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Highlights

Global	<p>Market speculation over potential monetary policy easing by the BOJ later this week continued to build, coupled with a Nikkei report that the Japanese government is considering cash stimulus for low earners. Asian markets may be in wait-and-watch mode ahead of the FOMC meeting tomorrow – whilst market consensus is for the Fed to stay pat for now, the key is the tone of the statement, especially pertaining to its post-Brexit economic assessment for growth, the labor market and inflation risks. Today's economic data calendar comprises of US' pending home sales and durable goods orders, UK' actual 2Q GDP growth and Australia's 2Q CPI (where a dovish print could spur RBA easing hopes for the 2 Aug meeting).</p>
US	<p>Overall a strong set of US economic prints - new home sales rebounded more than expected by 3.5% mom in June to 592k (strongest since February 2008), while the previous month's data was also revised up from -6.0% to 0%, and the supply of homes fell to 4.9 months (lowest since February 2015). Meanwhile, consumer confidence retreated slightly from the 5-month high of 97.4 in June to 97.3 in July post-Brexit, as present conditions rose from 116.6 to 118.3 (highest since September) whereas consumer expectations dipped from 84.6 to 83.3. The S&P/CaseShiller house prices rose 5.2% yoy (-0.1% mom) suggesting more subdued activity. The Richmond Fed manufacturing index also surged from -10 in June to +10 in July as new order volumes leapt. The Markit services PMI unexpectedly fell from 51.4 to 50.9, but the composite PMI improved from 51.2 to 51.5 in July. Hilary Clinton was formally nominated as the Democrat candidate.</p>
SG	<p>Industrial production unexpectedly fell 0.3% yoy (-2.5% mom sa) in June, after expanding for three straight month. This could lift manufacturing growth to 1.1% yoy in 2Q15 versus the initial estimate of 0.8% yoy, the net impact on the flash 2Q16 GDP growth is marginal.</p> <p>The MAS is auctioning \$1.5b (of which MAS is taking \$200m) 20-year SGS bonds and the tender will close at noon today. The current 20-year SGS bond is yielding just below the 2.2% handle, which is near the low end of the 2.0%-3.5% range seen since 2010, whereas previous 20-year SGS bond auctions between 2007-2014 had typically fetched cut-off yields between 2.9%-3.5%. That said, the relatively small effective size of \$1.3b for an "in-between tenor" (given that lifers usually prefer the longer duration, whilst fund managers tend to shun such long tenors), coupled with the relatively low absolute yield, should ensure that the bid-cover ratio remains supported >1x. There is also a \$7.7b maturity of 15-year SGS bond on 1 Sep. After the 20-year SGS bond auction, there is only a 2-year reopening on 1 Sep and a new 5-year SGS bond issue on 3 October left on the issuance calendar.</p> <p>Elsewhere, the Ministry of Manpower (MOM) raised the qualifying salary for Employment Pass applications from S\$3,300 to S\$3,600. The new qualifying salary will be placed into effect from the start of 2017.</p>
Commo- dities	<p>Crude oil prices remained mixed overnight, with Brent remaining below its \$45/bbl handle while WTI fell further (-0.49%). Market-watchers would closely watch on tonight's crude oil and gasoline inventories in the US, though market calls are still pencilling in a sustained fall in crude stocks while gasoline and distillate stocks are expected to gain to further.</p>

