

Highlights

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|--------------------|---|
| Global | <p>Wall Street climbed to near record highs after robust US personal spending data, notwithstanding retreating crude oil prices and as US Treasury bond yields unwound some of the post-Jackson Hole sell-off. There are currently two camps of thoughts on the timing of the next Fed rate hike – the first camp believes that the Fed should hike in September with a dovish tone henceforth and be done with it rather than leave it to the year-end, while the second camp thinks that it is too much of a risk to hike prior to the US presidential elections and leaving it till December when it has a clearer picture of global developments and the sustainability of the domestic growth expansion. As such, Friday's nonfarm payrolls, especially if it surprises to the upside again, could whipsaw the financial markets.</p> <p>Looking ahead, the economic data calendar remains light today with European consumer confidence, German CPI and BOK policy meeting minutes. Fed's Fischer is also speaking.</p> |
| US | <p>Personal income accelerated from a revised 0.3% gain to +0.4%, while spending rose for the fourth straight month but moderated from +0.5% to a still healthy +0.3% in Jul. Real disposable income surged by 0.4% in July, the highest since December, and if sustained, could suggest that consumption may not peter out in 2H. Meanwhile, core PCE deflator rose 0.1% mom (+1.6% yoy) in July, still below the Fed's 2% target. The Dallas Fed manufacturing activity came in at -6.2 in August, versus -1.3 in July.</p> |
| NZ | <p>On zero interest rates, RBNZ assistant governor McDermott said "I never rule anything out, but I don't think we're going to get there" as "we are seeing non-tradable inflation move to a level we think is appropriate or close to it, and we will see tradable inflation at least not go negative".</p> |
| SG | <p>The \$2.2b 2-year SGS bond re-opening, with MAS taking \$200m, fetched a median yield of 0.83% with a tail of 5bps and bid-cover ratio of 2.29x. The 3-month SOR and SIBOR remains subdued around 87bps and 71bps respectively, notwithstanding the post-Yellen induced uptick in USDSGD. Tourist arrivals rose 14% yoy in 1Q16, according to STB. However, the Zika outbreak may put a dampener on 3Q visitor arrivals as some countries have issued travel notices for Singapore.</p> |
| CH | <p>China continued to defend 6.7 level for USDCNY running up to G20 meeting this weekend. The USDCNY fixing rose to 6.6856 yesterday as a result of dollar rebound on slightly hawkish comments from Yellen. However, the fixing has been adjusted. Our model shows the fixing may test 6.70 without adjustment. Meanwhile, big Chinese banks are reported to offer around 6.68 level in the spot market to contain the upside for USDCNY. We expect the USDCNY to trade below 6.70 this week.</p> |
| Commodities | <p>Amid the supply glut that is plaguing oil prices, the relatively stronger dollar index owing to increased expectation for a US rate hike somewhere this year had also dragged most dollar-denominated commodities. Empirically, crude oil prices stayed below its \$50/bbl handle, even as Iraq oil minister commented that his country will continue to ramp up oil output. Saudi Arabia had also kept output at around record levels this month as well.</p> |

