

## Highlights

Global	<p>This week kicks off with a relatively hawkish Fed rhetoric, a dovish BOJ, an incoming RBI governor (who is slightly less dovish for bonds) and news that RBS has imposed negative rates for some of its largest institutional clients (numbering 60) on funds pledged as collateral when trading futures contracts for GBP, EUR and options trading due to sustained low interest rate environment. BI held rates static on Friday, while BOJ governor Kuroda suggested a “sufficient chance” of more monetary easing in September, and the new RBI governor Urjit Patel (deputy governor with a reputation as an inflation hawk) has been named to replace Rajan whose term ends 4 Sep.</p> <p>Today’s economic data calendar is relatively light with only US’ Chicago Fed national activity index and Taiwan export orders on tap. The key focus ahead will be Fed chair Yellen’s speech at Jackson Hole symposium at Wyoming, which is aptly titled “Designing resilient monetary policy framework for the future” – while market is hoping for some clarity, it may be difficult for Yellen to deviate from her dovish and data-dependent stance, notwithstanding mixed Fed rhetoric of late from Dudley and Williams. Market conviction levels for a rate hike “in play” this year also remains low with futures market only pricing in a 22% and 51% probabilities for the 21 Sep and 14 Dec FOMC meetings respectively.</p>
US	<p>Fed’s Fischer was relatively hawkish, indicating that “even amid these shocks, the labour market continued to improve” and “we are close to our targets”, with US growth tipped to “pick up in coming quarters”. Meanwhile, Williams also suggested that all Fed meetings including the Sep one is “in play” and “I don’t think I’m in a hurry to raise rates...but I don’t think that it would be helpful to allow this economy to overheat”.</p>
EZ	<p>Swedish PM Loefven has warned UK from any drastic plans to lower corporate taxes considering as to “begin that kind of race, that will of course make discussions more difficult” and “aggressiveness from Britain in those types of issues, that doesn’t improve the relationship”.</p>
SG	<p>PM Lee’s National Day Rally speech covered a lot of ground, from disruptions which is the “defining challenge” to the Singapore economy, and focusing on how to secure Singapore’s place in the world and to ensure good politics. He also announced that Finance Minister Heng Swee Keat is ready to resume his duties progressively, and Lawrence Wong will be appointed as the second minister for finance.</p>
ID	<p>Bank Indonesia opted to keep its policy rate level unchanged late on Friday, in line with our expectation but was a surprise to around half of the analysts in the market. The meeting also marked a formal complete transition into 7-day reverse repo rate, at 5.25%, as the new policy rate benchmark, from the 12-month BI rate previously.</p>
Commodities	<p>Market-watchers appeared to have shrugged news that Iraq is to increase crude oil exports by about 5.0% in the next few days, with crude oil prices little changed this morning. Moreover, it seems that more hype over a potential oil freeze in the upcoming informal OPEC meeting (26 – 28 Sept) at Algeria can be seen, now with Russia Energy Minister Alexander Novak commenting that his nation is open to an oil freeze.</p>

