55	--

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/13/2016 06:45	NZ Food Prices MoM	Aug	--	1.30%	-0.20%	--
09/13/2016 07:00	SK Unemployment rate SA	Aug	3.60%	3.80%	3.60%	--
09/13/2016 09:30	AU NAB Business Conditions	Aug	--	7	8	9
09/13/2016 09:30	AU NAB Business Confidence	Aug	--	6	4	--
09/13/2016 10:00	CH Industrial Production YoY	Aug	6.20%	6.30%	6.00%	--
09/13/2016 10:00	CH Industrial Production YTD YoY	Aug	6.00%	6.00%	6.00%	--
09/13/2016 10:00	CH Retail Sales YoY	Aug	10.20%	10.60%	10.20%	--
09/13/2016 10:00	CH Retail Sales YTD YoY	Aug	10.30%	10.30%	10.30%	--
09/13/2016 10:00	CH Fixed Assets Ex Rural YTD YoY	Aug	7.90%	8.10%	8.10%	--
09/13/2016 14:00	GE CPI MoM	Aug F	0.00%	0.00%	0.00%	--
09/13/2016 14:00	GE CPI YoY	Aug F	0.40%	0.40%	0.40%	--
09/13/2016 14:00	GE CPI EU Harmonized MoM	Aug F	-0.10%	-0.10%	-0.10%	--
09/13/2016 14:00	GE CPI EU Harmonized YoY	Aug F	0.30%	0.30%	0.30%	--
09/13/2016 16:00	IT Industrial Production MoM	Jul	0.20%	0.40%	-0.40%	-0.30%
09/13/2016 16:00	IT Industrial Production WDA YoY	Jul	-0.90%	-0.30%	-1.00%	-0.90%
09/13/2016 16:00	IT Industrial Production NSA YoY	Jul	--	-6.30%	-1.00%	-0.90%
09/13/2016 16:30	UK CPI MoM	Aug	0.40%	0.30%	-0.10%	--
09/13/2016 16:30	UK CPI YoY	Aug	0.70%	0.60%	0.60%	--
09/13/2016 16:30	UK CPI Core YoY	Aug	1.40%	1.30%	1.30%	--
09/13/2016 16:30	UK Retail Price Index	Aug	264.3	264.4	263.4	--
09/13/2016 16:30	UK RPI MoM	Aug	0.40%	0.40%	0.10%	--
09/13/2016 16:30	UK RPI YoY	Aug	1.80%	1.80%	1.90%	--
09/13/2016 16:30	UK RPI Ex Mort Int.Payments (YoY)	Aug	1.90%	1.90%	1.90%	--
09/13/2016 16:30	UK PPI Output NSA MoM	Aug	0.30%	0.10%	0.30%	--
09/13/2016 16:30	UK PPI Output NSA YoY	Aug	1.00%	0.80%	0.30%	--
09/13/2016 17:00	GE ZEW Survey Current Situation	Sep	56	55.1	57.6	--
09/13/2016 17:00	GE ZEW Survey Expectations	Sep	2.5	0.5	0.5	--
09/13/2016 17:00	EC ZEW Survey Expectations	Sep	--	5.4	4.6	--
09/13/2016 18:00	US NFIB Small Business Optimism	Aug	94.8	94.4	94.6	--
09/14/2016 02:00	US Monthly Budget Statement	Aug	-\$108.0b	-\$107.1b	-\$64.4b	--
09/14/2016 05:30	NZ REINZ House Sales YoY	Aug	--	-3.10%	-10.10%	--
09/14/2016 06:45	NZ BoP Current Account Balance	2Q	-0.295b	-0.945b	1.306b	1.184b
09/14/2016 10:00	JN Tokyo Condominium Sales YoY	Aug	--	--	-30.70%	--
09/14/2016 12:30	JN Industrial Production MoM	Jul F	--	--	0.00%	--
09/14/2016 12:30	JN Industrial Production YoY	Jul F	--	--	-3.80%	--
09/14/2016 12:30	JN Capacity Utilization MoM	Jul	--	--	1.50%	--
09/14/2016 14:30	IN Wholesale Prices YoY	Aug	4.00%	--	3.55%	--
09/14/2016 14:45	FR CPI EU Harmonized MoM	Aug F	0.30%	--	0.40%	--
09/14/2016 14:45	FR CPI EU Harmonized YoY	Aug F	0.40%	--	0.40%	--
09/14/2016 14:45	FR CPI MoM	Aug F	0.30%	--	0.30%	--
09/14/2016 14:45	FR CPI YoY	Aug F	0.20%	--	0.20%	--
09/14/2016 15:30	TH BoT Benchmark Interest Rate	Sep-14	1.50%	--	1.50%	--
09/14/2016 16:00	IT CPI EU Harmonized YoY	Aug F	0.00%	--	0.00%	--
09/14/2016 16:30	UK Claimant Count Rate	Aug	2.20%	--	2.20%	--
09/14/2016 16:30	UK Jobless Claims Change	Aug	1.8k	--	-8.6k	--
09/14/2016 16:30	UK ILO Unemp Rate 3Mths	Jul	4.90%	--	4.90%	--
09/14/2016 17:00	EC Industrial Production SA MoM	Jul	-1.00%	--	0.60%	--
09/14/2016 17:00	EC Industrial Production WDA YoY	Jul	-0.80%	--	0.40%	--
09/14/2016 19:00	US MBA Mortgage Applications	Sep-09	--	--	0.90%	--
09/14/2016 20:30	US Import Price Index MoM	Aug	-0.10%	--	0.10%	--
09/14/2016 09:15	CH New Yuan Loans CNY	Aug	750.0b	--	463.6b	--
09/14/2016 09:15	CH Money Supply M1 YoY	Aug	24.00%	--	25.40%	--
09/14/2016 09:15	CH Money Supply M2 YoY	Aug	10.50%	--	10.20%	--
09/12/2016 09:16	IN Imports YoY	Aug	--	--	-19.00%	--
09/12/2016 09:16	IN Exports YoY	Aug	--	--	-6.80%	--

Source: Bloomberg

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