

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

Highlights

Global	<p>As market players continue to weigh the potential economic and financial fall-out from the Brexit vote, global risk appetite is likely to remain jittery in the interim, albeit we think that risk assets may gradually start to see some stabilization later this week upon the realization that the exit negotiations will be a slow grind rather than a shotgun affair. Note several central banks had proactively intervened to smoothen out FX headwinds, provided liquidity and/or tried to stabilise market sentiments with calming remarks. Meanwhile, the Spanish elections over the weekend saw Rajoy's PP government consolidating positions with 137 of the 350 seats. With a very light economic data calendar today, comprising of US' Markit services and composite PMIs and Dallas Fed manufacturing activity, and HK trade data for May, market is likely to remain on edge for any post-Brexit developments, especially comments from Draghi, Yellen and UK Chancellor Osborne. Key events to watch this week include the EU leaders' summit on 28-29 June, as well as the CBC policy decision on 30 June.</p>
US	<p>Durable goods orders fell more than expected by 2.2% in May, with the April data also revised lower to +3.3%. Durable orders excluding transportation also unexpectedly declined 0.3% after expanding by 0.5% in April, suggesting that business spending may weigh on 2Q GDP growth. Meanwhile, the University of Michigan sentiment finally printed at 93.5 in June, with both the expectations and current conditions gauges softer at 82.4 and 110.8, albeit the 1- and 5-10 year inflation gauges were higher at 2.6% each.</p>
Singapore	<p>May industrial production rose for the third straight month by 0.9% yoy but shrank 0.4% mom sa in May, compared to our forecast for +1.0% yoy and -0.9% mom sa. Biomedical output expanded by 13.2% yoy, led by pharmaceuticals (+14.2% yoy), while electronics output continued to increase by 5.9% yoy as semiconductors (+16.6% yoy) outweighed weakness in infocomms & consumer electronics, data storage and computer peripherals. Excluding biomedical, output fell 2.3% yoy and -1.4% mom sa in May. Notable weakness remains across the transport engineering, especially marine & offshore (no light at the end of the tunnel yet), precision engineering, general manufacturing, and chemical industries. Total manufacturing output grew by a tepid but positive 0.5% yoy for the first five months of this year, but the underlying strength excluding biomedical was much weaker at -3.6% yoy. As such, can manufacturing output, mainly driven by biomedical, sustain into 2H16 and eke out positive growth momentum for the full-year 2016 remains unclear for now.</p>
China	<p>In his latest IMF speech, PBoC Governor Zhou Xiaochuan said PBoC runs multi mandate. In addition to common mandates such as price stability, economic growth and job creation, PBoC's mandates also include balanced balance of payment position, financial reform and development of financial market. Zhou Xiaochuan admitted that PBoC's independence may be compromised due to its multiple mandate system as it needs to work with various policy makers to strike the balance among all the mandates. Meanwhile, China started the direct trading between CNY and KRW from last Friday. This means that KRW is likely to be added in to CFETs RMB index soon. However, 2.5% fall of KRW last Friday, the most among Asian currencies, shows that RMB index is likely to be volatile after including KRW.</p>

Major Market

- **US:** Equities saw steep declines alongside the rest of the world in the post-Brexit turmoil. Led by financials, S&P 500 fell 3.59% to 2037.41. Dow and Nasdaq also fell 3.39% and 4.12% respectively. Selling pressure is expected to continue into this week, as S&P 500 futures recorded further losses from Friday's closing. U.S. Treasuries gained in the fallout, as investors moved into safe havens and reviewed their expectations of the Fed's rate hike outlook. 2-year U.S. Treasury yields 0.63%, while the 10-year note yields 1.56%. Expectedly, volatility saw a sharp spike upwards, with VIX closing up 49.33%.
- **Eurozone:** German IFO business climate unexpectedly rose for the second straight month in June from 107.8 in May to 108.7 (highest since December), albeit this survey was taken pre-Brexit. The current assessment and expectations gauges both improved to 114.5 and 103.1 respectively.
- **Singapore:** The STI plunged 2.09% to close at 2735.39 on Friday after the shocking Brexit referendum results, and may continue to slide today amid the ongoing market uncertainty and weak leads. STI support and resistance are tipped at 2680 and 2740. SGS bonds could remain well-bid amid the risk-off sentiments.
- **China:** In his latest IMF speech, PBoC Governor Zhou Xiaochuan said PBoC runs multi mandate. In addition to common mandates such as price stability, economic growth and job creation, PBoC's mandates also include balanced balance of payment position, financial reform and development of financial market. Zhou Xiaochuan admitted that PBoC's independence may be compromised due to its multiple mandate system as it needs to work with various policy makers to strike the balance among all the mandates. Meanwhile, China started the direct trading between CNY and KRW from last Friday. This means that KRW is likely to be added in to CFET's RMB index soon. However, 2.5% fall of KRW last Friday, the most among Asian currencies, shows that RMB index is likely to be more volatile after including KRW.