**Treasury Advisory**  
**Corporate FX & Structured Products**

Tel: 6349-1888 / 1881

**Interest Rate Derivatives**

Tel: 6349-1899

**Investments & Structured Products**

Tel: 6349-1886

**GT Institutional Sales**

Tel: 6349-1810

## Major Market

- **US:** Equity markets slipped on Friday, as major indices continue to fluctuate in narrow bands near recent record highs. S&P edged lower by 0.14%, while Dow and Nasdaq were lower by 0.24% and 0.03% respectively. Day-to-day movements appear dependent on shifting expectations of Fed's rate hike path. Looking ahead, high valuations may constrain further gains as corporate profits remain subdued. In the Treasury space, yields were higher across the board by 2-6 basis points. 2-year and 10-year benchmark yields closed at 0.75% and 1.58% respectively. Volatility remained muted, as VIX stayed at its recent lows, falling 0.79%.
- **Singapore:** STI added 0.25% to close at 2844.02 on Friday, but may trade with a somewhat cautious tone today amid weak cues from Wall Street on Friday and given a sobering message from PM Lee's National Day Rally speech last night. STI's support and resistance are tipped at 2820 and 2860 respectively. SGS bond yields firmed by 1-3bps on Friday and may extend losses today given the UST selloff post-hawkish Fed rhetoric.
- **China:** Sheng Songcheng, director of the statistics and analysis department of PBoC, reiterated his personal opinion last week that tax deduction is more efficient than interest rate cut at the current stage to lower corporate leverage ratio. Meanwhile, he also calls for higher fiscal deficit.

## Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards with swap rates trading 1-5bps higher across all tenors. Flows in the SGD corporates were moderate with mixed interests seen in OLAMSP 6%'18s, MCTSP 3.11%'26s and ARTSP 4.68%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 200bps while the yield on JACI HY corporates decreased 1bps to 6.39%. 10y UST yield increased 4bps to 1.58% following hawkish comments from the San Francisco Federal Reserve President John Williams that stated the September meeting is "in play" for a rate hike.
- **New Issues:** Modernland Realty Tbk PT has priced a USD57mn retap of its 2019 bond at CT3+108bps, tightening from its initial guidance at CT3+107.5bps. The expected issue ratings are "B/B2/B". British Columbia has priced a AUD100mn 10-year bond at 2.5%.
- **Rating Changes:** Moody's has placed Cheung Kong Property (CKP) Holdings Ltd.'s "A3" issuer rating on review for upgrade. The review decision reflects CKP's prudent approach to financial discipline, its low debt leverage, and strong liquidity, as evidenced by its latest results, which together position it strongly against its similarly rated peers. Moody's affirmed Barrick Gold Corp.'s "Baa3" credit rating and revised its outlook to stable from negative. The outlook revision reflects Barrick's reducing leverage and management commitment to further reduce debt. Moody's assigned a first time credit rating of "Baa2" to NSW Electricity Finance's proposed senior secured notes with a stable outlook. The assignment reflects the underlying strength and low risk-nature of TransGrid's regulated network business, underpinned by its monopoly-like market position, essential nature and established operating track record. Fitch has affirmed the issuer default rating of Malayan Banking Berhad (Maybank) of "A-" and revised the outlook to stable from negative. The affirmation reflects Maybank's market-leading franchise in Malaysia, reasonably stable asset quality backed by a robust risk framework, diversified earnings sources, disciplined funding and liquidity management as well as improved earnings sources. The outlook revision incorporates more stable financial markets and an improved policy environment. At the same time, Fitch also upgraded the issuer default rating of Hong Leong Bank Berhad to "A-" from "BBB+" with a stable outlook. The upgrade reflects Hong Leong's strengthened capitalisation, as well as its long-standing prudent risk appetite, sound asset-

quality track record, and stable funding and liquidity profile.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	94.511	0.38%	<b>USD-SGD</b>	1.3467	0.56%
<b>USD-JPY</b>	100.220	0.33%	<b>EUR-SGD</b>	1.5249	0.28%
<b>EUR-USD</b>	1.1325	-0.26%	<b>JPY-SGD</b>	1.3434	0.19%
<b>AUD-USD</b>	0.7627	-0.77%	<b>GBP-SGD</b>	1.7607	-0.16%
<b>GBP-USD</b>	1.3075	-0.71%	<b>AUD-SGD</b>	1.0272	-0.21%
<b>USD-MYR</b>	4.0157	0.48%	<b>NZD-SGD</b>	0.9788	0.28%
<b>USD-CNY</b>	6.6532	0.33%	<b>CHF-SGD</b>	1.4019	-0.10%
<b>USD-IDR</b>	13163	0.33%	<b>SGD-MYR</b>	2.9868	0.19%
<b>USD-VND</b>	22294	0.00%	<b>SGD-CNY</b>	4.9402	-0.17%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3690	--	<b>O/N</b>	0.4156	-0.0017
<b>2M</b>	-0.3370	0.0010	<b>1M</b>	0.5211	0.0086
<b>3M</b>	-0.2980	0.0010	<b>2M</b>	0.6468	0.0075
<b>6M</b>	-0.1890	0.0020	<b>3M</b>	0.8171	0.0061
<b>9M</b>	-0.1180	0.0010	<b>6M</b>	1.2146	0.0045
<b>12M</b>	-0.0470	0.0010	<b>12M</b>	1.5232	0.0078

