

Treasury Advisory
Corporate FX & Structured
Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

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Products

Tel: 6349-1886

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Highlights

Global	<p>The Bank of England unanimously kept its policy settings unchanged yesterday in a 9-0 vote but “a majority of members expected to support a further cut in Bank Rate to its effective lower bound at one of the MPC’s forthcoming meetings during the course of the year” if the UK economy performs broadly in line with the August forecast. As such, two key data points to watch would include the July services and September PMI. The MPC had noted that initial post-Brexit economic reports had been “slightly to the upside”, they opined that the “contours of the economic outlook” had not changed and “the committee would monitor closely changes in asset prices and in interest rates facing households and firms and their effect on economic activity”. This suggests that the BOE is largely in wait-and-see mode, albeit the conservative bias is for further monetary easing. Meanwhile, global risk appetite remained supportive with Wall Street rebounding from a two-month low amid higher crude oil prices and hype over Apple’s iPhone 7 launch. Expect Asian markets to tread water today with a quiet but likely slightly firmer tone, albeit China, South Korea, Taiwan, Malaysia and Hong Kong markets are closed. On the data front, there is only US’ University of Michigan confidence and August CPI data of note today.</p>
US	<p>Retail sales fell more than expected by 0.3% mom in August, albeit the July data was revised a tad higher. The drags were from motor vehicle sales and falling gasoline prices. Retail sales excluding autos and gas also fell 0.1%, suggesting that household spending was still soft. Meanwhile, initial jobless claims rose 1k to 260k, with continuing claims also marginally higher at 2.143m. The Philadelphia Fed business surged from 2.0 to 12.8 in September, but industrial production shrank more than expected by 0.4% mom with capacity utilisation also lower at 75.5%.</p>
SG	<p>NODX flatlined yoy in August and fell 1.9% mom sa, which is milder than market and our expectations, as electronics exports declined by a less severe 6.0% yoy (previously -12.9% yoy), albeit pharmaceuticals exports slumped 17.9% yoy. July NODX had contracted 10.6% yoy (-1.9% mom sa). July retail sales grew more than expected by 2.8% yoy (+1.4% mom sa), while the June data was also revised up to +1.3% yoy (-0.9% mom sa). The contributing factors for the outperformance was led by motor vehicles (+36.5% yoy and +4.7% mom sa) in July, likely reflecting the pent-up demand following the recent easing of the auto loan rules. Other retail segments that also expanded in July were limited to medical goods & toiletries (+4.5% yoy), mini-marts & convenience stores (+1.2%), and supermarkets (+0.3% yoy), which are reflective of the resilience of domestic demand. Excluding motor vehicles, retail sales actually fell 3.1% yoy, with broad-based declines in computer & telecomm equipment (-18.8% yoy), petrol service stations (-13.6% yoy), and watches & jewellery (-9.6% yoy). Discretionary spending was likely curbed given market confidence had largely tilted south post-Brexit. In particular, the softening of the domestic labour market conditions and tourism receipts could have played a role. Looking ahead, retail sales may remain soft in the coming months amid temporary (and likely short-lived) concerns about the Zika local outbreak and a more subdued domestic labour market.</p>

