

Highlights

| | |
|--------------------|---|
| Global | <p>Financial markets were largely rangebound amid a lack of data convictions and as central bank rhetoric remained mixed even though oil prices stabilised. On the hawkish end of the spectrum, ECB's Praet warned that "when the day comes, we will look at inflation and act accordingly, regardless of whether governments complain" about ending the asset purchase program. BOE's Forbes also opined that "the UK economy appears to be solid enough on key economic criteria and even 'overstimulated' by others, such that a moderate reduction in the substantial amount of monetary stimulus...makes sense". In contrast, BOJ's Iwata commented that "there is absolutely no need to raise interest rates and diminish the degree of monetary easing, which is not that big compared with that of the United States". Similarly, PBOC advisor Sheng Songcheng noted that "the PBOC does not have the huge portfolio of securities assets that need to be dealt with". Meanwhile, CBC and BSP kept rates unchanged as anticipated. For today, note the slew of PMIs from Europe, US' new home sales, SG's CPI and industrial production. Speakers include Fed's Bullard, Mester and Powell.</p> |
| UK | <p>PM May said that almost all 3 million EU citizens currently in the UK will be able to stay after Brexit.</p> |
| SG | <p>Inflation likely accelerated to 1.2% yoy (+0.2% mom nsa) in May, up from 0.44% yoy (-0.3% mom nsa) in April, while industrial production may come in at +6.0% yoy (-1.8% mom sa) compared to +6.7% yoy (+0.1% mom sa) in April. The 3-month SOR has softened to 0.64% even as the 3-month SIBOR holds relatively steady at 0.99%. We see the tear between SIBOR and SOR may persist for longer.</p> |
| CH | <p>China Wanda's bonds and shares were sold off in the past few days due to concerns about rising political risk after Anbang's Chairman was reported to be detained. The volatility later spread to Fosun after the news came out that China's banking regulator asked some banks in mid-June to check their risk exposure to China's five top conglomerates, which are active in overseas expansions due to concerns about systemic risks posed by those big companies.</p> |
| MA | <p>S&P, a ratings agency, reaffirmed its ratings for Malaysia with a stable outlook. According to the agency, Malaysia is expected to continue implementing prudent budgetary and economic policies, and that growth will proceed at an average rate of over 4% between now and 2020. It added, however, that uncertainty related to upcoming parliamentary elections could put upward pressure on cost of refinancing Malaysia's gross external financing needs.</p> |
| Commodities | <p>Crude oil's decline pauses after the many sessions of decline. WTI and Brent turned north at \$42.74/bbl (+0.49%) and \$45.22/bbl (+0.89%), respectively. Note Iran energy minister Zanganeh commented that OPEC may decide on further oil-output cuts, though consensus could be "difficult". Elsewhere, gold consolidated higher, after its many days of decline post FOMC decision last week, likely on short-covering behaviour.</p> |

