

Highlights

Global	<p>Generally a weak market tone overnight - as the US healthcare reform bill faces further headwinds from Republican senators, the USD is unlikely to gain any traction. Moreover, better-than-expected earnings from Bank of America and Goldman Sachs also failed to lift the Dow higher. US Treasury bonds were the main beneficiary with 10-year yields down another 5bps to 2.26%. Meanwhile, US Treasury Secretary Mnuchin said the US wants specific deliverables from the US-China Comprehensive Economic Dialogue (CED) and "we still have work to do with China to achieve a balanced relationship" based on reciprocity, especially for areas like foreign ownership restrictions in its financial services industry and removing barriers for IT sectors. With investors largely trading water ahead of tomorrow's key ECB, BOJ and BI policy decisions, Asian bourses may also consolidate in the interim given that today's economic data release calendar is very light with only US' housing starts, building permits and MBA mortgage applications.</p>
US	<p>US' import prices slipped 0.2% mom in June, dragged down by lower oil prices and following a 0.1% decline in May, but the core import prices excluding petroleum actually saw a modest acceleration from 0% mom in May to 0.1% mom in June. Meanwhile, the NAHB housing market index also cooled from a revised 66 to 64 in July.</p>
EZ	<p>German ZEW survey expectation and current situation gauges both eased for the second month to 17.5 (previously 18.6) and 86.4 (previously 88.0) in July, amid potential uncertainties about ECB tapering monetary stimulus and German elections on 24 September. Separately, the ECB's bank lending survey saw its first improvement in six quarters, led by credit demand for business loans and this may support ECB's potentially hawkish plans.</p>
UK	<p>Headline CPI was flat mom (+2.6% yoy) in June, weighed down by fuel prices, with core CPI also softer at 2.4% yoy (previously 2.6%)</p>
SG	<p>SGX is reintroducing the lunch break from 12-1pm from 13 November and widening bid spreads for certain stocks from current 0.5 cent to 1 cent for the relevant securities in the \$1-1.99 price range.</p>
ID	<p>The government sold 1b euros of 7-year bonds at 2.178% yield on July 11. According to a recent Bloomberg report, the yield was 27bps lower than the initial price guidance, deemed to be the lowest ever for Indonesia. In terms of investor type, as much as 52% is said to have been allocated to fund managers, with 18% for banks and 17% for insurance and pension funds.</p>
Commodities	<p>Crude oil rallied on news that Saudi Arabia is considering 1 million barrels per day of export cut. WTI and Brent were up by almost one percentage point overnight. Market-watchers, owing to the news of possible export cut, shrugged off recent stock build-up (+1.628 million barrels) in the US as reported by the American Petroleum Institute. Note US EIA data later on US commercial inventories of crude oil and refined petroleum products, as well as overall production levels to set the tone for crude oil for the rest of the week. Elsewhere, note that gold has risen to \$1,241.9/oz as the DXY fell to its weakest in almost a year.</p>

