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Highlights

Global	<p>Global risk appetite retreated yesterday amid renewed concerns about European financials in particular and notwithstanding the gains in crude oil prices. With the market focus on the upcoming US presidential debate, the Mexican peso took the brunt of the sell-off. Fed's Kashkari sounded cautious and agreed with the September decision to be static on interest rates as "the right move" and "I supported the decision in the meeting" as "all these events keep happening, which is delaying us from raising rates", whereas Lacker said "I think we need to get on with it" and Kaplan opined that "I would have been comfortable in seeing some removal of accommodation in September". Note both Kaplan and Kashkari would both be first-time voting members of the FOMC in 2017 so their opinions carry some weight.</p> <p>Expect Asian markets to be trading on a risk-off tone today, turning the microscope on Clinton's health and Trump's radical views during the presidential debates. The economic data calendar comprises of US' consumer confidence, services and composite PMIs, Richmond Fed manufacturing index and S&P home prices, and Hong Kong trade data today. BOK minutes are due this afternoon, and Fed's Fischer is speaking.</p>
US	<p>New home sales fell less than expected by 7.6% mom in 609k annual pace, after hitting its fastest pace since October 2007 last month. The median price of a new home fell 5.4% yoy to \$284k, with the supply of homes rising from 4.2 months to 4.6 months.</p>
EZ	<p>Germany's IFO business climate gauge rose from 106.3 to 109.5 in Sep, the highest since May 2014, with the current and expectations gauges both improving to 114.7 and 104.5 as businesses shrugged off Brexit concerns and even as the Bundesbank trimmed its 3Q16 growth expectations.</p>
SG	<p>MAS DMD Ong Chong Tee said it may be timely to review the Code of Corporate Governance for listed companies in Singapore, given the last review was in 2012.</p> <p>S'pore's industrial production surprised on the upside in August at +0.1% yoy (0% mom sa), while the July data was also revised marginally higher to -3.5% yoy (-3.9% mom sa). Excluding biomedical, manufacturing output expanded 2.3% yoy (+1.5% mom sa) in August. We tip 3Q16 manufacturing growth to fall by 0.7% yoy and ease to a 0.2% contraction in 4Q16. Should electronics, especially semiconductors output sustain in the coming months, with some minor support from precision engineering and possibly a fading of biomedical/pharmaceutical declines, then the overall manufacturing sector could come in around flat on-year growth for the full year, which is a less adverse scenario from our previous forecast of -0.6% yoy. This would shade our 3Q16 GDP growth forecast to 2.0% yoy (+0.8% qoq saar), versus 1.8% yoy previously, and in turn our full-year 2016 GDP growth forecast a tad higher to 1.9% yoy (1.8% previously)..</p>
CH	<p>The asset allocation limit for QFII program has been scraped, according to media report. Previously, foreign investors are requested to hold at least 50% of their assets into stock. Given the lackluster performance of China's equity market, the limit may become the hurdle to attract more offshore investors. The more flexible QFII is likely to lure more investors.</p>