Major Markets

- **US:** Wall Street was relatively flat with the Dow (-0.06%) and S&P (-0.05%) declining further while the tech-rich Nasdaq gained 0.04%. Notably, health stocks rose after Republicans unveiled a bill to repeal Obamacare while energy stocks bucked its decline with slightly higher oil prices overnight.
- US' initial jobless claims rose modestly by 3k to 241k, with the four-week moving average also up 1.5k to 244.75k, while the leading index improved from 0.2% in April to 0.3% in May. Meanwhile, 34 of the largest banks in the US also cleared the first phase of the annual Fed stress test, even though Morgan Stanley trailed on a supplemental leverage ratio.
- **Singapore:** STI rebounded 0.43% to close at 3215.55 yesterday, holding above the 3200 support and may trade with a slightly firmer tone again today amid positive morning cues from Kospi and Nikkei, but watch for potential profit-taking ahead of the long holiday weekend. STI's support and resistance are tipped at 3200 and 3240. SGS bonds traded in a narrow range yesterday and may do likewise today, but watch the steepening bias in the UST curve overnight.
- The confluence of a slightly more aggressive pace of FOMC balance sheet unwinding (possibly starting by September 2016 beginning with UST and agency/MBS at US\$6b and US\$4b monthly with quarterly step-ups to reach US\$30b and US\$20b per month over 12 months), as well as an still intended third 25bp rate hike later this year, have contributed to a higher USDSGD. SOR, on the other hand, has plunged as market players attempt to pre-empt tightening USD liquidity story once the FOMC embarks on its balance sheet unwinding intentions, especially ahead of the half-year end funding requirements coming up in end-June.
- **China:** Regarding the sell-off in Wanda's bonds and shares, it is still not clear about the drivers behind this round of panic sale of those related shares and bonds. However, this, at least, shows that China's sentiment remains fragile and concerns about political risk and regulatory tightening remain high leading to the leadership reshuffle in 19th Party Congress this year.
- **Hong Kong:** China's Ministry of Finance issued RMB 2 billion five-year bond in HK. The bond yield is 4.1%, the highest level since 2009 when MOF started to issue Dim Sum Bond. Meanwhile, the MOF issued RMB 5 billion three-year bond in HK, which offers a record-high yield of 3.99%. The increase in bond yield offered in the primary market is mainly due to low liquidity and limited supply. Looking forward, funding needs associated with the One Belt One Road initiative is expected to increase while demand for the CNH may also grow following the launch of the bond connect. As a result, the development of HK's offshore yuan market is likely to deepen while the liquidity of Dim Sum Bond market may improve.
- **Indonesia:** Government said that Freeport, a mining company, may receive mining permit extension. While the company is seeking extension until 2041, but may only receive an extension until 2031.
- **Thailand:** Exports rose 13.2% yoy in May, clocking its third straight month of expansion and its fastest pace in 52 months, while imports surged 18.2% yoy. For the first five months, exports grew at an encouraging pace of 7.2%, suggesting that Thailand's external environment is likely to support growth into 2H17. The trade ministry reiterates its export growth target of 5.0% this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 2-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%-PERPs, STHSP 3.95%-PERPs, better selling seen in SCISP 4.75%-PERPs, mixed interest seen in LMRTSP 6.6% PERPs, GRCHAR 6%'17s. In the broader dollar space, the spread on JACI IG corporates changed little at 195bps, while the yield on JACI HY corporates rose sharply by 7bps to 6.83%, potentially due to news out of China regarding the investigation of certain firms that have been active in overseas acquisitions such as Fosun. 10y UST yields fell by 2bps to 2.15%, after 30-year TIPS auction, stoking long-end demand and flattening the UST curve into the close.