Major Markets

- **US:** Tech stocks put up a strong showing as expected on Tuesday, buoyed by the stronger-than-expected subscriber growth figures in Netflix. Other gainers include consumer discretionary and utilities. The overall mood, however, was dampened by the failure of the Republican health-care bill. This should cast doubt on the Trump administration's ability to deliver its other campaign promises. Overall, equities were mixed, with the S&P 500 up marginally and Nasdaq Composite higher by 0.47% to new records, while the Dow slipped 0.25%. VIX nudged slightly higher to 9.89. US Treasuries rallied, with the long-end outperforming. 10y benchmark yields fell 5 bps to 2.26%, pushing against 50-DMA and 200-DMA technical levels. Investors appear to be positioning for a hesitant Fed, with market implied probability for the 3rd hike in 2017 fading over the last 2 weeks. 2y benchmark yields slipped 1 bp to 1.35%.
- **Singapore:** STI succeeded in crossing the 3300 resistance handle to close at 3306.08 (+0.24%) yesterday, but may range trade between 3280-3310 today. Given investors may take profit ahead of the ECB meeting tomorrow, the STI may find it more difficult to stay afloat above 3300 today given mixed leads from Wall Street overnight and morning performance of Kospi. Despite the ongoing rally in the UST bond market, SGS bonds had a mixed performance yesterday as short-term interest rates continued to chop around. MAS will announce the issue size for the 7-year SGS re-opening tomorrow for auction on 27 July and issue on 1 August.
- **China:** Market shifted their focus from systemic risk to company or industry specific risks as concerns about regulatory tightening in specific sectors heightens following the recent wave of news. Bloomberg reported that commercial banks are asked by banking regulator to lower the yields offered for wealth management products. Meanwhile, the market talk about China has cut the funding channel for Wanda's overseas projects due to violation of capital control and investment rules also triggered the sell-off of Wanda related stocks and bonds including property developer Sunac, which agreed to buy assets from Wanda Group.
- **Hong Kong:** Accumulative housing completions reached a 12-year high at 6588 units over the first five months. This means that the government is set to meet its land supply target for the private sector to build 17,000 new homes in 2017. However, housing completions dropped by 58.5% yoy in May. On the other hand, though total housing starts for the first five months remained at decade-high, the growth has slowed to 6.4%. Clearly, developers tended to slow down their pace of new home completions and constructions as expectations for higher rates and the new slew of cooling measures have tamed housing demand. Despite that, the prospect for increasing new home supply in the medium term is still likely to hit housing market sentiment in the near term. Therefore, we believe housing market to witness moderate correction in 2H. The seasonally adjusted jobless rate reduced slightly to 3.1% in 2Q, its lowest level in more than three years. The trade sector's unemployment rate decreased from 3.2% to 3.1% and is expected to edge down further in the coming months due to rosy performance of the trade sector on the back of global recovery. The unemployment of the consumption- and tourism-related sector reduced from 4.8% to 4.7%, its lowest level since November 2015 amid improvement in tourism activities. For the construction sector, its jobless rate held unchanged at a one-year high of 4.8% and is expected to decrease slightly given a slew of new property and infrastructure projects. Strong economic growth at home and abroad may also support the overall hiring sentiments. However, we still believe that an expected housing correction in 2H will add downward pressure to some sectors, including the decoration, repair and maintenance for buildings sector whose unemployment rate decreased notably in 2H. Despite that, we expect labor market to remain resilient throughout 2017.

- Macau:** Gross gaming revenue (GGR) grew at its fastest pace since 4Q 2013 and was up by 22% yoy to MOP 62.9 billion. The strong growth was attributed mainly to the return of VIP demand. Specifically, since the share of VIP revenue (+34.8% yoy) has bottomed out in 2Q 2016, it rose steadily to its highest level since 1Q 2015 at 57%. China's strong economic growth in 1H and junket operators' provision of credit extension to high rollers have supported the revival of VIP demand. In comparison, the share of mass-market segment's revenue (+7% yoy) dropped steadily to 38.1%. Moving forward, an expected slowdown in China's growth and its cooling housing markets may deter Mainland high-stake players. In addition, as China and Macau increasingly stress on anti-money laundering initiatives, both VIP and mass market segments could face downward pressure. Elsewhere, the improving tourism activities on the back of global recovery may help to sustain the gradual growth of mass-market segment. All in all, we expect GGR growth to decelerate in 2H and register around 12% yoy in 2017.
- Malaysia:** Bank Negara said that access to financing is not the primary issue for affordable housing in Malaysia. It added that housing developers and relevant parties should intensify efforts to reduce costs and accelerate supply.

Bond Market Updates

- Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 2-4bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in WSTP 4%'27s, ARASP 5.2%-PERPs, HSBC 4.7%-PERPs, OLAMSP 5.5%-PERPs, and mixed interest seen in ANZ 3.75%'27s. In the broader dollar space, the spread on JACI IG Corporates traded little changed at 189bps, while the yield on JACI HY Corporates rose 2bps to 6.90%. 10y UST yields fell 6bps to 2.26% yesterday, as export prices failed to live up to expectations and investors questioned the strength of the global economy as concerns arose about the US administration's ability to enact reforms.
- New Issues:** Mitsubishi UFJ Financial Group Inc has priced a three-tranche deal, with the USD2bn 5-year fixed rate bond priced at CT5+85bps, tightening from initial guidance of CT5+100-105bps area; the USD1bn 5-year floating rate bond priced at 3mL+79bps; and the USD1bn 10-year bond priced at CT10+103bps, tightening from initial guidance of CT10+120bps. The expected issue ratings are 'A/A1/A'. DBS Group Holdings Ltd has priced a USD500mn 5-year green bond at 3mL+62bps, tightening from initial guidance of 3mL+80bps area. The expected issue ratings are 'AA-/Aa2/NR'. Country Garden Holdings Company Ltd has priced a USD600mn 5NC3 bond at 4.875%, tightening from initial guidance of the 5.25% area. The expected issue ratings are 'NR/Baa1/BB+'. Yinchuan Tonglian Capital Investment Operation Co Ltd has priced a USD300mn 3-year bond at CT3+215bps, tightening from initial guidance of CT3+245bps. The expected issued ratings are 'NR/Baa3/NR'. Sinochem International Development Pte Ltd (guaranteed by Sinochem International Corporation) has priced a USD300mn 5-year bond at CT5+135bps, tightening from initial guidance of CT5+165bps. The expected issue ratings are 'BBB+/Baa1/NR'. Korea Hydro & Nuclear Power Co Ltd has priced a USD300mn 10-year bond at CT10+95bps, tightening from initial guidance of CT10+120bps. The expected issue ratings are 'AA/Aa2/NR'. China Railway XunJie Co Ltd has priced a USD 500mn 5-year bond at CT5+110bps, tightening from initial guidance of CT5+110bps. The expected issue ratings are 'NR/A3/A-'. Azure Power Energy Ltd has scheduled investor meetings for potential USD green bond issuance from 19 Jul. Continuum Energy LLC has scheduled investor meetings for potential USD bond issuance from 18 Jul. The expected issue ratings are 'NR/B1/B+'. Jiuding Group Finance Co has priced a USD150mn 3-year bond (guaranteed by Tongchuangjiuding Investment Management Group Co) at 6.5%. The expected issue ratings are 'BB/NR/NR'.

