

Highlights

Global	<p>A busy weekend indeed, with the G20 meeting in Chengdu, China issuing a communiqué calling for “taking actions to foster confidence and support growth” as the global economic recovery “remains weaker than desirable”, “downside risks persist” and Brexit “adds to the uncertainty”. BOJ governor Kuroda also noted that the G20 did not discuss helicopter money, but the central bank remains prepared to step up if need be.</p> <p>On the PMI data front, it was a tale of two cities, with UK clearly bearing the brunt of the fallout from the Brexit referendum – German manufacturing PMI softened from 54.5 to 53.7 in July but its services PMI rose from 53.7 to 54.6, resulting in the composite PMI at 55.3 versus 54.4 previously. This contrasted with UK’s manufacturing and services PMIs which fell more than expected and tanked to contraction territory post-Brexit at 49.1 and 47.4 respectively in July, down from 52.1 and 52.3 a month ago, and fuelling impending BOE easing speculation.</p> <p>Today’s economic data calendar comprises of German IFO, S’pore’s CPI, and US’ Dallas Fed manufacturing activity index. Global risk appetite in Asia may remain supportive of equity bourses. Key for the week ahead will be the FOMC and BOJ policy meetings – while market consensus is for the Fed to stay on hold notwithstanding the recent improvement in economic prints (especially the recent nonfarm payrolls), the BOJ may be forthcoming with monetary stimulus (possibly a negative deposit rate cut and a hike in the purchase of ETFs, even as PM Abe’s government is planning an extra fiscal package of between JPY20-30tn).</p>
US	<p>Manufacturing PMI rose from 51.3 to 52.9 in July, highest since October. Meanwhile, Hilary Clinton has picked Tim Kaine as her running mate. Separately, Donald Trump has threatened to pull the US out of the WTO if it intervenes with his plan to renegotiate trade deals and impose penalties.</p>
EU	<p>The Eurozone’s manufacturing and services PMIs retreated to 51.9 and 52.7 (18th month low) respectively, versus both at 52.8 previously.</p>
SG	<p>June CPI headline may decline for the 20th straight month by 1.1% yoy (-0.6% mom nsa), amid downward pressure on housing and private road transport costs. June headline CPI had fallen 1.6% yoy (-0.7% mom nsa). Core CPI may climb 1.0% yoy in June, the same as the May print.</p>
China	<p>The Agricultural Bank of China plans to issue CNY3.064 billion of NPL asset-backed securities on July 29. The ABC will be the third bank to issue such securities this year. However, the latest two cases of NPL securitisation seemed ineffective as the buyers were mostly financial institutions.</p>
Commodities	<p>News that US rig drillers added more rigs in the week ended 22 July 2016 depressed oil prices once again, raising concerns over a prolonged supply glut into the year. Gold fell on another day of positive equity prints (notably Wall Street with S&P hitting record highs again), dulling need for further safe haven demand. The interesting trend over the weekend was copper which marginally fell to \$4,920/MT (-1.1%) despite the optimism seen in equities and a fall in SHFE copper stocks on warrant (a fall in stocks on warrant normally indicates higher demand). The fall thus, may well be due to some profit-taking as the base metal had gained remarkably by more than 5.0% since the start of 2H16 (or a prodigious 13.6% since the trough in January this year).</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:** Equities closed the week on a high on Friday, with S&P 500 up 0.46% and closing at a record 2175.03. Dow and Nasdaq also rose in line, closing higher by 0.29% and 0.52%. While earnings are not thought to be strong, it appears that the consensus is that they were better than analysts' expectations. This provided the momentum that carried equities last week. A note of caution, however, was the low trading volumes. Last week was the slowest trading week in 2016, with daily volumes about 25% lower than this year's average. US Treasuries saw early losses on the back of block sales of 10yr US Treasury futures. However, as the news of the Munich shootings flowed through, flight-to-safety flows supported US Treasuries in late trade. 2-yr and 10-yr US Treasury yields closed lower, ending the day at 0.70% and 1.57% respectively. Meanwhile, VIX continue to trade near recent lows, closing down 5.65% at 12.02.
- **Singapore:** The STI added 0.17% to close at 2945.35 on Friday, and may continue to improve today given Friday's Wall Street rally and morning gains by Kospi and ASX200. The STI's resistance and support are tipped at 2960 with support at 2920. The SGS bonds were bidded higher on Friday, but may see some reversal today given the generally upbeat risk appetite.
- **Indonesia:** Banks in Singapore are reportedly ready to support Indonesia's tax amnesty program. Singapore's Private Banking Industry Group said that the industry will provide necessary support for their clients who participate in the program, and that tax amnesty can be an useful tool for individuals to regularize their tax affairs with their respective tax authorities.
- **Macau:** The number of visitor arrivals rose at its fastest pace (+4.9% yoy in June) since November 2014 due to the 11 straight months of increase in overnight visitors. More importantly, the share of overnight visitors marked its record high of 52%. Specifically, visitors from main sources, including Mainland China (+5.7% yoy), Taiwan (+19.1% yoy) and South Korea (+49.5% yoy) all increased. On a more positive note, Mainland visitors travelling under the Individual Visit Scheme jumped by 3.4% yoy after decreasing for four consecutive months. Latest hotel openings and the four-day Dragon Boat Festival holiday in June may be reasons behind the rebound in Mainland tourists. Should the fresh wave of new projects be completed as scheduled in 2H, Macau's appeal to the tourists will be reinforced. If this is the case, more new hotel, casino and theme park openings are expected to lure increasing overnight visitors and casual gamblers in the coming 1-2 years, thereby underpinning the tourism and gaming sectors.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve was range-bounded last Friday, with the short-end rates traded 1-2bps higher while the belly-to-long-end rates traded 1-2bps lower. Notably, the shorter-end rate (1-day) traded 9bps lower. Flows in the SGD corporates were heavy with better buying seen in GENSSP 5.13%'49s and SOCGEN 4.3%'26s while mixed interests were seen in BPCEGP 4.5%'26s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 217bps while the yield on JACI HY corporates remained levelled at 6.45%. 10y UST increased by 1bps to 1.57%.
- **New Issues:** Bank of America Corp. has launched a AUD 5-year bond with initial price guidance set at 3-month BBSW+155bps. The bond is expected to be priced on Tuesday.
- **Rating Changes:** Fitch has downgraded Thailand's local currency issuer default rating (LTLC IDR) to "BBB+" from "A-" and at the same time, affirmed its foreign currency issuer default rating (LTFC IDR) at "BBB+". The downgrade reflects that Thailand's credit profile no longer supports a notching