- **New Issues:** Adani Ports & Special Economic Zone Ltd priced a USD500mn 10-year bond at CT10+195bps, tightening from the initial guidance of CT10+210bps. The expected issue ratings are 'BBB-/ Baa3/BBB-'. Franshion Brilliant Limited has priced a USD300mn Perp NC5.5 at 4.0% (guaranteed by China Jinmao Holdings Group Ltd), tightening from initial guidance of 4.3% area. The expected issue ratings are 'NR/Baa3/NR'. Shimao Property Holdings Ltd has priced a USD450mn 5NC3 bond at 4.75%, tightening from initial guidance of 5% area. The expected issue ratings are 'BB/NR/BBB-'. NTT Finance Corporation has priced a USD500mn 3-year bond at 3mL+53bps, tightening from the initial guidance of 3mL+75bps. Kaisa Group Holdings Ltd is planning to issue up to USD3.45bn of bonds with maturities ranging from 2020 to 2024. Rural Electrification Corporation Ltd has scheduled investor meetings for potential USD Green Bond issuance from 26 Jun to 28 Jun. Samvardhana Motiherson Automotive Systems Group B.V. has scheduled investor meetings for a potential EUR300mn 7-year bond issuance from 26 Jun. The expected issue ratings are 'BB+/NR/BBB-'.
- **Rating Changes:** S&P has upgraded Guotai Junan Securities Co. Ltd. (GTJA) and Guotai Junan International Holdings Ltd. (GTJAI) to 'BBB+' from 'BBB'. In addition, S&P removed all the ratings from CreditWatch with positive implications, and placed the upgraded ratings on stable outlook. The rating action reflects S&P's expectation for the company to sustain its very strong capital position over the next 12-24 months, as denoted by S&P's expectation of a risk-adjusted capital (RAC) ratio above 15%. Moody's has assigned a 'Ba1' corporate family rating to Alinta Energy Limited (Alinta) with stable outlook. The rating action reflects the absence of a track record under the new owner, as well as the possibility of future material acquisitions, which could increase financial leverage and/or the company's business risk.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 97.593 | 0.03% | USD-SGD | 1.3902 | 0.06% |
| USD-JPY | 111.330 | -0.04% | EUR-SGD | 1.5505 | -0.06% |
| EUR-USD | 1.1152 | -0.14% | JPY-SGD | 1.2486 | 0.10% |
| AUD-USD | 0.7542 | -0.15% | GBP-SGD | 1.7631 | 0.16% |
| GBP-USD | 1.2682 | 0.09% | AUD-SGD | 1.0485 | -0.09% |
| USD-MYR | 4.2865 | -0.02% | NZD-SGD | 1.0098 | 0.58% |
| USD-CNY | 6.8348 | 0.08% | CHF-SGD | 1.4305 | 0.13% |
| USD-IDR | 13324 | 0.05% | SGD-MYR | 3.0849 | 0.06% |
| USD-VND | 22725 | 0.00% | SGD-CNY | 4.9146 | 0.10% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3730 | -- | O/N | 1.1772 | -- |
| 2M | -0.3410 | -- | 1M | 1.2156 | -- |
| 3M | -0.3290 | -- | 2M | 1.2506 | -- |
| 6M | -0.2710 | -- | 3M | 1.2894 | -- |
| 9M | -0.2010 | -- | 6M | 1.4450 | -- |
| 12M | -0.1610 | -- | 12M | 1.7354 | -- |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) | Bund (chg) | FR (chg) | IT (chg) |
|------------|--------------|--------------|---------------|---------------|--------------|
| 2Y | 1.17 (-0.01) | 1.34 (-0.01) | -0.64 (-) | -0.49 (-) | -0.22 (-) |
| 5Y | 1.46 (-0.01) | 1.76 (-0.01) | -0.39 (-0.01) | -0.22 (-0.01) | 0.66 (+0.01) |
| 10Y | 1.98 (-) | 2.15 (-0.02) | 0.25 (-0.01) | 0.60 (-) | 1.90 (-) |
| 15Y | 2.17 (-) | -- | 0.50 (-0.01) | 0.95 (-) | 2.45 (-0.01) |
| 20Y | 2.25 (-) | -- | 0.76 (-0.02) | 1.26 (-) | 2.58 (-) |
| 30Y | 2.32 (-) | 2.72 (-0.01) | 1.03 (-0.02) | 1.53 (-) | 3.02 (-0.01) |