Major Market

- **US:** Equities shrugged off weak prints in retail sales and manufacturing output to mark strong gains. The recent upswing in Apple Inc. continued to pull the tech sector higher, with Nasdaq recording largest gains at 1.47%. Energy stocks also led gains, benefiting from rebounding crude prices. S&P 500 and Dow closed higher by 1.01% and 0.99% respectively. In the Treasury space, weak economic data continue to fade rate hike expectations, leading to increased appetite for shorter maturities. 2-year benchmark yield fell 3 bps to 0.73%. Longer term yields held up as a recent swathe of IG-issuance led to decreased demand for longer maturities. 10-year Treasury yields were lower by less than 1 bps to 1.69%. Volatility retreated, while still maintaining at relatively elevated levels. VIX closed at 16.30, down 10.14%.
- **Singapore:** The domestic labor market is clearly softening, partly due to increasing caution by businesses/employers given the sluggish growth environment. The unemployment rate rose to 2.1% (overall), 3% (residents) and 3.1% (citizens), while resident long-term unemployment rate also edged up to 0.8% (highest since 2010). Total employment grew by only 4.2k, down from 13k in 1Q16 and also less than half of the 9.7k seen a year ago. Layoffs also rose to 4.8k (highest 2Q since 2009) and were broad-based, bringing the total made redundant in 1H16 to 9.51k (highest since 2009 as well). This is indicative of labour churn attributable to the economic restructuring story, as well as to sectors that are under pressure. Unemployment for degree holders also hit the highest since 2009. The key is whether those laid off are able to find re-employment within a reasonable period of time – re-entry levels slipped slightly from 46% in 1Q16 to 45% (lowest since June 2009) in 2Q16 and PMETs in particular saw greater difficulties in securing re-entry. In addition, job vacancies also fell from 50k in March to 49.4k in June 2016, extending the downtrend since March 2015. This led the ratio of job vacancies to unemployed persons to 93 openings per 100 seekers, with job seekers exceeding job vacancies for the first time since June 2012. Looking ahead, 2H employment typically tends to pick up, especially into 4Q due to the festive season, so it's not all doom and gloom. However, we recognize that employment growth going ahead will likely be modest compared to previous years. That said, the Oil & Gas sector, with attendant services, will likely continue to be tepid and be a drag on employment. Ditto for manufacturing. Financial services are also likely to be cautious given slowing momentum. The pockets that will continue to see growth will be the Community, Social & Personal Services and Accommodation & Food Services.
- STI slipped for a fourth straight session by 0.14% to end at 2805.52 yesterday, barely keeping afloat of the 2800 support. Given more positive cues from Wall Street overnight, the STI may consolidate within a narrow 2800-2820 today while awaiting further direction from the upcoming FOMC meeting next week. The SGS bond yield curve steepened in line with the UST bonds, with the 15-20 year tenors leading the sell-off by climbing another 6bps yesterday, and the pressure is likely to sustain in the interim.
- **Hong Kong:** HKMA was said to collect information on the mortgage loans approved since August. Given signs of scrutiny from HKMA, banks are unlikely to reduce the mortgage rates further. However, the rates will remain low to lure more retail business amid subdued corporate business on a sour economic outlook.
- **Thailand:** GDP growth is expected to grow by 3.2% this year, according to Prime Minister Prayuth Chan-o-cha, though latest data from the University of the Thai Chamber of Commerce found that average household debt has risen by 20.2% year-to-date (highest rate of growth in nine years). Elsewhere, the State Railway of Thailand is seeking to develop some land into commercial areas worth THB88.7bn in investments.
- **Commodities:** The implied probability for a Fed rate hike in Sept has been falling gradually as the days go by. As of this morning, the probability for a Sept hike is now printing a mere 18.0%, while

the chance for a Dec hike has declined below its critical 50% handle. Still, gold prices likely took cues from the slightly better-than-expected US initial jobless claims (+260k vs est +265k), bringing the yellow metal down by 0.61% last night. Elsewhere on the crude oil space, the lack of cues has likely driven market-watchers to engage in some short-covering moves, thus bringing the sticky liquid a notch higher this morning.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates trading 2-4bps higher across all tenors. Flows in the SGD corporates was heavy with better buying seen in SCISP 4.75%'49s and OHLSP 5.1%'17s while mixed interests were seen in ARTSP 4.68%'49s, GENSSP 5.13%'49s, UOBSP 4%'49s and FCLSP 5%'49s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 202bps while the yield on JACI HY corporates remained relatively unchanged at 6.51%. 10y UST yield also remained levelled at 1.69%.
- **New Issues:** Transurban Group has priced a USD550mn 10-year bond at CT10+175bps. The expected ratings for the issue are "NR/Baa1/A-". Jiangsu Fang Yang has scheduled investor road shows from 19 September onwards for potential USD bond issuance with expected issue ratings of "NR/NR/BB".
- **Rating Changes:** S&P has placed Shanghai International Port (Group) Co. Ltd.'s (SIPG) "AA-" corporate credit rating on CreditWatch with negative implications. The decision reflects the prospects of a rapid deterioration in SIPG's financial strength given the company's plan to subscribe to the IPO of Postal Savings Bank of China (PSBC) on the Hong Kong Stock Exchange. Similar rating action was taken yesterday by Moody's. S&P raised its corporate credit rating on Renhe Commercial Holdings Co. Ltd. to "B-" from "CCC-" with a stable outlook. The upgrade reflects our view that Renhe's liquidity and default risks have largely reduced following the repayment of the company's outstanding borrowings and partial repayment of a bank loan that Renhe assumed during the acquisition of its agribusiness. Fitch assigned Jiangsu Fang Yang Group "BB" issuer default ratings with a stable outlook. Additionally, Fitch also assigned Jiangsu Fang Yang's proposed senior unsecured US dollar notes with an expected rating of "BB".

