

Highlights

Global	<p>Global risk appetite may start the week on a softer note given the disappointments with recent sluggish global growth cues. Notably, US' retail sales was unexpectedly flat mom in July (forecast: +0.4% mom), albeit the June data was revised higher by 0.2% point to +0.8% mom. This overshadowed the strong consumption data seen in 2Q16, and possibly heralds a pause in household spending for 3Q16 as spending in 8 of the 13 major categories offset stronger auto demand. Excluding autos, retail sales declined 0.3% mom, marking the largest drop since January. This contributed to a paring of market expectations for the next Fed rate hike to 16% for the 21 September meeting, 42% for 14 December, and 70% for December 2017. China's industrial production and FAI both slowed more than anticipated in July, whilst Japan's 2Q16 GDP was softer than tipped at +0.2% qoq annualised (market forecast: +0.7%) amid unexpectedly weak business spending (-0.4% qoq).</p> <p>Today's economic data calendar comprises of 2Q Thai GDP growth, Japan's final June industrial production, S'pore's retail sales and US' Empire manufacturing and NAHB housing market index. Central banks on tap this week include FOMC's July minutes (due 18 Aug) and BI policy decision (with a likely pause amid the adoption of the 7-day repo rate as the new policy benchmark rate).</p>
US	<p>The University of Michigan consumer sentiment also improved less than anticipated from a 3-month low of 90 to 90.4, reflecting greater caution on personal finances for younger Americans. The current conditions gauge retreated from 109.0 to a 5-month low of 106.1, but the expectations gauge rose from 77.8 to 80.3. Interestingly, respondents also tipped Democratic nominee Clinton over Republican nominee Trump for the November election, but viewed neither as more likely to improve economic conditions or personal finances. Separately, PPI fell 0.4% in July, the largest decline since September, as energy costs decreased by 1% and food prices also slid 1.1%.</p>
EZ	<p>The second print of regional 2Q GDP growth came in at +0.3% qoq (+1.6% yoy), marking the 13th straight quarter of growth and in line with market expectations, but flagged the divergent story with Germany at +0.4%, France and Italy both flatlined at 0% and Greece which unexpectedly grew 0.3% (1Q16: -0.1%).</p>
SG	<p>Retail sales due later today may have decelerated from 3% yoy (+1.4% mom sa) in May to 2.0% yoy (+0.5% mom) in July.</p>
China	<p>Almost all major economic indicators in July surprised market on the downside. The disappointed data set raised the concern about China's growth quality as well as whether Chinese growth is still in the first stage of L-shaped trajectory. Although the weaker than expected growth data was partially attributable to one-off factors such as extreme weather, we think it also shows that the adjustment of over capacity is not done yet. In addition, the weak data naturally fuelled speculation on further monetary policy easing.</p>
HK	<p>Economy regained some traction in 2Q 2016, up significantly from the 0.8% yoy to 1.7% yoy. Pick-up in goods exports mainly guaranteed the improvement.</p>