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Major Market

- **US:** Equities reversed a three-day slide, with the S&P 500, Dow and Nasdaq gaining 0.52%, 0.58% and 0.26% respectively. Markets were buoyed by data showing continued strength in consumer spending and income growth. Meanwhile, US Treasury yields retreated, with the 2-year and 10-year bond yields standing at 0.81% and 1.56%. All eyes on Fed rhetoric in the run-up to non-farm payrolls on Friday, and the data release itself, to ascertain rate hike expectations. VIX shed its recent strength, falling 5.2% to 12.94.
- **Singapore:** STI declined 0.99% to close at 2829.43 yesterday, but may attempt to stabilise today amid more positive cues from Wall Street overnight even though the Nikkei and Kospi put in a mixed morning performance. The STI' support and resistance are tipped at 2800 and 2860 respectively. Shorter-dated SGS bonds bore the brunt of the sell-off yesterday, but may see some retracement today in line with UST bonds.
- **Indonesia:** Ken Dwijugasteady, Directorate-General of Tax department, issued a new regulation yesterday on Tax Amnesty. In it, he clarifies that tax amnesty is a right, rather than an obligation. Meanwhile, to assuage concerns regarding potential penalties for those who do not wish to participate in the amnesty, the regulation stipulates that individuals with earnings below IDR4.5mn (~USD340) a month – below the taxable income threshold – will not have to file the tax amnesty requests if they do not wish to.
- **Hong Kong:** Total retail sales fell for the 17th straight month by 7.7% yoy in July. Though the decline on a yearly basis was narrower than that in the preceding two months, retail sales were still weak. The decline in the luxury segment continued to pose a severe drag on retail sales. Value of sales in jewelry and watches contracted for the 22nd straight month by 26.2% yoy in July, which was also the 11th consecutive double-digit contraction. Meanwhile, sales of consumer durable goods dipped notably by 19.3% yoy. Though a milder drop was witnessed in visitors arrivals (Visitor arrivals shrank 3.5% yoy in 2Q compared with the decline of 10.9% yoy in 1Q 2016), tourist expenditure remained soft, especially visitor spending on big-ticket items. Retail sector is likely to be constrained by weak inbound tourism activities amid external uncertainties and cautious local consumer sentiment amid dimmer economic outlook. Gloomy prospect for retail sector will as a result translate into downward pressure on retail shop property market. More rental concession by the landlord and higher vacancy rate in core business district could also be expected.
- **Macau:** Labor market remained resilient with jobless rate holding stable at 1.9% in three months through July. Industry-wise, despite rebound in the gaming sector, the employment in this sector (-2.3% mom) remained subdued amid redundancy and cost management. In contrast, given rebound in tourism activities post latest hotel openings, retail (3.6% mom) as well as hotel, restaurants and similar sectors (2.4% mom) all added jobs to prepare for the upcoming project openings. Looking forward, we expect more job creations in the gaming and hotel sectors due to openings of new projects. However, the increase in employment of the retail sector may not sustain amid a stronger MOP and China's anti-corruption campaign that constrain the pick-up in the retail sector. Elsewhere, completions of mega projects in 3Q and delays in other construction projects will add downward pressure to employment in the construction sector (-0.4% mom). All in all, given the tight supply associated with tiny population and higher demand for labors after fresh wave of new projects being completed consecutively in coming 1-2 years, the labor market is expected to sustain its strength. The differentiation between the main sectors' employment may also remain intact.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded upwards yesterday with swap rates traded 1-5bps higher across all tenors as the dollar appreciated following Yellen's speech last Friday. Flows in the SGD corporates were moderate with better selling seen in HYFSP 5.75%'49s and mixed interests seen in GEMAU 5.5%'19s and GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 3bps to 196bps while the yield on JACI HY corporates increased 3bps to 6.31%. 10y UST yield decreased 7bps to 1.56%, erasing last Friday's gains.
- **New Issues:** Jiangsu Newheadline Development Group Co Ltd. has priced a USD100mn 3-year bond at 6.2% with expected issue ratings of "BB/NR/BB+". Greenland Holdings Group has priced a USD300mn 3-year bond at 3.6% with expected issue rating of "NR/Ba2/BB+". Commonwealth Bank of Australia has priced a 4-tranche deal with the USD700mn 2-year bond priced at 1.375%, the USD1bn 5-year bond priced at 2%, the USD600mn 5-year bond priced at 3mL+83bps and the USD1bn 10-year bond priced at 2.625%. The expected issue ratings are "NR/Aa2/NR". Road King Infrastructure Ltd. has launched a USD 5NC3 bond with initial price guidance at 5% that is to be priced later today. The expected issue ratings are "BB-/B1/NR". Woodside Finance Ltd is arranging investor meetings in Sydney, Asia and the US beginning Aug 31 for a potential USD deal. with expected ratings of "BBB+/Baa1/NR".
- **Rating Changes:** S&P has assigned first time corporate credit rating of "BB-" to Yestar International Holdings Co. Ltd. (in vitro diagnostics, imaging) with a stable outlook. The rating on Yestar reflects the company's concentrated service offerings and high reliance on a limited number of suppliers when compared with its global peers. The stable outlook reflects S&P's expectation that Yestar will continue its good growth and profitability over the next 12 months. At the same time, Moody's and Fitch assigned a "Ba3" and "BB-" credit rating respectively with stable outlooks to Yestar. Fitch downgraded Hua Han Health Industry Holdings Ltd.'s issuer default rating to "B+" from "BB-". The downgrade reflects the weakness of Hua Han's internal controls, which was evident in the company's delays in responding to allegations that it had inflated its revenue and cash balance. The rating remains on Rating Watch Negative. Fitch has affirmed Fortescue Metals Group Ltd.'s issuer default rating at "BB+" and revised its outlook to stable from negative. Fitch also upgraded the senior unsecured rating and rating on the outstanding USD478mn notes due in 2022 to "BB+" from "BB". The revision reflects the company's strong ability to reduce production costs amid persistently low iron-ore prices and the company's commitment to deleverage by its strengthening free cash flow. At the same time, S&P also revised its outlook on Fortescue's "BB" credit rating to stable from negative.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 95.580 | 0.01% | USD-SGD | 1.3605 | 0.10% |
| USD-JPY | 101.920 | 0.08% | EUR-SGD | 1.5222 | 0.03% |
| EUR-USD | 1.1189 | -0.08% | JPY-SGD | 1.3346 | -- |
| AUD-USD | 0.7569 | 0.07% | GBP-SGD | 1.7829 | -0.12% |
| GBP-USD | 1.3106 | -0.24% | AUD-SGD | 1.0297 | 0.16% |
| USD-MYR | 4.0452 | 0.71% | NZD-SGD | 0.9864 | 0.23% |
| USD-CNY | 6.6830 | 0.20% | CHF-SGD | 1.3907 | 0.09% |
| USD-IDR | 13267 | 0.42% | SGD-MYR | 2.9709 | 0.07% |
| USD-VND | 22310 | 0.02% | SGD-CNY | 4.9115 | -0.45% |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 18,502.99 | 107.59 |
| S&P | 2,180.38 | 11.34 |
| Nasdaq | 5,232.33 | 13.41 |
| Nikkei 225 | 16,737.49 | 376.78 |
| STI | 2,829.43 | -28.22 |
| KLCI | 1,681.60 | -1.49 |
| JCI | 5,370.76 | -68.07 |
| Baltic Dry | 720.00 | -- |
| VIX | 12.94 | -0.71 |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3710 | -- | O/N | 0.4183 | -- |
| 2M | -0.3360 | -- | 1M | 0.5244 | -- |
| 3M | -0.2980 | -- | 2M | 0.6537 | -- |
| 6M | -0.1910 | -- | 3M | 0.8334 | -- |
| 9M | -0.1210 | -- | 6M | 1.2315 | -- |
| 12M | -0.0500 | -- | 12M | 1.5366 | -- |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 0.88 (+0.09) | 0.81 (-0.04) |
| 5Y | 1.35 (+0.04) | 1.17 (-0.07) |
| 10Y | 1.81 (+0.03) | 1.56 (-0.07) |
| 15Y | 2.08 (+0.03) | -- |
| 20Y | 2.15 (+0.02) | -- |
| 30Y | 2.21 (+0.01) | 2.21 (-0.07) |