Major Market

- **US:** Equities retreated from record highs as they were weighed down by lower crude prices. Energy producers were the largest decliners. S&P 500 closed down 0.30%, Dow lost 0.42% and Nasdaq shaded lower by 0.05%. The Treasury sold US\$26b of 2-year notes at higher than expected yields, with demand evaporating pre-FOMC. Investors will be looking out for signs that a rate hike is back in play for this year. Yield on the 2-year notes to jump 3 basis points to close at 0.73%. Yield on 10-year notes closed largely unchanged at 1.57%. Elsewhere, VIX continue to fluctuate, closing up 7.07%.
- **Singapore:** The May manufacturing output data was also revised down slightly to +0.8% yoy (-0.4% mom sa), bringing the half year growth to +0.3% yoy. Excluding biomedical, manufacturing grew by 2.4% yoy (+1.8% mom sa) in June, but left the first half performance at a tepid -2.6% yoy. Electronics output rose strongly by 19.7% yoy in June (1H16: +7.5% yoy), the strongest since December 2013, and was led by semiconductors and data storage which offset weakness in infocomms & consumer electronics and computer peripherals. This in turn also benefited the precision engineering segment whose output improved from -1.6% yoy in May to +4.3% yoy in June, amid higher export demand for semiconductor related equipment as well as higher volume of mechanical engineering works. In contrast, the biomedical cluster disappointed by contracting 10.2% yoy in June as pharmaceuticals also suddenly fell 15.3% yoy. Other pockets of weakness were in transport engineering, chemicals, and general manufacturing. On balance, the improvement in electronics output is probably balanced out by the retreating North American semiconductor equipment book-to-bill ratio (from 1.09x in May to 1.0x in June), the volatile swings in biomedical output and the fact that the June industrial production data is pre-Brexit.
- The STI eked out gains (+0.12%) to close at 2933.44 yesterday, but may trade sideways today as investors await FOMC cues. The STI's resistance and support are tipped at 2940 with support at 2900. SGS bond yields fell by 2-3bps yesterday, but could be sidelined ahead of the 20-year SGS bond tender closing at noon today.
- **Hong Kong:** Export growth in value terms fell for the 14th consecutive month, printing -1.0%yoy in June (vs May's -0.1% yoy). Meanwhile, import growth in value terms contracted 0.9% yoy in June to HK\$ 342.1 billion, bringing the total trade balance to a deficit of HK\$45.6 billion. However on a quarterly basis, the contraction in export value did softened to 1.2% yoy in 2Q16 vs a -6.8% yoy print seen in the previous quarter, suggesting improvement in trade activity in recent months. Region-wise, exports to Asia as a whole grew encouragingly by 0.5% yoy, led by exports to China which grew by 1.8% yoy. On the flipside, China reported its import growth from Hong Kong to have decelerated to 70.8% yoy in June (vs +242.6% in May). On this, China's officials explained that the surge in China's import from HK in the past few months was mainly attributed to the demand for gold. In the near term, as the fallout from the Brexit appears to be more muted than initially expected amid the fact that the concern of RMB's depreciation had moderated, the trade data mismatch may contract in the coming months. Elsewhere, exports to other main trading partners showed some weakness, with exports to US falling 7.3% yoy and those to UK dipping 10.3% yoy. In the coming months ahead, we expect trade growth to remain in contraction territory given sluggish external demand amid the uncertainty in the aftermath of Brexit, tepid recovery in some advanced markets as well as heightened geopolitical tensions in certain regions.
- **Indonesia:** Financial Services Regulator, better known as OJK, said that it will exempt shareholders who declare their stock ownership as part of tax amnesty from requirement to hold tender offer if they own more than 51% stake. This exemption, as reported by Bloomberg, will only be valid through September. In addition, OJK said that it will expedite IPO process from 35 days to 21 days, mentioning that it has 7 IPOs in the pipeline.