Major Markets

- **US:** Equities were buffeted on multiple fronts on Monday. Financials led losses due to headline worries over Deutsche Bank, while the broader market remained cautious ahead of the first Presidential debates. Major equity indices retreated, with the Dow and Nasdaq both falling -0.91%, and the S&P 500 falling -0.86%. VIX spiked higher by 18.0%, closing at 14.5. US Treasuries rallied as uncertainties boosted safe haven flows into sovereign bonds. Treasury yield curve flattened on the long end, with the 10-year yield falling 4 bps to 1.58%, while the 2-year yield closing at 0.73%, down 2 bps.
- **Singapore:** The precision engineering cluster (+11.6% yoy) led the improvement on the back of higher semiconductor-related equipment and mechanical engineering work, while the electronics cluster also surged 10.8% yoy on increased demand for semiconductor and other electronics modules & components in August. The chemicals cluster saw modest growth (+1.8% yoy) as higher chemicals, petroleum and specialties output offset petrochemicals weakness due to plant maintenance shutdowns. This affirms the recent green shoots story in the manufacturing sector, including the improvement in the manufacturing and electronics PMIs to 49.8 and 50.2 respectively in August. Meanwhile, the transport engineering cluster (-16.8% yoy) remained weighed down by the marine & offshore engineering segment (-31.4% yoy). Biomedicals output had extended declines for a third straight month to contract 8.4% yoy in August, due to the drag from pharmaceuticals (-14.1% yoy) arising from the lower production of active pharmaceutical ingredients and biological products.
- For the first eight months of 2016, industrial production fell a modest 0.1% yoy, while manufacturing output excluding biomedical declined by 1.8% yoy. The September-October base in 2015 is relatively high, so there is considerable risk that the industrial production performance could still slide back into negative territory for the coming few months. Moreover, the economic horizon remains clouded by external headwinds like the business concerns about the US presidential elections (with polls suggesting a tight race between Clinton and Trump) and the ongoing domestic economic restructuring efforts.
- STI slipped 0.25% to close at 2849.94 yesterday, and may consolidate further today with support tipped at 2820, followed by 2800. Wall Street's overnight sell-off suggest market concerns about US presidential elections weighing on the US economy. SGS bonds extended gains yesterday and may remain supported today amid the risk-off tone.
- **Indonesia:** Government has reportedly achieved 55% of this year's non-oil and gas tax revenue target, courtesy of tax amnesty program, compared with 49% in the same period last year. Finance Minister Sri Mulyani is said to be speaking at a press conference on Friday, to review the first phase of tax amnesty program.
- **Thailand:** Custom exports in August 2016 rose for the first time in 5 months, led by its electronic cluster. Within the electronic cluster, components including Vehicle & Parts (+35.7%yoy), Construction Materials (+28.8%) and Rubber Products (+11.0%) led overall exports growth. Across its key trading partners, exports to the US clocked 14.9% growth, while higher exports to EU (+11.8%), Japan (+5.7%) and China (+4.4%) were also seen.
- **Commodities:** With lack of cues, market-watchers fixated on UAE's oil minister's comment on his support on an oil deal in the on-going OPEC informal meeting. Coupled with yesterday's comment by Saudi Arabia on its readiness to freeze output at January levels (which translates into a cut of almost 0.5 million barrels per day of production), oil prices rallied overnight. **Still, our view for the informal meeting, is for the OPEC cartel to stay its hand at any decision-making.** The key dissenter to any agreement would likely be Iran, which has not reached its pre-sanction production levels of 4 mbpd. Should an unexpected production freeze happen however, oil prices may see a