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.288	-0.04%	USD-SGD	1.3634	-0.01%
USD-JPY	102.100	-0.32%	EUR-SGD	1.5330	-0.07%
EUR-USD	1.1244	-0.05%	JPY-SGD	1.3354	0.31%
AUD-USD	0.7515	0.62%	GBP-SGD	1.8049	0.02%
GBP-USD	1.3239	0.03%	AUD-SGD	1.0246	0.61%
USD-MYR	4.1375	0.32%	NZD-SGD	0.9976	0.46%
USD-CNY	6.6747	--	CHF-SGD	1.4028	0.14%
USD-IDR	13175	-0.23%	SGD-MYR	3.0322	0.41%
USD-VND	22308	-0.01%	SGD-CNY	4.8932	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	0.4221	--
2M	-0.3360	--	1M	0.5296	--
3M	-0.3030	--	2M	0.6694	--
6M	-0.1990	--	3M	0.8539	--
9M	-0.1250	--	6M	1.2528	--
12M	-0.0540	--	12M	1.5562	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.49	4.00	3.42
Italy	-0.06	-0.80	1.33
Ireland	-0.36	--	0.50
Greece	7.65	--	8.60
Spain	-0.17	-1.40	1.07
Russia	2.05	2.90	4.01

Equity and Commodity

Index	Value	Net change
DJIA	18,212.48	177.71
S&P	2,147.26	21.49
Nasdaq	5,249.69	75.92
Nikkei 225	16,405.01	-209.23
STI	2,805.52	-3.83
KLCI	1,652.99	-8.40
JCI	5,265.82	119.78
Baltic Dry	764.00	8.00
VIX	16.30	-1.84