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Major Market

- **US:** Equity markets slid from highs on Friday. Gains from energy producers were offset by retreats from the financial, raw materials and healthcare sectors. S&P500 and Dow lost 0.08% and 0.20% respectively, while the Nasdaq notched a marginal 0.09% gain. Meanwhile, softer than expected retail figures once again caused investors cut the odds of a Fed rate hike. 2-year and 10-year US Treasury yields retreated 3-5 basis points to close at 0.71% and 1.51%. Volatility continued to subside, with VIX closing at 11.55 after touching a 2 year low.
- **Singapore:** STI ended -0.08% on Friday to close at 2867.40, and may extend declines today amid softening investor appetite amid uninspiring global growth cues and S&P500's Friday slippage. STI's support and resistance tipped at 2840 and 2880 respectively. SGS bonds may be supported today amid the slight risk-off sentiments.
- **Hong Kong:** Outlook of HK's economy was still subpar amid weak tourism sector and headwinds of global economy. Investment remained in negative territory while domestic consumption remained weak. Analyzed by major GDP component, private consumption expenditure increased at a slower pace of 0.6% yoy amid concerns about job security and domestic economic outlook. Expenditures on machinery, equipment and intellectual property products dropped significantly by 11.3% yoy, signalling a deteriorating business environment amid the bleak economic outlook as enterprises globally became more cautious. However, good news was that expenditures on building and construction in the private sector ticked up further by 7.4% given accelerating pace of construction activities in private property market. In addition, growth in goods exports reverted to 2% after declining for four consecutive quarters. Exports to the EU rebounded, partly offsetting the continual decline in exports to the US and Japan. However, as the data did not take into account the effect following Brexit, we believe the trade figure still need to be watched closely. Among exports of services, decline in export of travel services narrowed amid a milder drop. However, performance of tourism sector in 1H was still disappointing comparing to last year given a drop of 7.4% in visitor arrivals. Looking ahead, we expect the HK economy to continue facing headwind amid weak tourism activities and depressed local sentiment. 2016 GDP growth is expected be around 1.1%.
- **Macau:** Government announced to allocate 150 of gambling tables for the mass-market segment of Wynn Palace, the new casino to be opened on Aug 22. The new casino and hotel opening is expected to attract more recreational gamblers. However, the fewer than expected gambling tables may still limit the recovery of the gaming sector.
- **Indonesia:** Government has issued a presidential regulation to cut a tax on home sales by half from September onwards. According to Reuters, the regulation states that the sellers of homes will be subject to a final tax of 2.5% of transaction price, instead of the current 5%. Moreover, "to give protection for citizens with low income," the tax rate will be only 1%, for purchases of homes smaller than 36 square meters.
- **Malaysia:** Q2 GDP came in line with market expectations, at 4.0% compared to 4.2% in Q1. While private consumption remains strong, net exports were a drag on the overall growth. Meanwhile, Bank Negara said that currency volatility is the new norm for the Ringgit, even though it should reflect the strength in the economy in the long run.

Bond Market Updates

- **Market Commentary:** The SGD dollar space curve flattened last Friday. Swap rates traded 1-5bps lower across all tenors with the exception of shorter tenors (less than a year) that traded 1-8bps higher. Flows in the SGD corporates were heavy with better buying seen in, SANYPH 7%'17s and better selling seen in, SCISP 4.75%'49s. Meanwhile, we also saw mixed interests in GENSSP 5.13%'49s, UOBSP 4%'49s and ABNANV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates decreased 3bps to 204bps while the yield on JACI HY corporates decreased 2bps to 6.42%. 10y UST decreased 5bps to 1.52%, erasing losses on Friday after weaker-than-forecasted figures for July's retail sales and Production Price Index(PPI), that was released on Thursday.
- **Rating Changes:** S&P has placed Mitsui Life Insurance Co. Ltd.'s (Mitsui) "A-" financial strength and counterparty credit rating on CreditWatch with positive implications. The decision follows Mitsui's issuance of subordinated bonds totalling JPY80bn in July and its borrowing of subordinated loans totalling JPY100bn in August, mainly to refinance its existing subordinated loans. The restructuring of Mitsui could lead to upward revision of its financial risk profile and stand-alone credit profile. Furthermore, the refinancing is likely to substantially ease Mitsui's interest burden, which could boost S&P's assessment of its prospective capital and earnings. Moody's has placed Hua Han Health Industry Holdings Ltd.'s "Ba3" corporate family rating on review for downgrade. The decision follows the suspension of trading on Hua Han's shares on 11 August, 2016 which could potentially stress the company's liquidity position, because any prolonged suspension could accelerate the company's repayments under its convertible bonds. Additionally, there were allegations of irregularities in Hua Han's reported financial statement which in turn could delay the completion and filing of Hua Han's FY2016 financial statements, triggering further suspension of share trading.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.722	-0.14%	USD-SGD	1.3451	0.13%
USD-JPY	101.300	-0.65%	EUR-SGD	1.5015	0.37%
EUR-USD	1.1162	0.22%	JPY-SGD	1.3285	0.83%
AUD-USD	0.7652	-0.61%	GBP-SGD	1.7380	-0.14%
GBP-USD	1.2920	-0.28%	AUD-SGD	1.0291	-0.49%
USD-MYR	4.0275	0.57%	NZD-SGD	0.9689	0.05%
USD-CNY	6.6362	0.04%	CHF-SGD	1.3802	0.23%
USD-IDR	13118	0.11%	SGD-MYR	2.9892	0.27%
USD-VND	22301	-0.02%	SGD-CNY	4.9350	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	0.0010	O/N	0.4191	-0.0011
2M	-0.3350	-0.0010	1M	0.5067	-0.0010
3M	-0.2990	--	2M	0.6326	0.0037
6M	-0.1880	0.0010	3M	0.8183	0.0013
9M	-0.1190	--	6M	1.2067	0.0028
12M	-0.0490	--	12M	1.5257	0.0062