kneejerk reaction to touch its \$50/bbl. Prices would then slump back down again on over-supply woes, given that a production freeze will do little to solve the glut issue.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve steepened yesterday with the shorter term rates (<2Y) trading ~1bps lower while the middle to longer term rates traded 1-3bps higher. Flows in the SGD corporates were heavy with better buying seen in LMRTSP 7%'49s, while mixed interests were seen in FCLSP 5%/49s, GENSSP 5.13%'49s, UOBSP 4%'49s and ABNAV 4.7%'22s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 204bps while the yield on JACI HY corporates increased 2bps to 6.42%. 10y UST yield decreased 4bps to 1.58%.
- **New Issues:** Bluestar Finance Holdings Ltd. has priced a two-tranche deal with the USD500mn 3-year bond priced at 3.125% while the other tranche of USD600mn 5-year bonds were priced at 3.5%. Shui On Land has priced a USD250mn 3-year bond at 4.5%, tightening from its initial price guidance at 4.65%. Singapore Telecommunications Ltd. (Singtel) has priced a USD500mn 10-year bond at 2.375%. The expected issue ratings are "A+/Aa3/NR". ICBC Leasing has priced a two tranche deal, with the USD700mn 3-year bond priced at CT3+137.5bps while the other tranche of USD700mn 5-year bond was priced at CT5+145bps. The expected issue ratings are "NR/A2/A". Goodman Australia priced a USD600mn 10-year bond at CT10+185bps, tightening from its initial price guidance at CT10+215bps. The expected issue ratings are "BBB+/Baa1". Chorus Ltd. has scheduled investor meetings from 3 October onwards for potential USD/EUR bond issuance.
- **Rating Changes:** S&P downgraded EMECO holdings Ltd.'s (Emeco) credit rating to "CC" from "CCC" with a negative outlook following Emeco's announcement of proposed recapitalization of its current outstanding notes, which S&P viewed as a distressed exchange and equivalent to a de-facto default under S&P's criteria. Moody's revised its outlook on AIA Group Ltd's "A3" issuer rating to positive from stable. The change in outlook reflects the steady improvement and strength in the Group's financial profile, particularly its financial flexibility; resilience in earnings against capital-market volatility and a low interest rate environment; and its capitalization.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.297	-0.19%	USD-SGD	1.3604	0.10%
USD-JPY	100.330	-0.68%	EUR-SGD	1.5310	0.36%
EUR-USD	1.1254	0.25%	JPY-SGD	1.3559	0.77%
AUD-USD	0.7636	0.17%	GBP-SGD	1.7651	0.32%
GBP-USD	1.2975	0.07%	AUD-SGD	1.0387	0.25%
USD-MYR	4.1328	0.47%	NZD-SGD	0.9897	0.53%
USD-CNY	6.6689	-0.01%	CHF-SGD	1.4036	0.20%
USD-IDR	13041	-0.31%	SGD-MYR	3.0379	0.15%
USD-VND	22312	0.04%	SGD-CNY	4.9061	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	0.4232	--
2M	-0.3370	--	1M	0.5222	--
3M	-0.3020	--	2M	0.6571	--
6M	-0.2000	--	3M	0.8529	--
9M	-0.1270	--	6M	1.2447	--
12M	-0.0590	--	12M	1.5574	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread
Portugal	0.46	0.80	3.38	0.40	3.50
Italy	-0.11	--	1.18	-3.00	1.30
Ireland	-0.43	-1.50	0.36	-3.30	0.47
Greece	7.65	--	8.40	0.50	8.52
Spain	-0.21	-0.10	0.92	-4.90	1.03
Russia	2.17	16.60	3.85	1.90	3.96

Equity and Commodity

Index	Value	Net change
DJIA	18,094.83	-166.62
S&P	2,164.69	--
Nasdaq	5,257.49	-48.26
Nikkei 225	16,544.56	-209.46
STI	2,849.94	-7.01
KLCI	1,669.50	-1.49
JCI	5,352.14	-36.77
Baltic Dry	934.00	-7.00
VIX	14.50	2.21