- **Thailand:** Custom trade data are expected to be out at noon today. Our in-house estimate for export growth points to another contraction of 2.0% (from May's -4.4%), while import growth is likely to buck the previous gain seen in May to contraction 6.4%.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downward yesterday, trading 1-4bps lower all tenors. Flows in the SGD corporates were heavy with better buying seen in OLAMSP 6%'22s while mixed interests were seen in NPLSP 4.25%'17s, MFCCN 3.85%'26s and NAB 4.15%'28s. In the broader dollar space, the spread on JACI IG corporates increased by 1bps to 214bps while the yield on JACI HY corporates decreased by 1bps to 6.39%. 10y UST yield decreased 1bps to 1.56%.
- **New Issues:** Bank of America Corp. priced a two-tranche deal yesterday, with the AUD550mn 5-year bond priced at 3mBBSW+155bps. The other tranche of AUD200mn was priced at 3.3%. China Minsheng Investment has launched a USD 3-year bond with final guidance set at 3.9-4%, tightening from its initial guidance at 4.13%. CDB Capital has launched a USD 5-year bond with final guidance at CT5+120bps, tightening from its initial guidance at CT5+145bps. The expected issue ratings are "AA-/NR/A+".
- **Rating Changes:** S&P revised its rating outlook on Tingyi (Cayman Islands) Holdings Corp. to negative from stable, and affirmed its rating at "BBB+". The revision reflects S&P's view that prolonged intense competition and Tingyi's lack of commercially successful product innovation in recent quarters could increase the company's financial leverage over the next 12-24 months. S&P upgraded EnergyAustralia Holdings Ltd.'s (EA) corporate credit rating to "BBB" from "BBB-" with positive outlook. The upgrade reflects a step-change in EA's financial risk profile and the positive outlook reflects S&P expectation that the ratings could transition higher within the next couple of years if the company successfully resolves the fuel supply issues at Mt. Piper, maintains operational stability and sustains its target leverage. S&P has discontinued its corporate credit rating on China Fishery Group Ltd. given that the company's results for FY2015 and beyond is unavailable. The rating prior to the announcement was "D". Moody's revised its rating outlook on SK Innovation Co. Ltd. (SKI), SK Global Chemical Co. Ltd. (SKGC) and SK Global Chemical Investment HK Ltd. (SKGC HK) to positive from stable and affirmed all ratings at "Baa2". The revision in ratings outlook for SKI reflects Moody's view that the company's financial profile will improve significantly in 2016, and stay strong for its current "Baa2" ratings level over the next 1-2 years. Moody's assigned a first time corporate rating of "B2" to Fenghui Leasing Co. Ltd. with a stable outlook. The rating reflects the company's (1) faster-than-system average asset growth, (2) high sector and borrower concentration, and (3) high-reliance on short-term funding. These credit challenges are supported by the company's main credit strengths of strong profitability and low financial leverage. Similarly, Fitch also assigned a first time "B2" rating to Fenghui Leasing Co. Ltd. reflecting the company's faster-than-system average asset growth, high sector and borrower concentration, and high reliance on short-term funding. Partly offsetting these credit challenges are the company's strong profitability and low financial leverage.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.156	-0.13%	USD-SGD	1.3585	-0.28%
USD-JPY	104.660	-1.09%	EUR-SGD	1.4925	-0.36%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2983	0.85%
AUD-USD	0.7502	0.43%	GBP-SGD	1.7839	-0.35%
GBP-USD	1.3130	-0.08%	AUD-SGD	1.0192	0.16%
USD-MYR	4.0635	-0.10%	NZD-SGD	0.9583	0.56%
USD-CNY	6.6720	-0.12%	CHF-SGD	1.3687	-0.95%
USD-IDR	13175	0.25%	SGD-MYR	2.9971	0.08%
USD-VND	22305	0.00%	SGD-CNY	4.9096	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4179	--
2M	-0.3330	--	1M	0.4909	--
3M	-0.2970	--	2M	0.5945	--
6M	-0.1880	--	3M	0.7335	--
9M	-0.1200	--	6M	1.0597	--
12M	-0.0490	--	12M	1.3859	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.64	-0.80	3.04
Italy	-0.04	1.10	1.25
Ireland	-0.43	-0.20	0.49
Greece*	7.61	2.30	8.10
Spain	-0.15	1.00	1.11
Russia^	2.47	8.60	4.29

* 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	18,473.75	-19.30
S&P	2,169.18	0.70
Nasdaq	5,110.05	12.40
Nikkei 225	16,383.04	-237.30
STI	2,933.44	3.60
KLCI	1,661.42	-6.80
JCI	5,224.40	3.60
Baltic Dry	696.00	-13.00
VIX	13.05	0.20