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.87 (+0.02)	0.73 (-0.03)
5Y	1.36 (+0.04)	1.18 (-0.03)
10Y	1.92 (+0.05)	1.69 (-0.01)
15Y	2.22 (+0.06)	--
20Y	2.29 (+0.06)	--
30Y	2.30 (+0.05)	2.46 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.15	-0.12
EURIBOR-OIS	2.70	-1.50
TED	53.43	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	43.91	0.76%	Coffee (per lb)	1.476	-0.14%
Brent (per barrel)	46.59	1.61%	Cotton (per lb)	0.6838	0.44%
Heating Oil (per gallon)	1.416	2.50%	Sugar (per lb)	0.2048	1.74%
Gasoline (per gallon)	1.43	5.05%	Orange Juice (per lb)	1.9460	-0.46%
Natural Gas (per MMBtu)	2.927	1.32%	Cocoa (per mt)	2,872	0.81%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,781.0	0.20%	Wheat (per bushel)	3.9950	6.04%
Nickel (per mt)	9,664	-1.29%	Soybean (per bushel)	9.505	-2.21%
Aluminium (per mt)	1,556.0	-0.75%	Corn (per bushel)	3.3000	2.40%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,314.0	-0.61%	Crude Palm Oil (MYR/MT)	2,833.0	--
Silver (per oz)	18.959	-0.12%	Rubber (JPY/KG)	165.6	-2.47%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/15/2016 06:30	NZ Business NZ Mfg PMI	Aug	--	55.1	55.8	55.5
09/15/2016 06:45	NZ GDP SA QoQ	2Q	1.10%	0.90%	0.70%	0.90%
09/15/2016 06:45	NZ GDP YoY	2Q	3.60%	3.60%	2.80%	3.00%
09/15/2016 07:50	JN Foreign Buying Japan Bonds	Sep-09	--	¥1065.2b	¥666.9b	¥707.3b
09/15/2016 07:50	JN Foreign Buying Japan Stocks	Sep-09	--	¥479.0b	¥1.9b	--
09/15/2016 09:30	AU Employment Change	Aug	15.0k	-3.9k	26.2k	26.2k
09/15/2016 09:30	AU Unemployment Rate	Aug	5.70%	5.60%	5.70%	--
09/15/2016 09:30	AU Full Time Employment Change	Aug	--	11.5k	-45.4k	-43.4k
09/15/2016 09:30	AU Participation Rate	Aug	64.90%	64.70%	64.90%	--
09/15/2016 09:30	AU New Motor Vehicle Sales MoM	Aug	--	0.10%	-1.30%	-1.40%
09/15/2016 09:30	AU New Motor Vehicle Sales YoY	Aug	--	2.90%	1.60%	1.30%
09/15/2016 09:30	AU RBA FX Transactions Market	Aug	--	607m	444m	--
09/15/2016 12:04	ID Exports YoY	Aug	-10.60%	-0.74%	-17.02%	-16.88%
09/15/2016 12:17	ID Trade Balance	Aug	\$500m	\$294m	\$598m	\$514m
09/15/2016 12:17	ID Imports YoY	Aug	-11.65%	-0.49%	-11.56%	-10.56%
09/15/2016 13:00	SI Retail Sales SA MoM	Jul	-0.40%	1.40%	-1.50%	-0.90%
09/15/2016 13:00	SI Retail Sales YoY	Jul	1.40%	2.80%	0.90%	1.30%
09/15/2016 14:00	EC EU27 New Car Registrations	Aug	--	10.00%	-1.40%	--
09/15/2016 15:40	PH Overseas Remittances YoY	Jul	4.80%	-5.40%	4.80%	--
09/15/2016 15:40	PH Overseas Workers Remittances	Jul	\$2354m	\$2131m	\$2334m	--
09/15/2016 16:30	UK Retail Sales Ex Auto Fuel YoY	Aug	4.80%	5.90%	5.40%	5.80%
09/15/2016 16:30	UK Retail Sales In Auto Fuel MoM	Aug	-0.40%	-0.20%	1.40%	1.90%
09/15/2016 16:30	UK Retail Sales Inc Auto Fuel YoY	Aug	5.40%	6.20%	5.90%	6.30%
09/15/2016 17:00	EC CPI MoM	Aug	0.10%	0.10%	-0.60%	-0.60%
09/15/2016 17:00	EC CPI YoY	Aug F	0.20%	0.20%	0.20%	--
09/15/2016 17:00	EC CPI Core YoY	Aug F	0.80%	0.80%	0.80%	--
09/15/2016 19:00	UK Bank of England Bank Rate	Sep-15	0.25%	0.25%	0.25%	--
09/15/2016 19:00	UK BOE Asset Purchase Target	Sep	435b	435b	435b	--
09/15/2016 20:10	IN Imports YoY	Aug	--	-14.10%	-19.00%	--
09/15/2016 20:10	IN Exports YoY	Aug	--	-0.30%	-6.80%	--
09/15/2016 20:30	US Empire Manufacturing	Sep	-1	-1.99	-4.21	--
09/15/2016 20:30	US Current Account Balance	2Q	-\$121.0b	-\$119.9b	-\$124.7b	-\$131.8b
09/15/2016 20:30	US Retail Sales Advance MoM	Aug	-0.10%	-0.30%	0.00%	0.10%
09/15/2016 20:30	US Retail Sales Ex Auto MoM	Aug	0.20%	-0.10%	-0.30%	-0.40%
09/15/2016 20:30	US Retail Sales Ex Auto and Gas	Aug	0.30%	-0.10%	-0.10%	--
09/15/2016 20:30	US Initial Jobless Claims	Sep-10	265k	260k	259k	--
09/15/2016 20:30	US Continuing Claims	Sep-03	2150k	2143k	2144k	2142k
09/15/2016 20:30	US PPI Final Demand MoM	Aug	0.10%	0.00%	-0.40%	--
09/15/2016 20:30	US PPI Ex Food and Energy MoM	Aug	0.10%	0.10%	-0.30%	--
09/15/2016 20:30	US PPI Final Demand YoY	Aug	0.10%	0.00%	-0.20%	--
09/15/2016 20:30	US PPI Ex Food and Energy YoY	Aug	1.00%	1.00%	0.70%	--
09/15/2016 20:30	US Philadelphia Fed Bis Outlook	Sep	1	12.8	2	--
09/15/2016 21:15	US Industrial Production MoM	Aug	-0.20%	-0.40%	0.70%	0.60%
09/15/2016 21:15	US Capacity Utilization	Aug	75.70%	75.50%	75.90%	--
09/15/2016 21:45	US Bloomberg Consumer Comfort	Sep-11	--	42.2	44	--
09/16/2016 08:30	SI Non-oil Domestic Exports YoY	Aug	-3.30%	0%	-10.60%	--
09/16/2016 11:00	NZ Non Resident Bond Holdings	Aug	--	--	67.20%	--
09/16/2016 15:30	TH Foreign Reserves	Sep-09	--	--	\$181.1b	--
09/16/2016 16:00	IT Trade Balance Total	Jul	--	--	4662m	--
09/16/2016 20:30	CA Int'l Securities Transactions	Jul	--	--	9.02b	--
09/16/2016 20:30	CA Manufacturing Sales MoM	Jul	1.00%	--	0.80%	--
09/16/2016 20:30	US CPI MoM	Aug	0.10%	--	0.00%	--
09/16/2016 20:30	US CPI Ex Food and Energy MoM	Aug	0.20%	--	0.10%	--
09/16/2016 20:30	US CPI YoY	Aug	1.00%	--	0.80%	--
09/16/2016 20:30	US CPI Ex Food and Energy YoY	Aug	2.20%	--	2.20%	--
09/16/2016 22:00	US U. of Mich. Sentiment	Sep P	90.6	--	89.8	--

Source: Bloomberg

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