up of the LTLC IDR above the LTFC IDR, mainly due to the absence of two key criteria factors (1) strong public finance fundamentals relative to external finance fundamentals and (2) previous preferential treatment of LC creditors relative to FC creditors. The outlook is stable for both ratings. Fitch affirmed Parkway Life REIT's (PREIT) "BBB" foreign-currency issuer default rating with stable outlook and subsequently withdrew the ratings for commercial reasons. Prior the withdrawal, the rating reflected PREIT's strong demand for its hospitals and elderly care homes and robust asset quality. PREIT benefits from stable and long term revenue visibility with weighted average lease maturity of over nine years and down side protection on 93% of its revenue at end-2015. Likewise, Fitch affirmed Far East Hospitality Trust's (FEHT) "BBB-" issuer default ratings with stable outlook and subsequently withdrew these ratings. The affirmation of its ratings is supported by the company's healthy financial profile.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.467	0.48%	USD-SGD	1.3586	0.23%
USD-JPY	106.130	0.29%	EUR-SGD	1.4916	-0.19%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2808	-0.01%
AUD-USD	0.7462	-0.44%	GBP-SGD	1.7809	-0.71%
GBP-USD	1.3109	-0.94%	AUD-SGD	1.0136	-0.23%
USD-MYR	4.0608	0.52%	NZD-SGD	0.9511	0.30%
USD-CNY	6.6795	0.06%	CHF-SGD	1.3774	0.18%
USD-IDR	13095	-0.03%	SGD-MYR	2.9927	0.23%
USD-VND	22295	-0.04%	SGD-CNY	4.9146	-0.21%