Fed Rate Hike Probability

| Meeting | Prob Hike | Prob Cut | 1-1.25 | 1.25-1.5 | 1.5-1.75 |
|------------|-----------|----------|--------|----------|----------|
| 26/07/2017 | 0.0% | 0.7% | 99.3% | 0.0% | 0.0% |
| 20/09/2017 | 16.0% | 0.6% | 83.4% | 16.0% | 0.0% |
| 01/11/2017 | 16.7% | 0.6% | 82.8% | 16.5% | 0.1% |
| 13/12/2017 | 40.2% | 0.4% | 59.4% | 35.4% | 4.8% |
| 31/01/2018 | 40.7% | 0.4% | 58.9% | 35.6% | 5.1% |
| 21/03/2017 | 52.5% | 0.3% | 47.2% | 40.2% | 11.1% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 42.74 | 0.49% | Copper (per mt) | 5,729.8 | -0.12% |
| Brent (per barrel) | 45.22 | 0.89% | Nickel (per mt) | 8,982.0 | 0.18% |
| Heating Oil (per gallon) | 1.3716 | 0.50% | Aluminium (per mt) | 1,861.5 | 0.17% |
| Gasoline (per gallon) | 1.4345 | 1.70% | | | |
| Natural Gas (per MMBtu) | 2.8940 | 0.03% | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,597.0 | 0.39% |
| Precious Metals | Futures | % chg | Rubber (JPY/KG) | 196.4 | -0.30% |
| Gold (per oz) | 1,247.6 | 0.34% | | | |
| Silver (per oz) | 16.509 | 0.82% | | | |