- **Rating Changes:** S&P has downgraded Sunshine 100 China Holdings Ltd's (Sunshine) corporate credit rating and long-term rating on its senior unsecured notes to 'CCC+' from 'B-'. S&P has placed all ratings on CreditWatch with negative implications. The rating action reflects S&P's view that Sunshine's high leverage is not sustainable over the longer term and the increasing uncertainty surrounding the refinancing of Sunshine's notes that are due in October 2018. S&P has assigned The Asian Infrastructure Investment Bank (AIIB) an issuer credit rating of 'AAA'. The outlook is stable. The rating action reflects AIIB's strong shareholder support as well as AIIB's sound risk management and governance policies. Moody's has affirmed the Government of Thailand's foreign currency and local currency issuer ratings at 'Baa1' and maintained the stable outlook. The rating action reflects Thailand's substantial fiscal strength and low external vulnerability, as well as easing near-term political uncertainties. However, Moody's acknowledged that Thailand's growth outlook faces challenges due to diminished competitiveness, which is evident in weakening foreign direct investment (FDI) inflows, as well as an aging population.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.604	-0.55%	USD-SGD	1.3665	-0.20%
USD-JPY	112.070	-0.50%	EUR-SGD	1.5789	0.46%
EUR-USD	1.1554	0.66%	JPY-SGD	1.2194	0.30%
AUD-USD	0.7916	1.47%	GBP-SGD	1.7819	-0.32%
GBP-USD	1.3040	-0.11%	AUD-SGD	1.0817	1.26%
USD-MYR	4.2850	-0.07%	NZD-SGD	1.0043	0.21%
USD-CNY	6.7466	-0.35%	CHF-SGD	1.4310	0.58%
USD-IDR	13309	-0.13%	SGD-MYR	3.1342	0.16%
USD-VND	22735	0.07%	SGD-CNY	4.9376	-0.14%

Equity and Commodity

Index	Value	Net change
DJIA	21,574.73	-54.99
S&P	2,460.61	1.47
Nasdaq	6,344.31	29.87
Nikkei 225	19,999.91	-118.95
STI	3,306.08	7.84
KLCI	1,754.92	-0.27
JCI	5,822.35	-18.93
Baltic Dry	912.00	--
VIX	9.89	0.07