Equity and Commodity

Index	Value	Net change
DJIA	18,570.85	53.60
S&P	2,175.03	9.90
Nasdaq	5,100.16	26.30
Nikkei 225	16,627.25	-183.00
STI	2,945.35	4.90
KLCI	1,657.42	-0.10
JCI	5,197.25	-19.70
Baltic Dry	718.00	-8.00
VIX	12.02	-0.70

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	-0.0010	O/N	0.4179	--
2M	-0.3330	-0.0010	1M	0.4904	0.0025
3M	-0.2970	--	2M	0.5870	0.0060
6M	-0.1890	-0.0010	3M	0.7210	0.0065
9M	-0.1210	--	6M	1.0444	0.0125
12M	-0.0500	0.0040	12M	1.3719	0.0130

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.95 (-0.02)	0.70 (+0.02)
5Y	1.37 (-0.03)	1.12 (+0.02)
10Y	1.76 (-0.04)	1.57 (+0.01)
15Y	2.09 (-0.04)	--
20Y	2.19 (-0.04)	--
30Y	2.34 (-0.05)	2.28 (-0.01)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.69	-1.80	3.05
Italy	-0.05	0.20	1.23
Ireland	-0.42	-1.60	0.48
Greece*	7.94	-16.70	8.00
Spain	-0.16	-0.60	1.11
Russia^	2.34	0.00	4.29

Financial Spread (bps)

	Value	Change
LIBOR-OIS	30.99	0.95
EURIBOR-OIS	5.50	--
TED	40.65	0.15

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.19	-1.25%	Coffee (per lb)	1.419	-3.37%
Brent (per barrel)	45.69	-1.10%	Cotton (per lb)	0.7252	-0.19%
Heating Oil (per gallon)	1.357	-1.00%	Sugar (per lb)	0.1959	0.15%
Gasoline (per gallon)	1.36	0.48%	Orange Juice (per lb)	1.8065	-0.03%
Natural Gas (per MMBtu)	2.777	3.16%	Cocoa (per mt)	2,886	-0.55%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,920.0	-1.13%	Wheat (per bushel)	4.2525	1.80%
Nickel (per mt)	10,382	-3.27%	Soybean (per bushel)	10.065	-2.52%
Aluminium (per mt)	1,599.5	0.57%	Corn (per bushel)	3.3500	0.22%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,323.4	-0.57%	Crude Palm Oil (MY R/MT)	2,362.0	-1.34%
Silver (per oz)	19.657	-0.64%	Rubber (JPY/KG)	190.0	2.59%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodity Positions

For the week ended: 19 Jul 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Copper	2,156	-14,251	16,407	Corn	103,650	126,375	-22,725
Cotton	94,550	79,703	14,847	Soybean	168,713	188,809	-20,096
Silver	97,128	90,135	6,993	Nymex Crude	327,897	341,182	-13,285
Live Cattle	33,929	28,102	5,827	Gold	318,788	329,268	-10,480
Platinum	48,027	43,035	4,992	Sugar	311,919	320,975	-9,056
Palladium	10,950	8,544	2,406	Lean Hogs	71,483	78,391	-6,908
Natural Gas	-138,422	-140,107	1,685	Heating Oil	13,651	16,755	-3,104
Coffee	43,574	42,526	1,048	RBOB Gasoline	47,114	49,686	-2,572
Cocoa	42,044	43,160	-1,116	Wheat	-103,786	-102,444	-1,342