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.97 (--)	0.75 (+0.02)
5Y	1.38 (-0.02)	1.13 (-0.01)
10Y	1.75 (-0.03)	1.56 (-0.01)
15Y	2.08 (-0.04)	--
20Y	2.20 (-0.03)	--
30Y	2.34 (-0.04)	2.28 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	31.86	0.87
EURIBOR-OIS	5.70	0.10
TED	44.94	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	42.92	-0.49%	Coffee (per lb)	1.416	0.35%
Brent (per barrel)	44.87	0.34%	Cotton (per lb)	0.7363	2.09%
Heating Oil (per gallon)	1.326	0.24%	Sugar (per lb)	0.1952	-1.86%
Gasoline (per gallon)	1.35	0.87%	Orange Juice (per lb)	1.9325	3.15%
Natural Gas (per MMBtu)	2.712	-1.27%	Cocoa (per mt)	2,851	-0.11%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,930.0	0.63%	Wheat (per bushel)	4.1500	-3.26%
Nickel (per mt)	10,319	-1.21%	Soybean (per bushel)	9.935	0.99%
Aluminium (per mt)	1,582.0	-0.77%	Corn (per bushel)	3.3250	-0.67%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,320.8	0.10%	Crude Palm Oil (MYR/MT)	2,352.0	1.29%
Silver (per oz)	19.655	0.20%	Rubber (JPY/KG)	177.3	-5.74%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
07/26/2016 06:45	NZ Trade Balance	Jun	150m	127m	358m	348m
07/26/2016 06:45	NZ Exports	Jun	4.22b	4.26b	4.57b	4.56b
07/26/2016 06:45	NZ Imports	Jun	4.13b	4.13b	4.22b	4.21b
07/26/2016 07:00	SK GDP YoY	2Q P	3.00%	3.20%	2.80%	--
07/26/2016 07:00	SK GDP SA QoQ	2Q P	0.60%	0.70%	0.50%	--
07/26/2016 09:00	PH Imports YoY	May	26.60%	39.30%	29.20%	29.80%
07/26/2016 09:00	PH Trade Balance	May	-\$1500m	-\$2021m	-\$2275m	-\$2306m
07/26/2016 13:00	SI Industrial Production YoY	Jun	0.50%	-0.30%	0.90%	0.80%
07/26/2016 13:00	SI Industrial Production SA MoM	Jun	-1.40%	-2.50%	-0.40%	--
07/26/2016 16:30	UK BBA Loans for House Purchase	Jun	39650	40103	42187	41842
07/26/2016 16:30	HK Exports YoY	Jun	-1.60%	-1.00%	-0.10%	--
07/26/2016 16:30	HK Imports YoY	Jun	-5.00%	-0.90%	-4.30%	--
07/26/2016 16:30	HK Trade Balance	Jun	-34.7b	-45.6b	-26.2b	--
07/26/2016 21:45	US Markit US Services PMI	Jul P	52	50.9	51.4	--
07/26/2016 21:45	US Markit US Composite PMI	Jul P	--	51.5	51.2	--
07/26/2016 22:00	US Consumer Confidence Index	Jul	96	97.3	98	97.4
07/26/2016 22:00	US Richmond Fed Manufact. Index	Jul	-5	10	-7	-10
07/26/2016 22:00	US New Home Sales	Jun	560k	592k	551k	572k
07/26/2016 22:00	US New Home Sales MoM	Jun	1.60%	3.50%	-6.00%	0.00%
07/27/2016 08:30	PH Budget Balance PHP	Jun	--	--	--	--
07/27/2016 09:30	AU CPI QoQ	2Q	0.40%	--	-0.20%	--
07/27/2016 09:30	AU CPI YoY	2Q	1.10%	--	1.30%	--
07/27/2016 09:30	AU CPI Trimmed Mean QoQ	2Q	0.40%	--	0.20%	--
07/27/2016 09:30	AU CPI Trimmed Mean YoY	2Q	1.50%	--	1.70%	--
07/27/2016 12:00	TH Customs Exports YoY	Jun	-2.60%	--	-4.40%	--
07/27/2016 12:00	TH Customs Imports YoY	Jun	-8.90%	--	0.50%	--
07/27/2016 12:00	TH Customs Trade Balance	Jun	\$1499m	--	\$1540m	--
07/27/2016 13:00	JN Small Business Confidence	Jul	--	--	46.5	--
07/27/2016 14:00	GE Import Price Index MoM	Jun	0.60%	--	0.90%	--
07/27/2016 14:00	GE Import Price Index YoY	Jun	-4.60%	--	-5.50%	--
07/27/2016 14:00	GE GfK Consumer Confidence	Aug	9.9	--	10.1	--
07/27/2016 14:45	FR Consumer Confidence	Jul	96	--	97	--
07/27/2016 14:45	FR PPI MoM	Jun	--	--	0.30%	--
07/27/2016 14:45	FR PPI YoY	Jun	--	--	-3.50%	-3.40%
07/27/2016 16:00	EC M3 Money Supply YoY	Jun	5.00%	--	4.90%	--
07/27/2016 16:00	IT Consumer Confidence Index	Jul	109.2	--	110.2	--
07/27/2016 16:00	IT Manufacturing Confidence	Jul	102	--	102.8	--
07/27/2016 16:00	IT Economic Sentiment	Jul	--	--	101.2	--
07/27/2016 16:30	UK GDP QoQ	2Q A	0.50%	--	0.40%	--
07/27/2016 16:30	UK GDP YoY	2Q A	2.10%	--	2.00%	--
07/27/2016 19:00	US MBA Mortgage Applications	Jul-22	--	--	-1.30%	--
07/27/2016 20:30	US Durable Goods Orders	Jun P	-1.40%	--	-2.30%	--
07/27/2016 20:30	US Durables Ex Transportation	Jun P	0.30%	--	-0.30%	--
07/27/2016 20:30	US Cap Goods Ship Nondef Ex Air	Jun P	0.40%	--	-0.50%	--
07/27/2016 22:00	US Pending Home Sales MoM	Jun	1.20%	--	-3.70%	--
07/27/2016	MU Unemployment Rate	Jun	--	--	1.90%	--
07/26/2016 07/31	VN Exports YTD YoY	Jul	5.60%	--	5.90%	--

Source: Bloomberg

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