Hong Kong: With the "Brexit" camp winning the referendum, market volatility is expected to be pushed up in near term. The U.K. ranks the 9th among ten major destinations of HK's total external trade of goods, albeit the share has remained low at 1.5% since 2013. Additionally, as uncertainty over the EU amid the Brexit may dampen EU's demand, another 1.9% of overseas shipments to Germany from Hong Kong are also likely to take a hit. By comparison, however, Mainland China takes up over 50% of the HK's exports and more than 70% of the city's inbound visitors. As such, we believe that the impact of Brexit on HK's economy will be limited as compared to that of China slowdown.

- **Indonesia:** Bank Indonesia said that the decline in Rupiah after Brexit is deemed to be "acceptable", and that it will remain in market and continue to guard stability. Meanwhile, it sees June inflation at 0.56% mom as of third week of June. Food prices are likely to head up during the month because of Ramadan fasting season.
- **Malaysia:** Husni Hanadzlah, who is currently the second finance minister, is reportedly appointed as Minister in PM's department who is in charge of the Economic Planning Unit. Meanwhile, Johari Abdul Ghani, who is now the deputy finance minister, is said to be promoted to second finance minister.
- **Thailand:** Custom exports contracted 4.4% in May albeit slower than April's -8% yoy print. Empirically, shipments of agricultural (-7.4%) and industrial (-2.8%) exports dragged the overall export print, though auto exports (+4.6%) accounting for 12% of total shipments aided in cushioning the fall. The silver-lining can also be seen from the surprise gain in import growth to positive zone at

+0.5%yoy (first time since Feb 2015), boosted by raw materials and vehicles. The Commerce Ministry commented that exports into the year should improve even in the face of the Brexit, as Thailand remains to be marginally exposed to exports to Britain (1-2% of total exports) and EU (9% of total exports).

- **Commodities:** With Britain voting to leave the European Union, risk aversion dominated as investors worry over the repercussions over the growth prospect on both the EU bloc as well as Britain itself. Growth-related commodity prices fell in tandem with equities at the news, with crude oil now sitting between 4-5% below its coveted \$50/bbl handle. Likewise, safe haven demand flocked into the bullion, with gold surging to touch its intraday high of \$1,360/oz on Friday before tapering to a close of \$1,320/oz.
- The entire notion behind a bullish crude oil outlook is mainly supported by the hope for a rebalancing in the oil markets. Should the rebalancing story be threatened, the hope for crude oil to rally further into 2H16 will turn to naught. As such, with the Brexit becoming a reality, do expect concerns over oil demand to resurface given the possible negative economic impact on both Europe and the United Kingdom. Statistically, Europe commands about 15% of global oil demand, or about 1.5 times the production by Saudi Arabia alone. Should the negative impact on this region be severe, oil demand as a growth-related commodity will surely take a notch down, and effectively threaten the possibility of a \$50/bbl for the rest of the year.
- Likewise, do expect risk-off sentiment to persist into the months ahead. There exist more reasons for suspense now, (1) given the fate of the UK as a trading hub, (2) the health of the EU economy with UK's absence, and (3) the spill-over effects into the global economy. Our bearish call for gold has long been anchored on the rate hikes by the US Federal Reserve. Noting that the Fed chairwoman Janet Yellen is known dove, and her reference to the global economic health (China's slowdown, Brexit, low oil prices) in her recent speeches leaves us to question if there indeed is going to be a rate hike this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with the very short-end rates traded 6-14bps higher while the belly-to-long-end rates traded 5-15bps lower. Flows in the SGD corporates were fairly quiet on polling day with better buying seen in SOCGEN 4.3%'26s. In the broader dollar space, the spread on JACI IG corporates increased by 16bps to 241bps while the yield on JACI HY corporates were steady at 6.97%. 10y UST yield fell as low as 1.40%, lowest since July 25, 2012, before stabilizing at 1.56%, after investors fled to safe haven assets following the UK referendum poll result that point towards UK's exit from the EU.
- **New Issues:** Housing and Development Board (HDB) priced a SGD700mn 15-year bond at 2.55% with expected ratings of "NR/Aaa/NR".
- **Rating Changes:** Moody's affirmed its "Aa1" long term issuer and debt ratings but revised the outlook to negative from stable given the BREXIT result and likely negative economic consequences from increased policy uncertainty and lower spending and investment. S&P has affirmed its long term credit rating on Chubb Ltd. (Insurance) of "A" and its "AA" financial strength ratings on Chubb's operating subsidiaries. Additionally, S&P also upgraded its credit rating of ACE INA Insurance Co. to "AA" from "AA-" with stable outlook. The outlook is revised to stable from negative, reflecting S&P's view that Chubb is making strong progress integrating two complex entities and shifting its strategy to support a new risk profile. Moody's has affirmed its credit rating on Fortescue Metals Group Ltd's corporate family rating of "Ba3" and revised its outlook to stable from negative. The revision follows the announcement that the company has issued a USD500mn repayment notice for its 2019 senior secured term loan facility, bringing total debt repayments in the FY ended 30 June, 2016 to USD2.9bn and reducing interest payments by USD186mn per annum. The stable outlook reflects