Key Economic Indicators

Date Time	Event		Survey	Actual	Prior	Revised
07/22/2016 07:50	JN Foreign Buying Japan Stocks	Jul-15	--	¥444.6b	¥306.8b	--
07/22/2016 08:30	TA Unemployment Rate	Jun	3.98%	3.96%	3.96%	--
07/22/2016 10:00	JN Nikkei Japan PMI Mfg	Jul P	--	49	48.1	--
07/22/2016 15:00	FR Markit France MFG PMI	Jul P	48	48.6	48.3	--
07/22/2016 15:00	FR Markit France Services PMI	Jul P	49.5	50.3	49.9	--
07/22/2016 15:00	FR Markit France Composite PMI	Jul P	49.2	50	49.6	--
07/22/2016 15:00	MA Foreign Reserves	Jul-15	--	\$97.3b	\$97.2b	--
07/22/2016 15:27	MU Visitor Arrivals	Jun	--	2358t	2478t	--
07/22/2016 15:30	TH Foreign Reserves	Jul-15	--	\$179.2b	\$179.2b	--
07/22/2016 15:30	GE Markit/BME GE MFG PMI	Jul P	53.4	53.7	54.5	--
07/22/2016 15:30	GE Markit Germany Services PMI	Jul P	53.2	54.6	53.7	--
07/22/2016 15:30	GE Markit/BME GE COMP PMI	Jul P	53.6	55.3	54.4	--
07/22/2016 16:00	TA Industrial Production YoY	Jun	0.50%	0.88%	1.89%	1.90%
07/22/2016 16:00	IT Industrial Orders MoM	May	--	-2.80%	1.00%	0.90%
07/22/2016 16:00	EC Markit Eurozone	Jul P	52	51.9	52.8	--
07/22/2016 16:00	EC Markit Eurozone Services PMI	Jul P	52.3	52.7	52.8	--
07/22/2016 16:00	EC Markit Eurozone Composite	Jul P	52.5	52.9	53.1	--
07/22/2016 16:30	UK Markit UK PMI Manufacturing	Jul P	48.7	49.1	52.1	--
07/22/2016 16:30	UK Markit/CIPS UK Services PMI	Jul P	48.8	47.4	52.3	--
07/22/2016 16:30	UK Markit/CIPS UK Composite PMI	Jul P	49	47.7	52.4	--
07/22/2016 17:00	IT Retail Sales MoM	May	-0.20%	0.30%	0.10%	--
07/22/2016 20:30	CA Retail Sales MoM	May	0.00%	0.20%	0.90%	0.80%
07/22/2016 20:30	CA Retail Sales Ex Auto MoM	May	0.30%	0.90%	1.30%	--
07/22/2016 20:30	CA CPI YoY	Jun	1.40%	1.50%	1.50%	--
07/22/2016 20:30	CA CPI Core MoM	Jun	-0.10%	0.00%	0.30%	--
07/22/2016 21:45	US Markit US Manufacturing PMI	Jul P	51.5	52.9	51.3	--
07/24/2016	VN CPI YoY	Jul	2.60%	2.39%	2.40%	--
07/25/2016 07:50	JN Trade Balance	Jun	¥474.4b	--	¥40.7b	¥40.6b
07/25/2016 13:00	SI CPI YoY	Jun	-1.10%	--	-1.60%	--
07/25/2016 13:00	JN Leading Index CI	May F	--	--	100	--
07/25/2016 16:00	GE IFO Business Climate	Jul	107.5	--	108.7	--
07/25/2016 16:00	GE IFO Current Assessment	Jul	114	--	114.5	--
07/25/2016 16:00	GE IFO Expectations	Jul	101.6	--	103.1	--
07/25/2016 22:30	US Dallas Fed Manf. Activity	Jul	-10	--	-18.3	--
07/25/2016 07/31	VN Exports YTD YoY	Jul	--	--	5.90%	--
07/25/2016 07/29	SK Discount Store Sales YoY	Jun	--	--	-6.30%	--
07/25/2016 07/29	SK Department Store Sales YoY	Jun	--	--	-2.70%	--

Source: Bloomberg

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