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Highlights

Global	<p>Wall Street continued to make headway amid the crude oil price rally amid market speculation that verbal jawboning by the Saudis could translate into potential OPEC action. Today's economic data calendar comprises of US' housing starts, building permits, CPI and industrial production, German ZEW survey, as well as UK' CPI/RPI/PPI and house prices (potentially indicative of Brexit impact). RBA minutes due later this morning could clarify the thinking and policy rate outlook for Australia, while Indonesian president Jokowi will be delivering his national address.</p>
US	<p>The Empire manufacturing unexpectedly sank from +0.55 back to contractionary territory at -4.21 (forecast: +2.0), the lowest since May (-9.0), but there were improvement in areas such as new orders, shipments and the average workweek. Meanwhile, the NAHB housing market index edged up from a revised 58 in July to 60 in August, the second-strongest reading this year and suggesting improving sentiments. Both the present sales and expected sales rose to 65 and 67 respectively, up from 63 and 66, albeit prospective buyer traffic slowed for a second straight month to 44 (previously 45). Overall, conditions should remain supportive of sustained residential investments in the coming quarters.</p>
SG	<p>Retail sales unexpectedly shrank 1.5% mom in June, following a revised 1.5% increase in May. This is below market consensus forecast of +0.7% mom sa. In on-year terms, retail sales decelerated from a revised 3.2% gain in May to just 0.9% yoy in June, below market expectations for a 2.0% increase, but still marked the fourth straight month of improvement. However, this was largely driven by motor vehicle sales which surged 17.1% yoy in June. Excluding autos, retail sales fell 3.0% yoy in June, the same as May, extending the decline to a fifth consecutive month. Across the different segments, weakness was seen in telecommunications & computers (-25.1% yoy), petrol services stations (-14.1% yoy), recreational goods (-11.8% yoy), optical goods & books (-6.8% yoy), F&B (-5.5% yoy), wearing apparel & footwear (-4.4% yoy), department stores (-3.8% yoy), supermarkets (-2.2% yoy), watches & jewellery (-1.4% yoy) and mini-marts & convenience stores (0% yoy). In contrast, modest improvement in retail sales were only seen in furniture & household equipment (+5.8% yoy) and medical goods & toiletries (+3.0% yoy). Given the soft retail sentiment, easing domestic labour market conditions and post-Brexit caution, retail sales may not see a big lift from the extended Great Singapore Sale period in 3Q16.</p> <p>Meanwhile, new private home sales nearly doubled from 536 units in June to 1,091 units in July, the highest since July 2015 (1,655 units) as demand for new project launches picked up.</p>
China	<p>In the Q&A published yesterday, PBoC explained the reasons and distortions behind the weaker than expected July financial and credit data and urged investors not to over read July data. The key message delivered by PBoC, in our view, is that the slower growth in July is not because of less accommodative monetary policy. On the other hand, PBoC continued to inject CNY289 billion liquidity via medium term lending facility. This shows to us that unconventional measures are still preferred by PBoC.</p> <p>China's equity market rallied yesterday on rising hopes for the launch of Shenzhen Hong Kong connect in December.</p>