the considerable progress that the company has made in reducing its debt levels in FY 2016. Fitch upgraded its insurer financial strength rating of Dai-ichi Life Insurance Co. Ltd. (Daiichi) to “A+” from “A” with negative outlook. At the same time, Fitch affirmed Daiichi long-term issuer default rating of “A” with revision of its outlook to negative. The one-notch upgrade of Daiichi rating reflects the company’s recent successful international expansion, which has pushed its global diversification above the threshold at which it may be rated above the Japanese sovereign rating, as outlined in Fitch’s methodology.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.448	2.05%	USD-SGD	1.3535	1.19%
USD-JPY	102.220	-3.71%	EUR-SGD	1.5029	-1.32%
EUR-USD	1.1132	0.00%	JPY-SGD	1.3245	5.11%
AUD-USD	0.7466	-1.93%	GBP-SGD	1.8499	-7.11%
GBP-USD	1.3679	-8.05%	AUD-SGD	1.0099	-0.81%
USD-MYR	4.0928	1.90%	NZD-SGD	0.9652	-0.45%
USD-CNY	6.6218	0.62%	CHF-SGD	1.3919	-0.30%
USD-IDR	13391	1.08%	SGD-MYR	3.0222	0.58%
USD-VND	22325	0.09%	SGD-CNY	4.9109	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3640	-0.0060	O/N	0.3934	0.0023
2M	-0.3220	-0.0130	1M	0.4493	-0.0040
3M	-0.2810	-0.0120	2M	0.5244	-0.0088
6M	-0.1750	-0.0140	3M	0.6236	-0.0165
9M	-0.1100	-0.0150	6M	0.8941	-0.0348
12M	-0.0470	-0.0180	12M	1.2052	-0.0445

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.91	14.70	3.36
Italy	0.06	5.60	1.56
Ireland	-0.25	2.70	0.83
Greece*	9.87	229.40	8.65
Spain	0.06	7.30	1.63
Russia^	2.52	6.60	4.76

* 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

Equity and Commodity

Index	Value	Net change
DJIA	17,400.75	-610.30
S&P	2,037.41	-75.90
Nasdaq	4,707.98	-202.10
Nikkei 225	14,952.02	-1286.30
STI	2,735.39	-58.50
KLCI	1,634.05	-5.90
JCI	4,834.57	-39.70
Baltic Dry	609.00	13.00
VIX	25.76	8.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.00 (-0.01)	0.63 (-0.15)
5Y	1.48 (-0.09)	1.07 (-0.19)
10Y	1.91 (-0.13)	1.56 (-0.19)
15Y	2.20 (-0.13)	--
20Y	2.28 (-0.13)	--
30Y	2.38 (-0.15)	2.41 (-0.14)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.27	2.88
EURIBOR-OIS	10.00	1.77
TED	37.51	1.91