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.37	-1.60	2.70
Italy	-0.09	-0.60	1.04
Ireland	-0.40	3.60	0.33
Greece	7.65	--	8.14
Spain	-0.17	0.80	0.93
Russia	2.11	3.20	3.99

Equity and Commodity

Index	Value	Net change
DJIA	18,576.47	-37.05
S&P	2,184.05	-1.74
Nasdaq	5,232.90	4.50
Nikkei 225	16,919.92	184.80
STI	2,867.40	-2.42
KLCI	1,684.15	5.35
JCI	5,377.20	-41.89
Baltic Dry	671.00	18.00
VIX	11.55	-0.13

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (-0.01)	0.71 (-0.04)
5Y	1.33 (-0.04)	1.10 (-0.05)
10Y	1.76 (-0.03)	1.51 (-0.05)
15Y	2.04 (-0.03)	--
20Y	2.13 (-0.04)	--
30Y	2.20 (-0.04)	2.23 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.99	-0.92
EURIBOR-OIS	5.20	0.10
TED	53.72	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	43.49	4.27%	Coffee (per lb)	1.377	-0.69%
Brent (per barrel)	46.04	4.52%	Cotton (per lb)	0.7127	0.15%
Heating Oil (per gallon)	1.385	5.04%	Sugar (per lb)	0.1960	-0.20%
Gasoline (per gallon)	1.362	4.63%	Orange Juice (per lb)	1.8355	1.35%
Natural Gas (per MMBtu)	2.551	-0.39%	Cocoa (per mt)	3,002	-0.60%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,848.0	0.56%	Wheat (per bushel)	4.1625	-1.30%
Nickel (per mt)	10,692	-1.17%	Soybean (per bushel)	10.223	0.52%
Aluminium (per mt)	1,642.5	0.43%	Corn (per bushel)	3.2100	-0.47%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,342.5	-0.13%	Crude Palm Oil (MYR/MT)	2,612.0	-0.68%
Silver (per oz)	20.020	-0.74%	Rubber (JPY/KG)	180.9	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 09 Aug 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	324,511	306,340	18,171	Corn	-18,790	21,288	-40,078
Wheat	-102,623	-110,924	8,301	Nymex Crude	278,615	294,109	-15,494
Soybean	144,721	138,491	6,230	Gold	312,721	326,264	-13,543
Live Cattle	52,767	47,999	4,768	Natural Gas	-116,691	-103,850	-12,841
Cocoa	23,536	18,840	4,696	Copper	-4,648	2,759	-7,407
Cotton	101,950	98,911	3,039	Lean Hogs	49,116	53,694	-4,578
RBOB Gasoline	48,834	45,950	2,884	Heating Oil	11,682	15,020	-3,338
Platinum	56,853	54,829	2,024	Coffee	36,600	39,938	-3,338
Palladium	16,448	15,976	472	Silver	94,555	96,782	-2,227