Eurozone & Russia Update

| | 2Y Bond Ylds (bpschg) | 10Y Bond Ylds (bpschg) | 10Y Bund Spread |
|-----------------|-----------------------|------------------------|-----------------|
| Portugal | 0.49 | -0.60 | 3.03 |
| Italy | -0.10 | -0.30 | 1.12 |
| Ireland | -0.38 | -0.40 | 0.41 |
| Greece | 7.65 | -- | 8.04 |
| Spain | -0.20 | 1.10 | 0.94 |
| Russia | 2.22 | 11.20 | 4.00 |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 36.89 | -1.14 |
| EURIBOR-OIS | 5.15 | 0.50 |
| TED | 51.89 | -- |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|---------|--------|-------------------------|---------|--------|
| WTI (per barrel) | 46.98 | -1.39% | Coffee (per lb) | 1.440 | 0.07% |
| Brent (per barrel) | 49.26 | -1.32% | Cotton (per lb) | 0.6669 | -1.51% |
| Heating Oil (per gallon) | 1.486 | -0.73% | Sugar (per lb) | 0.2067 | 0.29% |
| Gasoline (per gallon) | 1.47 | -3.03% | Orange Juice (per lb) | 1.9195 | 2.92% |
| Natural Gas (per MMBtu) | 2.853 | -0.63% | Cocoa (per mt) | 2,945 | -2.22% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 4,615.0 | -- | Wheat (per bushel) | 3.7050 | -3.39% |
| Nickel (per mt) | 9,772 | -- | Soybean (per bushel) | 9.833 | -0.76% |
| Aluminium (per mt) | 1,632.5 | -- | Corn (per bushel) | 3.1175 | -1.42% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,322.9 | 0.11% | Crude Palm Oil (MYR/MT) | 2,790.0 | -0.36% |
| Silver (per oz) | 18.768 | 0.63% | Rubber (JPY/KG) | 156.0 | 1.23% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