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
<b>Portugal</b>	0.62	8.40	3.01	10.20	3.04
<b>Italy</b>	-0.08	0.60	1.13	5.90	1.17
<b>Ireland</b>	-0.36	0.50	0.45	6.30	0.48
<b>Greece</b>	7.65	--	8.05	--	8.09
<b>Spain</b>	-0.18	-0.30	0.96	3.90	0.99
<b>Russia</b>	2.00	-14.80	3.91	-3.00	3.94

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	18,552.57	-45.13
<b>S&amp;P</b>	2,183.87	-3.15
<b>Nasdaq</b>	5,238.38	-1.77
<b>Nikkei 225</b>	16,545.82	59.81
<b>STI</b>	2,844.02	7.04
<b>KLCI</b>	1,687.68	-7.19
<b>JCI</b>	5,416.04	-45.42
<b>Baltic Dry</b>	683.00	1.00
<b>VIX</b>	11.34	-0.09

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	0.85 (-0.01)	0.75 (+0.04)
<b>5Y</b>	1.29 (+0.01)	1.16 (+0.06)
<b>10Y</b>	1.75 (+0.02)	1.58 (+0.04)
<b>15Y</b>	2.03 (+0.03)	--
<b>20Y</b>	2.12 (+0.03)	--
<b>30Y</b>	2.18 (+0.03)	2.29 (+0.03)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	39.45	0.19
<b>EURIBOR-OIS</b>	5.50	0.10
<b>TED</b>	51.68	--

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.52	0.62%	Coffee (per lb)	1.388	0.47%
Brent (per barrel)	50.88	-0.02%	Cotton (per lb)	0.6757	-1.36%
Heating Oil (per gallon)	1.520	-0.42%	Sugar (per lb)	0.1977	-1.05%
Gasoline (per gallon)	1.51	1.56%	Orange Juice (per lb)	1.7990	1.93%
Natural Gas (per MMBtu)	2.584	-3.37%	Cocoa (per mt)	3,095	-0.45%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,798.0	-0.23%	Wheat (per bushel)	4.2700	--
Nickel (per mt)	10,325	0.06%	Soybean (per bushel)	10.270	-0.51%
Aluminium (per mt)	1,659.3	-0.97%	Corn (per bushel)	3.3425	0.68%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,340.4	-0.80%	Crude Palm Oil (MYR/MT)	2,852.0	0.49%
Silver (per oz)	19.317	-2.14%	Rubber (JPY/KG)	177.4	-0.22%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### **CFTC Commodities Futures and Options**

For the week ended: 16 Aug 2016

	<b>Current</b>	<b>Previous</b>	<b>Net Chg</b>		<b>Current</b>	<b>Previous</b>	<b>Net Chg</b>
Nymex Crude	327,808	278,615	49,193	Corn	-40,853	-18,790	-22,063
Wheat	-90,004	-102,623	12,619	Natural Gas	-136,566	-116,691	-19,875
Cocoa	33,927	23,536	10,391	Soybean	132,810	144,721	-11,911
Heating Oil	18,348	11,682	6,666	Cotton	90,121	101,950	-11,829
Copper	-4,737	-4,648	-89	Lean Hogs	42,405	49,116	-6,711
Gold	312,438	312,721	-283	Silver	88,800	94,555	-5,755
Palladium	16,082	16,448	-366	Coffee	31,398	36,600	-5,202
Sugar	323,770	324,511	-741	Platinum	55,085	56,853	-1,768
RBOB Gasoline	48,036	48,834	-798	Live Cattle	51,208	52,767	-1,559