Major Market

- **US:** Equities recovered towards their record highs after a strong showing in crude oil and industrial metals. New records were set for Dow and Nasdaq, which gained 0.32% and 0.56% respectively. S&P 500 rose 0.28%. Meanwhile, increased currency hedging costs have reduced the attractiveness of US Treasuries for Japanese and European buyers. Including these costs, 10-year US Treasuries now yield negative for Japanese buyers, and zero for European buyers. 2-year and 10-year benchmark yields closed higher at 0.73% and 1.56%. Elsewhere, VIX rose 2.25% to close at 11.81.
- **Singapore:** STI ended nearly flat (-0.01%) yesterday at 2867.21, but may attempt to track Wall Street higher today. STI's support and resistance tipped at 2840 and 2880 respectively. SGS bond yields fell by around 1-4bps yesterday, led by the longer tenors, but may surrender some gains today amid the improvement in risk sentiments.
- **Indonesia:** Budget deficit stands at 2.08% of GDP as of August 5th, according to the Finance Ministry. State revenue was IDR775.2tn or 43.4% of total target for the year, with tax revenue at about 40% of full-year target. Meanwhile, government spending was IDR1037.6tn or 49.8% of the annual target, yielding deficit equivalent to IDR262.5tn. Meanwhile, trade data showed a contraction of exports by 17%yoy, against expectation of 1.9% expansion, while imports fell by 11.6%yoy to give trade surplus of USD598.3mn.
- **Thailand:** 2Q GDP growth beat market expectations to grow 0.8% qoq sa (+3.5% yoy), up from +1.0% qoq sa (+3.2% yoy), amid accelerating government spending and higher tourist arrivals.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve bull-flattened yesterday with swap rates trading 1-7bps lower across all tenors on expectations that the Federal Reserve is in no rush to raise interest rates in the near term after last week's retail results. Flows in the SGD corporates were heavy with better selling seen in FIRTSP 5.68%'49s, GENSSP 5.13%'49s, BAERVX 5.9%'49s and SCISP 4.75%'49s. Meanwhile we also saw mixed interest in MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 204bps while the yield on JACI HY corporates decreased 3bps to 6.39%. 10y UST yield increased 4bps to 1.56% as US stocks and oil recorded gains for the session yesterday.
- **New Issues:** Mapletree Commercial Trust has priced a SGD175mn 10-year bond at 3.11% with an expected issue rating of "NR/Baa1/NR". China Aircraft Leasing Group Holdings Ltd. has priced a USD300mn 5-year bond at 4.9%, tightening from its initial guidance at 5.25%.
- **Rating Changes:** Moody's downgraded Noble Group's credit rating to "B2" from "Ba3" with a negative outlook. The downgrade was in view that Noble Group's liquidity could come under pressure over the next 12 months due to weaker than expected profitability. Moody's revised its outlook on Deere & Company, John Deere Capital Corporation and their supported subsidiaries to negative from stable and affirmed their "A2" credit ratings. The negative outlook reflects the challenges Deere is facing as a result of the broad and lengthy weakness in farm equipment demand which is contributing to low profits and cash flow, and low margins. Moody's revised its outlook on China SCE Property Holdings Ltd.'s "B1" corporate family rating to negative from stable. The revision reflects Moody's expectation that China SCE's debt leverage will remain high over the next 12-18 months relative to its "B1" rated peers. Fitch has affirmed Sony Corp.'s "BB" issuer default ratings and revised the outlook to positive from stable. The revision reflects Fitch's expectation that Sony will continue to generate modest operating profit from its non-financial businesses following cost reductions and restructuring. Additionally, Fitch also expects profitability to

become less volatile and also improve for the financial year ending March 2017.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.629	-0.10%	USD-SGD	1.3432	-0.14%
USD-JPY	101.260	-0.04%	EUR-SGD	1.5022	0.05%
EUR-USD	1.1184	0.20%	JPY-SGD	1.3266	-0.14%
AUD-USD	0.7674	0.29%	GBP-SGD	1.7300	-0.46%
GBP-USD	1.2880	-0.31%	AUD-SGD	1.0308	0.17%
USD-MYR	4.0028	-0.61%	NZD-SGD	0.9683	-0.06%
USD-CNY	6.6380	0.03%	CHF-SGD	1.3808	0.04%
USD-IDR	13090	-0.21%	SGD-MYR	2.9840	-0.17%
USD-VND	22301	--	SGD-CNY	4.9456	0.21%

Interbank Offer Rates (%)

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

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.37	0.50	2.69
Italy	-0.09	0.50	1.06
Ireland	-0.38	2.20	0.36
Greece	7.65	--	8.14
Spain	-0.17	--	0.94
Russia	2.08	-2.30	3.95

Equity and Commodity

Index	Value	Net change
DJIA	18,636.05	59.58
S&P	2,190.15	6.10
Nasdaq	5,262.02	29.12
Nikkei 225	16,869.56	-50.36
STI	2,867.21	-0.19
KLCI	1,690.33	6.18
JCI	5,320.56	-56.64
Baltic Dry	681.00	10.00
VIX	11.81	0.26