| Date Time | Event | Survey | Actual | Prior | Revised |
|-------------------------|-------------------------------------|--------------|---------------|----------------|---------------|
| 08/29/2016 09:00 | AU HIA New Home Sales MoM | Jul -- | -9.70% | 8.20% | -- |
| 08/29/2016 16:00 | IT Consumer Confidence Index | Aug | 110.3 | 109.2 | 111.3 |
| 08/29/2016 16:00 | IT Manufacturing Confidence | Aug | 102.5 | 101.1 | 103.1 |
| 08/29/2016 16:00 | IT Economic Sentiment | Aug -- | 99.4 | 103.3 | 103 |
| 08/29/2016 16:30 | HK Retail Sales Value YoY | Jul | -6.50% | -7.70% | -8.90% |
| 08/29/2016 16:30 | HK Retail Sales Volume YoY | Jul | -7.40% | -8.50% | -9.60% |
| 08/29/2016 20:30 | US Personal Income | Jul | 0.40% | 0.40% | 0.20% |
| 08/29/2016 20:30 | US Personal Spending | Jul | 0.30% | 0.30% | 0.40% |
| 08/29/2016 20:30 | US PCE Core MoM | Jul | 0.10% | 0.10% | 0.10% |
| 08/29/2016 22:30 | US Dallas Fed Manf. Activity | Aug | -3.9 | -6.2 | -1.3 |
| 08/30/2016 06:45 | NZ Building Permits MoM | Jul | -- | -10.50% | 16.30% |
| 08/30/2016 07:30 | JN Jobless Rate | Jul | 3.10% | 3.00% | 3.10% |
| 08/30/2016 07:30 | JN Job-To-Applicant Ratio | Jul | 1.38 | 1.37 | 1.37 |
| 08/30/2016 07:50 | JN Retail Trade YoY | Jul | -0.90% | -- | -1.40% |
| 08/30/2016 07:50 | JN Retail Sales MoM | Jul | 0.80% | -- | 0.20% |
| 08/30/2016 09:30 | AU Building Approvals MoM | Jul | 1.10% | -- | -2.90% |
| 08/30/2016 09:30 | AU Building Approvals YoY | Jul | -8.30% | -- | -5.90% |
| 08/30/2016 10:00 | SK Discount Store Sales YoY | Jul | -- | -- | 0.90% |
| 08/30/2016 10:00 | SK Department Store Sales YoY | Jul | -- | -- | 11.80% |
| 08/30/2016 14:00 | GE Import Price Index MoM | Jul | -0.10% | -- | 0.50% |
| 08/30/2016 14:00 | GE Import Price Index YoY | Jul | -4.00% | -- | -4.60% |
| 08/30/2016 16:00 | IT Retail Sales MoM | Jun | -0.20% | -- | 0.30% |
| 08/30/2016 16:00 | IT Retail Sales YoY | Jun | 0.10% | -- | -1.30% |
| 08/30/2016 16:30 | UK Mortgage Approvals | Jul | 61.9k | -- | 64.8k |
| 08/30/2016 16:30 | UK Money Supply M4 MoM | Jul | -- | -- | 1.10% |
| 08/30/2016 16:30 | UK M4 Money Supply YoY | Jul | -- | -- | 3.50% |
| 08/30/2016 17:00 | EC Economic Confidence | Aug | 104.1 | -- | 104.6 |
| 08/30/2016 17:00 | EC Consumer Confidence | Aug F | -8.5 | -- | -8.5 |
| 08/30/2016 20:00 | GE CPI MoM | Aug P | 0.10% | -- | 0.30% |
| 08/30/2016 20:00 | GE CPI YoY | Aug P | 0.50% | -- | 0.40% |
| 08/30/2016 20:00 | GE CPI EU Harmonized MoM | Aug P | 0.10% | -- | 0.40% |
| 08/30/2016 20:00 | GE CPI EU Harmonized YoY | Aug P | 0.50% | -- | 0.40% |
| 08/30/2016 20:30 | CA Current Account Balance | 2Q | -\$20.20b | -- | -\$16.77b |
| 08/30/2016 20:30 | CA Industrial Product Price MoM | Jul | -0.30% | -- | 0.60% |
| 08/30/2016 20:30 | CA Raw Materials Price Ind MoM | Jul | -1.20% | -- | 1.80% |
| 08/30/2016 22:00 | US Consumer Confidence Index | Aug | 97 | -- | 97.3 |
| 08/30/2016 | MU Hotel Occupancy Rate | Jul | -- | -- | 82 |
| 08/30/2016 | MU GDP YoY | 2Q | -- | -- | -13.30% |

Source: Bloomberg

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