Source: CFTC

### **Key Economic Indicators**

<b>Date Time</b>	<b>Event</b>		<b>Survey</b>	<b>Actual</b>	<b>Prior</b>	<b>Revised</b>
08/19/2016 11:00	NZ Credit Card Spending YoY	Jul	--	5.60%	4.10%	--
08/19/2016 12:30	JN All Ind Activity Index MoM	Jun	0.90%	1.00%	-1.00%	-1.30%
08/19/2016 13:15	PH BoP Overall	Jul	--	\$215m	\$418m	--
08/19/2016 13:30	JN Nationwide Dept Sales YoY	Jul	--	-0.10%	-3.50%	--
08/19/2016 14:00	GE PPI MoM	Jul	0.10%	0.20%	0.40%	--
08/19/2016 14:00	GE PPI YoY	Jul	-2.10%	-2.00%	-2.20%	--
08/19/2016 15:30	TH Foreign Reserves	Aug-11	--	\$181.8b	\$182.5b	--
08/19/2016 16:30	UK Public Finances (PSNCR)	Jul	--	-2.1b	14.9b	13.5b
08/19/2016 16:30	UK Public Sector Net Borrowing	Jul	-2.2b	-1.5b	7.3b	7.5b
08/19/2016 16:30	UK PSNB ex Banking Groups	Jul	-1.9b	-1.0b	7.8b	8.0b
08/19/2016 16:30	TA GDP YoY	2Q F	0.70%	0.70%	0.69%	--
08/19/2016 20:30	CA Retail Sales MoM	Jun	0.50%	-0.10%	0.20%	0.00%
08/19/2016 20:30	CA Retail Sales Ex Auto MoM	Jun	0.30%	-0.80%	0.90%	0.80%
08/19/2016 20:30	CA CPI NSA MoM	Jul	0.00%	-0.20%	0.20%	--
08/19/2016 20:30	CA CPI YoY	Jul	1.40%	1.30%	1.50%	--
08/19/2016 20:30	CA CPI Core MoM	Jul	0.00%	0.00%	0.00%	--
08/19/2016 20:30	CA CPI Core YoY	Jul	2.10%	2.10%	2.10%	--
08/22/2016 08:30	TA Unemployment Rate	Jul	3.97%	--	3.96%	--
08/22/2016 15:00	MA Foreign Reserves	Aug-15	--	--	\$97.3b	--
08/22/2016 16:00	TA Export Orders YoY	Jul	-1.30%	--	-2.40%	--
08/22/2016 16:30	HK CPI Composite YoY	Jul	2.30%	--	2.40%	--
08/22/2016 20:30	US Chicago Fed Nat Activity Index	Jul	0.2	--	0.16	--
08/22/2016 20:30	CA Wholesale Trade Sales MoM	Jun	0.10%	--	1.80%	--
08/22/2016	MU CPI Composite YoY	Jul	--	--	2.26%	--

Source: Bloomberg

<u>OCBC Treasury Research</u>		<u>OCBC Wing Hang Research</u>
<b><u>Macro Research</u></b> <b>Selena Ling</b> LingSSSelena@ocbc.com <b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com <b>Wellian Wiranto</b> WellianWiranto@ocbc.com <b>Tommy Xie Dongming</b> XieD@ocbc.com <b>Barnabas Gan</b> BarnabasGan@ocbc.com	<b><u>Credit Research</u></b> <b>Andrew Wong</b> WongVKAM@ocbc.com <b>Wong Liang Mian (Nick)</b> NickWong@ocbc.com <b>Ezien Hoo</b> EzienHoo@ocbc.com	<b><u>Wing Hang</u></b> <b>Kam Liu</b> kamyliu@ocbcwh.com <b>Carie Li</b> carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W