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.82 (--)	0.73 (-0.02)
5Y	1.24 (-0.02)	1.12 (-0.04)
10Y	1.75 (-0.02)	1.58 (-0.03)
15Y	2.04 (-0.02)	--
20Y	2.11 (-0.02)	--
30Y	2.13 (-0.02)	2.32 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	42.53	-0.53
EURIBOR-OIS	3.80	--
TED	68.55	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	45.93	3.26%	Coffee (per lb)	1.536	1.42%
Brent (per barrel)	47.35	3.18%	Cotton (per lb)	0.6916	0.12%
Heating Oil (per gallon)	1.449	2.96%	Sugar (per lb)	0.2254	1.85%
Gasoline (per gallon)	1.40	1.85%	Orange Juice (per lb)	2.0435	0.81%
Natural Gas (per MMBtu)	2.997	1.42%	Cocoa (per mt)	2,845	-0.25%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,841.0	-0.29%	Wheat (per bushel)	3.9600	-2.16%
Nickel (per mt)	10,494	-1.26%	Soybean (per bushel)	9.453	-1.02%
Aluminium (per mt)	1,651.5	1.30%	Corn (per bushel)	3.2900	-2.23%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,339.8	0.17%	Crude Palm Oil (MYR/MT)	2,900.0	1.29%
Silver (per oz)	19.516	-1.10%	Rubber (JPY/KG)	175.5	-0.23%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/26/2016 05:45	NZ Trade Balance	Aug	-735m	-1265m	-433m	-351m
09/26/2016 05:45	NZ Exports	Aug	3.60b	3.39b	3.96b	3.97b
09/26/2016 05:45	NZ Imports	Aug	4.30b	4.65b	4.40b	4.32b
09/26/2016 11:30	TH Customs Exports YoY	Aug	-1.00%	6.54%	-6.38%	--
09/26/2016 11:30	TH Customs Imports YoY	Aug	-4.00%	-1.48%	-7.20%	-7.16%
09/26/2016 11:30	TH Customs Trade Balance	Aug	\$1267m	\$2128m	\$1213m	\$843m
09/26/2016 13:00	SI Industrial Production YoY	Aug	0.50%	0.10%	-3.60%	-3.50%
09/26/2016 13:00	SI Industrial Production SA MoM	Aug	1.80%	0.00%	-4.00%	-3.90%
09/26/2016 13:00	JN Leading Index CI	Jul F	--	100	100	--
09/26/2016 16:00	GE IFO Business Climate	Sep	106.3	109.5	106.2	106.3
09/26/2016 16:00	GE IFO Current Assessment	Sep	112.9	114.7	112.8	112.9
09/26/2016 16:00	GE IFO Expectations	Sep	100.1	104.5	100.1	--
09/26/2016 16:00	IT Retail Sales MoM	Jul	0.00%	-0.30%	0.20%	0.30%
09/26/2016 16:00	IT Retail Sales YoY	Jul	0.30%	-0.20%	0.80%	--
09/26/2016 16:30	UK BBA Loans for House Purchase	Aug	37100	36997	37662	37672
09/26/2016 22:00	US New Home Sales	Aug	600k	609k	654k	659k
09/26/2016 22:00	US New Home Sales MoM	Aug	-8.30%	-7.60%	12.40%	13.80%
09/26/2016 22:30	US Dallas Fed Manf. Activity	Sep	-2.5	-3.7	-6.2	--
09/27/2016 14:00	GE Import Price Index MoM	Aug	-0.10%	--	0.10%	--
09/27/2016 14:00	GE Import Price Index YoY	Aug	-2.50%	--	-3.80%	--
09/27/2016 16:00	EC M3 Money Supply YoY	Aug	4.90%	--	4.80%	4.80%
09/27/2016 16:00	TA Industrial Production YoY	Aug	4.00%	--	-0.31%	--
09/27/2016 16:00	IT Industrial Orders MoM	Jul	--	--	-2.80%	--
09/27/2016 16:00	IT Industrial Orders NSA YoY	Jul	--	--	-4.20%	--
09/27/2016 16:30	HK Exports YoY	Aug	-2.00%	--	-5.10%	--
09/27/2016 16:30	HK Imports YoY	Aug	-1.00%	--	-3.30%	--
09/27/2016 16:30	HK Trade Balance	Aug	-30.0b	--	-33.3b	--
09/27/2016 21:45	US Markit US Services PMI	Sep P	51.2	--	51	--
09/27/2016 21:45	US Markit US Composite PMI	Sep P	--	--	51.5	--
09/27/2016 22:00	US Consumer Confidence Index	Sep	99	--	101.1	--
09/27/2016 22:00	US Richmond Fed Manufact. Index	Sep	-2	--	-11	--
09/27/2016	MU Unemployment Rate	Aug	--	--	1.90%	--

Source: Bloomberg

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