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 21,397.29 | -12.74 |
| S&P | 2,434.50 | -1.11 |
| Nasdaq | 6,236.69 | 2.73 |
| Nikkei 225 | 20,110.51 | -28.28 |
| STI | 3,215.55 | 13.78 |
| KLCI | 1,777.43 | 1.86 |
| JCI | 5,829.71 | 11.16 |
| Baltic Dry | 844.00 | -- |
| VIX | 10.48 | -0.27 |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 13.00 | 0.75 |
| EURIBOR-OIS | 3.00 | 0.02 |
| TED | 30.13 | -- |

Government CDS (USD)

| | 5Y | % Change |
|---------|---------|----------|
| Germany | 15.618 | 1.13% |
| France | 23.918 | -1.13% |
| Italy | 144.950 | -1.06% |

Key Economic Indicators

| Date | Time | Event | Survey | Actual | Prior | Revised |
|------------|-------|--|---------------|--------------|---------------|-----------------|
| 06/22/2017 | 05:00 | NZ RBNZ Official Cash Rate | Jun-22 | 1.75% | 1.75% | -- |
| 06/22/2017 | 07:50 | JN Japan Buying Foreign Bonds | Jun-16 | -- | ¥1090.1b | ¥526.6b |
| 06/22/2017 | 07:50 | JN Japan Buying Foreign Stocks | Jun-16 | -- | ¥367.1b | ¥50.4b |
| 06/22/2017 | 07:50 | JN Foreign Buying Japan Bonds | Jun-16 | -- | -¥601.8b | ¥309.6b |
| 06/22/2017 | 07:50 | JN Foreign Buying Japan Stocks | Jun-16 | -- | -¥331.6b | -¥143.1b |
| 06/22/2017 | 08:30 | TA Unemployment Rate | May | 3.80% | 3.79% | 3.78% |
| 06/22/2017 | 11:00 | NZ Credit Card Spending YoY | May | -- | 7.60% | 6.40% |
| 06/22/2017 | 14:45 | FR Manufacturing Confidence | Jun | 109 | 108 | 109 |
| 06/22/2017 | 14:45 | FR Production Outlook Indicator | Jun | -- | 17 | 7 |
| 06/22/2017 | 15:00 | MA Foreign Reserves | Jun-15 | -- | \$98.7b | \$98.0b |
| 06/22/2017 | 15:30 | TH Customs Exports YoY | May | 8.00% | 13.20% | 8.50% |
| 06/22/2017 | 15:30 | TH Customs Imports YoY | May | 11.50% | 18.20% | 13.40% |
| 06/22/2017 | 15:30 | TH Customs Trade Balance | May | \$1165m | \$944m | \$60m |
| 06/22/2017 | 16:10 | PH BSP Overnight Borrowing Rate | Jun-22 | 3.00% | 3.00% | 3.00% |
| 06/22/2017 | 17:10 | TA CBC Benchmark Interest Rate | Jun-22 | 1.38% | 1.38% | 1.38% |
| 06/22/2017 | 20:30 | US Initial Jobless Claims | Jun-17 | 240k | 241k | 237k |
| 06/22/2017 | 20:30 | CA Retail Sales MoM | Apr | 0.30% | 0.80% | 0.70% |
| 06/22/2017 | 20:30 | US Continuing Claims | Jun-10 | 1928k | 1944k | 1935k |
| 06/22/2017 | 20:30 | CA Retail Sales Ex Auto MoM | Apr | 0.70% | 1.50% | -0.20% |
| 06/22/2017 | 21:00 | US FHFA House Price Index MoM | Apr | 0.50% | 0.70% | 0.60% |
| 06/22/2017 | 21:45 | US Bloomberg Consumer Comfort | Jun-18 | -- | 49.4 | 50 |
| 06/22/2017 | 21:45 | US Bloomberg Economic Expectations | Jun | -- | 52 | 49.5 |
| 06/22/2017 | 22:00 | EC Consumer Confidence | Jun A | -3 | -1.3 | -3.3 |
| 06/22/2017 | 22:00 | US Leading Index | May | 0.30% | 0.30% | 0.30% |
| 06/23/2017 | 08:30 | JN Nikkei Japan PMI Mfg | Jun P | -- | -- | 53.1 |
| 06/23/2017 | 13:00 | SI CPI YoY | May | 1.30% | -- | 0.40% |
| 06/23/2017 | 13:00 | SI CPI NSA MoM | May | 0.10% | -- | -0.30% |
| 06/23/2017 | 13:00 | SI Industrial Production YoY | May | 7.50% | -- | 6.70% |
| 06/23/2017 | 13:00 | SI Industrial Production SA MoM | May | -0.70% | -- | 0.10% |
| 06/23/2017 | 14:45 | FR GDP QoQ | 1Q F | 0.40% | -- | 0.40% |
| 06/23/2017 | 14:45 | FR GDP YoY | 1Q F | 1.00% | -- | 1.00% |
| 06/23/2017 | 15:00 | FR Markit France Manufacturing PMI | Jun P | 54 | -- | 53.8 |
| 06/23/2017 | 15:00 | FR Markit France Services PMI | Jun P | 57 | -- | 57.2 |
| 06/23/2017 | 15:00 | FR Markit France Composite PMI | Jun P | 56.7 | -- | 56.9 |
| 06/23/2017 | 15:30 | GE Markit/BME Germany Manufacturing PMI | Jun P | 59 | -- | 59.5 |
| 06/23/2017 | 15:30 | GE Markit Germany Services PMI | Jun P | 55.4 | -- | 55.4 |
| 06/23/2017 | 15:30 | GE Markit/BME Germany Composite PMI | Jun P | 57.2 | -- | 57.4 |
| 06/23/2017 | 15:30 | TH Foreign Reserves | Jun-16 | -- | -- | \$184.1b |
| 06/23/2017 | 16:00 | TA Industrial Production YoY | May | 0.50% | -- | -0.59% |
| 06/23/2017 | 16:00 | EC Markit Eurozone Manufacturing PMI | Jun P | 56.8 | -- | 57 |
| 06/23/2017 | 16:00 | EC Markit Eurozone Services PMI | Jun P | 56.1 | -- | 56.3 |
| 06/23/2017 | 16:00 | EC Markit Eurozone Composite PMI | Jun P | 56.6 | -- | 56.8 |
| 06/23/2017 | 16:00 | IT Industrial Orders MoM | Apr | -- | -- | -4.20% |
| 06/23/2017 | 16:00 | IT Industrial Orders NSA YoY | Apr | -- | -- | 9.20% |
| 06/23/2017 | 16:00 | IT Industrial Sales MoM | Apr | -- | -- | 0.50% |
| 06/23/2017 | 16:00 | IT Industrial Sales WDA YoY | Apr | -- | -- | 7.20% |
| 06/23/2017 | 20:30 | CA CPI NSA MoM | May | 0.20% | -- | 0.40% |
| 06/23/2017 | 20:30 | CA CPI YoY | May | 1.50% | -- | 1.60% |
| 06/23/2017 | 21:45 | US Markit US Manufacturing PMI | Jun P | 53 | -- | 52.7 |
| 06/23/2017 | 21:45 | US Markit US Services PMI | Jun P | 53.5 | -- | 53.6 |
| 06/23/2017 | 21:45 | US Markit US Composite PMI | Jun P | -- | -- | 53.6 |
| 06/23/2017 | 22:00 | US New Home Sales | May | 590k | -- | 569k |
| 06/23/2017 | 22:00 | US New Home Sales MoM | May | 3.70% | -- | -11.40% |
| 06/23/2017 | | MU Visitor Arrivals | May | -- | -- | 2743t |
| 06/19/2017 | 06:30 | PH Budget Balance PHP | May | -- | -- | 52.8b |

| <u>OCBC Treasury Research</u> | |
|---|---|
| <u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com | <u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com |

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W