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1778	--
2M	-0.3410	--	1M	1.2283	--
3M	-0.3300	--	2M	1.2567	--
6M	-0.2740	--	3M	1.3061	--
9M	-0.2070	--	6M	1.4532	--
12M	-0.1510	--	12M	1.7329	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.18 (+0.01)	1.35 (-0.01)
5Y	1.49 (+0.01)	1.81 (-0.05)
10Y	2.07 (-)	2.26 (-0.06)
15Y	2.29 (+0.01)	--
20Y	2.34 (+0.02)	--
30Y	2.41 (+0.01)	2.85 (-0.06)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
07/26/2017	0.0%	0.1%	99.9%	0.0%	0.0%
09/20/2017	10.1%	0.1%	89.8%	10.1%	0.0%
11/01/2017	10.8%	0.1%	89.1%	10.7%	0.1%
12/13/2017	39.2%	0.1%	60.7%	35.7%	3.5%
01/31/2018	39.7%	0.1%	60.2%	35.9%	3.8%
03/21/2018	59.2%	0.0%	40.7%	43.8%	14.2%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.00	0.02
EURIBOR-OIS	2.90	0.07
TED	26.67	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	46.40	0.83%	Copper (per mt)	6,019.7	0.24%
Brent (per barrel)	48.84	0.87%	Nickel (per mt)	9,748.0	2.03%
Heating Oil (per gallon)	1.5104	0.73%	Aluminium (per mt)	1,916.8	1.08%
Gasoline (per gallon)	1.5789	1.43%			
Natural Gas (per MMBtu)	3.0880	2.25%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,513.0	-0.95%
			Rubber (JPY/KG)	201.5	-0.05%
Precious Metals	Futures	% chg			
Gold (per oz)	1,241.9	0.66%			
Silver (per oz)	16.268	1.05%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
07/18/2017 16:30	UK	CPI Core YoY	Jun	2.60%	2.40%	2.60%	--
07/18/2017 16:30	UK	Retail Price Index	Jun	272.7	272.3	271.7	--
07/18/2017 16:30	UK	RPI MoM	Jun	0.40%	0.20%	0.40%	--
07/18/2017 16:30	UK	RPI YoY	Jun	3.60%	3.50%	3.70%	--
07/18/2017 16:30	UK	RPI Ex Mort Int.Payments (YoY)	Jun	3.80%	3.80%	3.90%	--
07/18/2017 16:30	UK	PPI Input NSA MoM	Jun	-0.90%	-0.40%	-1.30%	-0.70%
07/18/2017 16:30	UK	PPI Input NSA YoY	Jun	9.40%	9.90%	11.60%	12.10%
07/18/2017 16:30	UK	PPI Output NSA MoM	Jun	0.10%	0.00%	0.10%	--
07/18/2017 16:30	UK	PPI Output NSA YoY	Jun	3.40%	3.30%	3.60%	--
07/18/2017 16:30	UK	PPI Output Core NSA YoY	Jun	2.80%	2.90%	2.80%	--
07/18/2017 17:00	GE	ZEW Survey Current Situation	Jul	88	86.4	88	--
07/18/2017 17:00	EC	ZEW Survey Expectations	Jul	--	35.6	37.7	--
07/18/2017 17:00	GE	ZEW Survey Expectations	Jul	18	17.5	18.6	--
07/18/2017 20:30	US	Import Price Index MoM	Jun	-0.20%	-0.20%	-0.30%	-0.10%
07/18/2017 20:30	US	Import Price Index YoY	Jun	1.30%	1.50%	2.10%	2.30%
07/18/2017 22:00	US	NAHB Housing Market Index	Jul	67	64	67	66
07/19/2017 04:00	US	Total Net TIC Flows	May	--	\$57.3b	\$65.8b	\$74.4b
07/19/2017 04:00	US	Net Long-term TIC Flows	May	--	\$91.9b	\$1.8b	\$9.7b
07/19/2017 05:00	SK	PPI YoY	Jun	--	2.80%	3.50%	3.40%
07/19/2017 08:30	AU	Westpac Leading Index MoM	Jun	--	--	-0.02%	--
07/19/2017 12:00	MA	CPI YoY	Jun	3.90%	--	3.90%	--
07/19/2017 14:00	JN	Machine Tool Orders YoY	Jun F	--	--	31.10%	--
07/19/2017 16:00	SI	Automobile COE Open Bid Cat A	Jul-19	--	--	42801	--
07/19/2017 16:00	SI	Automobile COE Open Bid Cat B	Jul-19	--	--	49802	--
07/19/2017 16:00	SI	Automobile COE Open Bid Cat E	Jul-19	--	--	49899	--
07/19/2017 19:00	US	MBA Mortgage Applications	Jul-14	--	--	-7.40%	--
07/19/2017 20:30	CA	Manufacturing Sales MoM	May	0.80%	--	1.10%	--
07/19/2017 20:30	US	Housing Starts	Jun	1160k	--	1092k	--
07/19/2017 20:30	US	Building Permits	Jun	1201k	--	1168k	--
07/19/2017	HK	Composite Interest Rate	Jun	--	--	0.31%	--
07/19/2017	PH	BoP Overall	Jun	--	--	-\$59m	--
07/19/2017 07/31	PH	Budget Balance PHP	Jun	--	--	-33.4b	--
07/18/2017 17:00	EC	ZEW Survey Expectations	Jul	--	--	37.7	--
07/18/2017 17:00	GE	ZEW Survey Expectations	Jul	18	--	18.6	--
07/18/2017 20:30	US	Import Price Index MoM	Jun	-0.20%	--	-0.30%	--
07/18/2017 20:30	US	Import Price Index YoY	Jun	1.30%	--	2.10%	--
07/18/2017 22:00	US	NAHB Housing Market Index	Jul	67	--	67	--

Source: Bloomberg

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