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (--)	0.73 (+0.02)
5Y	1.32 (-0.01)	1.13 (+0.04)
10Y	1.73 (-0.02)	1.56 (+0.04)
15Y	2.00 (-0.03)	--
20Y	2.09 (-0.04)	--
30Y	2.16 (-0.05)	2.28 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.99	1.55
EURIBOR-OIS	5.10	-0.10
TED	54.35	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.49	2.30%	Coffee (per lb)	1.369	-0.62%
Brent (per barrel)	46.97	2.02%	Cotton (per lb)	0.6988	-1.95%
Heating Oil (per gallon)	1.409	1.71%	Sugar (per lb)	0.1971	0.56%
Gasoline (per gallon)	1.371	0.68%	Orange Juice (per lb)	1.8095	-1.42%
Natural Gas (per MMBtu)	2.586	1.37%	Cocoa (per mt)	2,993	-0.30%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,761.0	-1.79%	Wheat (per bushel)	4.2250	1.50%
Nickel (per mt)	10,262	-4.02%	Soybean (per bushel)	10.033	-1.86%
Aluminium (per mt)	1,643.3	0.05%	Corn (per bushel)	3.2225	0.39%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,335.8	-0.50%	Crude Palm Oil (MYR/MT)	2,620.0	0.31%
Silver (per oz)	19.703	-1.58%	Rubber (JPY/KG)	182.8	1.05%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
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%	0.00%	0.50%	--
08/15/2016 07:50	JN GDP Annualized SA QoQ	2Q P	0.70%	0.20%	1.90%	2.00%
08/15/2016 07:50	JN GDP Nominal SA QoQ	2Q P	0.20%	0.20%	0.60%	0.80%
08/15/2016 07:50	JN GDP Deflator YoY	2Q P	0.70%	0.80%	0.90%	--
08/15/2016 10:30	TH GDP SA QoQ	2Q	0.50%	0.80%	0.90%	1.00%
08/15/2016 10:30	TH GDP YoY	2Q	3.30%	3.50%	3.20%	--
08/15/2016 12:05	ID Exports YoY	Jul	1.90%	-17.02%	-4.42%	-3.99%
08/15/2016 12:20	ID Trade Balance	Jul	\$654m	\$598m	\$900m	\$879m
08/15/2016 12:30	JN Industrial Production MoM	Jun F	--	2.30%	1.90%	--
08/15/2016 12:30	JN Industrial Production YoY	Jun F	--	-1.50%	-1.90%	--
08/15/2016 12:30	JN Capacity Utilization MoM	Jun	--	1.50%	-2.40%	--
08/15/2016 13:00	SI Retail Sales SA MoM	Jun	0.70%	-1.50%	1.40%	1.50%
08/15/2016 13:00	SI Retail Sales YoY	Jun	2.00%	0.90%	3.00%	3.20%
08/15/2016 20:30	US Empire Manufacturing	Aug	2	-4.21	0.55	--
08/15/2016	PH Overseas Remittances YoY	Jun	1.80%	4.80%	1.90%	--
08/15/2016	PH Overseas Workers Remittances	Jun	\$2234m	\$2334m	\$2188m	--
08/16/2016 04:00	US Total Net TIC Flows	Jun	--	-\$202.8b	-\$11.0b	--
08/16/2016 04:00	US Net Long-term TIC Flows	Jun	\$42.0b	-\$3.6b	\$41.1b	\$40.8b
08/16/2016 09:30	AU New Motor Vehicle Sales MoM	Jul	--	--	3.10%	--
08/16/2016 09:30	AU New Motor Vehicle Sales YoY	Jul	--	--	2.10%	--
08/16/2016 11:00	NZ Non Resident Bond Holdings	Jul	--	--	67.40%	--
08/16/2016 12:00	JN Tokyo Condominium Sales YoY	Jul	--	--	-12.90%	--
08/16/2016 14:30	IN Wholesale Prices YoY	Jul	2.84%	--	1.62%	--
08/16/2016 16:30	UK CPI MoM	Jul	-0.10%	--	0.20%	--
08/16/2016 16:30	UK CPI YoY	Jul	0.50%	--	0.50%	--
08/16/2016 16:30	UK CPI Core YoY	Jul	1.40%	--	1.40%	--
08/16/2016 16:30	UK Retail Price Index	Jul	262.9	--	263.1	--
08/16/2016 16:30	UK RPI MoM	Jul	-0.10%	--	0.40%	--
08/16/2016 16:30	UK RPI YoY	Jul	1.70%	--	1.60%	--
08/16/2016 16:30	UK RPI Ex Mort Int.Payments (YoY)	Jul	1.70%	--	1.70%	--
08/16/2016 16:30	UK PPI Output NSA MoM	Jul	0.20%	--	0.20%	--
08/16/2016 16:30	UK PPI Output NSA YoY	Jul	0.00%	--	-0.40%	--
08/16/2016 17:00	GE ZEW Survey Current Situation	Aug	50.2	--	49.8	--
08/16/2016 17:00	GE ZEW Survey Expectations	Aug	2	--	-6.8	--
08/16/2016 17:00	EC ZEW Survey Expectations	Aug	--	--	-14.7	--
08/16/2016 20:30	CA Manufacturing Sales MoM	Jun	0.50%	--	-1.00%	--
08/16/2016 20:30	US Housing Starts	Jul	1180k	--	1189k	--
08/16/2016 20:30	US Building Permits	Jul	1160k	--	1153k	--
08/16/2016 20:30	US CPI MoM	Jul	0.00%	--	0.20%	--
08/16/2016 20:30	US CPI Ex Food and Energy MoM	Jul	0.20%	--	0.20%	--
08/16/2016 20:30	US CPI YoY	Jul	0.90%	--	1.00%	--
08/16/2016 20:30	US CPI Ex Food and Energy YoY	Jul	2.30%	--	2.30%	--
08/16/2016 21:15	US Industrial Production MoM	Jul	0.30%	--	0.60%	--
08/16/2016 21:15	US Capacity Utilization	Jul	75.60%	--	75.40%	--

Source: Bloomberg

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