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.64	-4.93%	Coffee (per lb)	1.344	-3.52%
Brent (per barrel)	48.41	-4.91%	Cotton (per lb)	0.6450	-0.59%
Heating Oil (per gallon)	1.455	-4.29%	Sugar (per lb)	0.1900	-0.21%
Gasoline (per gallon)	1.53	-4.90%	Orange Juice (per lb)	1.6630	-0.54%
Natural Gas (per MMBtu)	2.662	-1.33%	Cocoa (per mt)	3,070	-5.10%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,698.0	-1.72%	Wheat (per bushel)	4.5475	0.11%
Nickel (per mt)	8,988	-2.24%	Soybean (per bushel)	11.030	-1.91%
Aluminium (per mt)	1,611.3	-1.53%	Corn (per bushel)	3.8450	-0.71%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,320.0	4.66%	Crude Palm Oil (MYR/MT)	2,470.0	0.16%
Silver (per oz)	17.789	2.51%	Rubber (JPY/KG)	159.9	-0.68%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 21 Jun 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	330,277	314,554	15,723	Corn	344,709	373,443	-28,734
Copper	-32,914	-44,710	11,796	Soybean	235,649	250,956	-15,307
Silver	82,111	71,128	10,983	Wheat	-56,659	-43,216	-13,443
Gold	316,525	306,040	10,485	Live Cattle	33,842	42,299	-8,457
Natural Gas	-141,952	-152,180	10,228	Cotton	58,505	59,626	-1,121
Lean Hogs	90,653	81,526	9,127	Palladium	2,231	3,093	-862
Coffee	34,251	26,258	7,993	Platinum	28,995	29,677	-682
RBOB Gasoline	58,121	50,426	7,695	Nymex Crude	373,234	373,451	-217
Cocoa	37,491	35,168	2,323	Heating Oil	19,628	18,584	1,044

Source: CFTC

Key Economic Indicators

Date Time	Event		Survey	Actual	Prior	Revised
06/24/2016 09:00	PH Imports YoY	Apr	20.00%	29.20%	11.70%	--
06/24/2016 09:00	PH Trade Balance	Apr	-\$1883m	-\$2275m	-\$1747m	--
06/24/2016 09:41	VN CPI YoY	Jun	2.40%	2.40%	2.28%	--
06/24/2016 11:30	TH Customs Exports YoY	May	-3.20%	-4.40%	-8.00%	--
06/24/2016 11:30	TH Customs Imports YoY	May	-5.00%	0.50%	-14.92%	--
06/24/2016 11:30	TH Customs Trade Balance	May	\$2434m	\$1540m	\$721m	--
06/24/2016 13:00	SI Industrial Production SA MoM	May	-0.90%	-0.40%	4.80%	4.40%
06/24/2016 13:00	SI Industrial Production YoY	May	1.00%	0.90%	2.90%	3.00%
06/24/2016 14:45	FR GDP QoQ	1Q F	0.60%	0.60%	0.60%	--
06/24/2016 14:45	FR GDP YoY	1Q F	1.40%	1.30%	1.40%	--
06/24/2016 15:30	TH Foreign Reserves	Jun-17	--	\$179.7b	\$178.9b	--
06/24/2016 16:00	GE IFO Business Climate	Jun	107.4	108.7	107.7	107.8
06/24/2016 16:00	GE IFO Current Assessment	Jun	114	114.5	114.2	--
06/24/2016 16:00	GE IFO Expectations	Jun	101.2	103.1	101.6	101.7
06/24/2016 16:00	IT Retail Sales MoM	Apr	0.40%	0.10%	-0.60%	--
06/24/2016 16:00	IT Retail Sales YoY	Apr	--	-0.50%	2.20%	2.10%
06/24/2016 16:30	UK BBA Loans for House Purchase	May	37850	42187	40104	39967
06/24/2016 20:30	US Durable Goods Orders	May P	-0.50%	-2.20%	3.40%	3.30%
06/24/2016 20:30	US Durables Ex Transportation	May P	0.10%	-0.30%	0.50%	--
06/24/2016 20:30	US Cap Goods Ship Nondef Ex Air	May P	0.30%	-0.50%	0.40%	0.60%
06/24/2016 22:00	US U. of Mich. Sentiment	Jun F	94.1	93.5	94.3	--
06/27/2016 06:45	NZ Trade Balance	May	182m	358m	292m	326m
06/27/2016 06:45	NZ Exports	May	4.31b	4.57b	4.30b	--
06/27/2016 06:45	NZ Imports	May	4.15b	4.22b	4.01b	3.98b
06/27/2016 16:00	EC M3 Money Supply YoY	May	4.80%	--	4.60%	--
06/27/2016 16:30	HK Exports YoY	May	-2.00%	--	-2.30%	--
06/27/2016 16:30	HK Imports YoY	May	-3.60%	--	-4.50%	--
06/27/2016 16:30	HK Trade Balance	May	-33.2b	--	-31.0b	--
06/27/2016 21:45	US Markit US Services PMI	Jun P	51.9	--	51.3	--
06/27/2016 21:45	US Markit US Composite PMI	Jun P	--	--	50.9	--
06/27/2016 22:30	US Dallas Fed Manf. Activity	Jun	-15	--	-20.8	--
06/27/2016	MU Unemployment Rate	May	--	--	1.90%	--
06/25/2016 06/30	VN Exports YTD YoY	Jun	6.50%	--	6.60%	--

Source: Bloomberg

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