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
08/12/2016 06:30	NZ BusinessNZ Mfg PMI	Jul	--	55.8	57.7	57.6
08/12/2016 06:45	NZ Retail Sales Ex Inflation QoQ	2Q	1.00%	2.30%	0.80%	1.00%
08/12/2016 07:50	JN Foreign Buying Japan Stocks	Aug-05	--	¥492.2b	¥95.5b	--
08/12/2016 10:00	CH Industrial Production YoY	Jul	6.20%	6.00%	6.20%	--
08/12/2016 10:00	CH Retail Sales YoY	Jul	10.50%	10.20%	10.60%	--
08/12/2016 10:00	CH Fixed Assets Ex Rural YTD YoY	Jul	8.90%	8.10%	9.00%	--
08/12/2016 12:00	MA GDP YoY	2Q	4.00%	4.00%	4.20%	--
08/12/2016 14:00	GE CPI YoY	Jul F	0.40%	0.40%	0.40%	--
08/12/2016 14:00	GE CPI EU Harmonized YoY	Jul F	0.40%	0.40%	0.40%	--
08/12/2016 14:00	GE GDP SA QoQ	2Q P	0.20%	0.40%	0.70%	--
08/12/2016 14:00	GE GDP WDA YoY	2Q P	1.40%	1.80%	1.60%	1.90%
08/12/2016 14:00	GE GDP NSA YoY	2Q P	2.80%	3.10%	1.30%	1.50%
08/12/2016 14:45	FR Non-Farm Payrolls QoQ	2Q P	0.20%	0.20%	0.30%	0.20%
08/12/2016 16:00	IT GDP WDA QoQ	2Q P	0.20%	0.00%	0.30%	--
08/12/2016 16:03	CH New Yuan Loans CNY	Jul	850.0b	463.6b	1380.0b	--
08/12/2016 16:03	CH Money Supply M2 YoY	Jul	11.00%	10.20%	11.80%	--
08/12/2016 16:03	CH Money Supply M1 YoY	Jul	24.00%	25.40%	24.60%	--
08/12/2016 16:30	HK GDP SA QoQ	2Q	0.50%	1.60%	-0.40%	-0.50%
08/12/2016 16:30	HK GDP YoY	2Q	0.90%	1.70%	0.80%	--
08/12/2016 17:00	EC Industrial Production SA MoM	Jun	0.50%	0.60%	-1.20%	-1.20%
08/12/2016 17:00	EC GDP SA QoQ	2Q P	0.30%	0.30%	0.30%	--
08/12/2016 20:00	IN CPI YoY	Jul	5.90%	6.07%	5.77%	--
08/12/2016 20:00	IN Industrial Production YoY	Jun	1.50%	2.10%	1.20%	1.10%
08/12/2016 20:30	US Retail Sales Advance MoM	Jul	0.40%	0.00%	0.60%	0.80%
08/12/2016 20:30	US Retail Sales Ex Auto and Gas	Jul	0.30%	-0.10%	0.70%	0.80%
08/12/2016 20:30	US PPI Final Demand MoM	Jul	0.10%	-0.40%	0.50%	--
08/12/2016 20:30	US PPI Ex Food and Energy MoM	Jul	0.20%	-0.30%	0.40%	--
08/12/2016 20:30	US PPI Final Demand YoY	Jul	0.20%	-0.20%	0.30%	--
08/12/2016 21:52	IN Imports YoY	Jul	--	-19.00%	-7.30%	--
08/12/2016 21:52	IN Exports YoY	Jul	--	-6.80%	1.30%	--
08/12/2016 22:00	US U. of Mich. Sentiment	Aug P	91.5	90.4	90	--
08/15/2016 07:01	UK Rightmove House Prices MoM	Aug	--	-1.20%	-0.90%	--
08/15/2016 07:50	JN GDP SA QoQ	2Q P	0.20%	--	0.50%	--
08/15/2016 07:50	JN GDP Annualized SA QoQ	2Q P	0.70%	--	1.90%	--
08/15/2016 07:50	JN GDP Deflator YoY	2Q P	0.70%	--	0.90%	--
08/15/2016 10:30	TH GDP SA QoQ	2Q	0.50%	--	0.90%	--
08/15/2016 10:30	TH GDP YoY	2Q	3.30%	--	3.20%	--
08/15/2016 12:30	JN Industrial Production MoM	Jun F	--	--	1.90%	--
08/15/2016 12:30	JN Industrial Production YoY	Jun F	--	--	-1.90%	--
08/15/2016 12:30	JN Capacity Utilization MoM	Jun	--	--	-2.40%	--
08/15/2016 13:00	SI Retail Sales YoY	Jun	2.00%	--	3.00%	--
08/15/2016 20:30	US Empire Manufacturing	Aug	2	--	0.55	--
08/15/2016	ID Trade Balance	Jul	\$654m	--	\$900m	--
08/15/2016	ID Exports YoY	Jul	1.90%	--	-4.42%	--
08/15/2016	PH Overseas Remittances YoY	Jun	1.80%	--	1.90%	--

Source: Bloomberg

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