

Highlights

Global	<p>The FOMC didn't surprise the financial markets much overnight, albeit it did indicate that happen "the Committee expects to begin implementing its balance sheet normalization program relatively soon, provided that the economy evolves broadly as anticipated". Otherwise, the FOMC kept interest rates unchanged as widely anticipated and said it "expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate" and "the stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation". Wall Street climbed pushing the Dow to a record high while the USD remains suppressed, and the UST bond yields rallied by 3-6bps. Essentially the consensus market view that the FOMC would began to taper its balance sheet in September, and likely defer the third rate hike (if it happens) to at least end of 2017. Asian bourses may take heart from the FOMC language and trade with a firmer tone this morning. Today's economic data release calendar comprises US' durable goods orders, initial jobless claims, wholesale inventories and Chicago Fed national activity index.</p>
US	<p>New home sales slowed to 0.8% mom at 610k in June, compared to a revised 4.9% mom at 605k in May, as supply rose to 5.4 months.</p>
SG	<p>Industrial production beat expectations to surge 13.1% yoy (+9.7% mom sa), the fastest expansion since December 2016. This is better than our forecast of 12.3% yoy (+7.5% mom sa) and also the Bloomberg consensus forecast of 8.5% yoy (+3.6% mom sa). However, the May print was revised down from 5.0% yoy (-3.5% mom sa) to 4.4% yoy (-4.0% mom sa). The key growth driver was electronics (+25.5% yoy), particularly semiconductors (+37.4% yoy), as anticipated. Note that electronics output had grown by 34.9% yoy for the first half of this year. Another beneficiary was the precision engineering cluster at 5.3% yoy (+16.9% for 1H17). Biomedical output saw some green shoots and rose 18.3% yoy, led by pharmaceuticals (+21.4% yoy) in June. Excluding biomedical manufacturing, output expanded 11.9% yoy (+4.0% mom sa). However, biomedical output actually put in a lackluster performance in 1H17 at -9.6% yoy, which suggested that biomedical had not been a growth contributor for the year-to-date. We tip manufacturing growth to moderate and clock a more modest 1.3% yoy for 2H17, to bring full-year growth to 5% yoy. Electronics momentum should still hold up, albeit at a slower pace, amid new smartphone launches for Apple iPhone and Samsung. Meanwhile, OCBC's 2Q results rose 22% yoy to \$1.08b, up from \$885m a year ago, as net income rose 7% yoy amid stronger customer loans (+11%) and net-interest margin came in at 1.65%.</p>
CMD	<p>Crude oil prices rallied further to their highest in almost two months, as US oil stocks posted a larger-than-expected fall for the week ended 21st July. Crude oil inventories reportedly fell 7.2 million barrels, clocking its four week consecutive decline.</p>

Major Markets

- **US:** Equities continued to nudge higher, as investors largely interpret the July FOMC statement as dovish and providing sufficient room for the Fed to dial back on the rate hike path later in the year, if required. The telecom sector led gains, driven by an earnings beat from AT&T. Financials and materials sectors were the main drags. Overall, the S&P 500 closed marginally higher, while the Dow and Nasdaq Composite powered ahead by 0.45% and 0.17% respectively. VIX remained subdued at 9.60. Meanwhile, US Treasuries rallied post-FOMC statement, with investors sensing some hesitation from the Fed over the projected third hike in 2017. Short-covering action may also be in play, as a significant short position was built up earlier this week. 2y and 10y benchmark yields softened to 1.36% and 2.29%.
- **Singapore:** STI continued to sustain its upward momentum yesterday, rising 0.27% to close at 3336.72 (highest since July15). Given the overnight positive leads from Wall Street and morning gains in Kospi, the STI may test higher. STI's support and resistance are tipped at 3320 and 3350 respectively. With the UST bond market rally overnight post-FOMC, the SGS market may retrace some of its sell-off yesterday, but watch for the \$1.3b 7-year SGS bond re-opening auction results today. Looking at previous 7-year SGS bond auctions, the bid-cover ratios range between 1.4x (back in June 2013) to 2.38x (in June 2014). The last three 7-year SGS bond auctions from 2014-2016 have also seen a cut-off yield of 1.955-2.19% with tails ranging from 3bps to 9bps. Historical 7-year SGS bond auctions sizes have ranged from \$1.1b (back in 2011) and \$1.6b (2013-2014), so \$1.3b for this auction is run-of-the-mill. Based on bond-swap spread valuations, at 10bps over the 8-year swap rate, the current 7-year SGS bond is probably trading tighter than the 20bps that would be fair value. That said, the 7-year SGS bond yield has bounced some 15bps from its recent low of 1.82% in late June, so the impending supply could be partly discounted, aided by the recent back-up in global bond yields as well. Post-FOMC, the 7-year SGS bond auction today should not deviate too much from current levels. Please refer to our report on "Thoughts on the 7-year SGS bond auction". The 3-month SIBOR-SOR spread widened slightly to 27bps as SIBOR edged up to 1.1195%.
- **Indonesia:** The parliament has passed a law that will allow Indonesia to fulfill the requirement under OECD's Automatic Exchange of Information framework. With the passage of this law, Indonesia will be able to participate in information sharing with fellow AEOI signatories including Singapore and Hong Kong, allowing the government access to financial data held by these jurisdictions.
- **Commodities:** Over a four-week average print, US crude oil stocks have fallen in more than four years (since July 2013), highlighting that the narrowing of the global glut is still on track. Moreover, investors cheered on new official rhetoric from Kuwait and UAE which promises export cuts to aid curtail the glut. Gold fell despite the weaker greenback, as investors digested the FOMC statement in which "the committee expects to begin implementing its balance sheet normalization program relatively soon".

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear steepened yesterday, with swap rates trading 2-4bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 2bps to 188bps, while the yield on JACI HY Corporates rose 3bps to 6.90%. 10y UST yields fell 5bps yesterday, as even though the FOMC left rates unchanged and announced that balance sheet normalization would be implemented 'relatively soon', there were some alternations to the Fed's statement regarding inflation, which led to short covering in UST markets.

- **New Issues: Suntec REIT** has priced a SGD100mn 6-year bond at 2.85%, unchanged from the initial guidance.
- **Rating Changes:** S&P has affirmed ITOCHU Corp's (ITOCHU) corporate credit rating and senior unsecured ratings at 'A-', while revising the outlook to positive from stable. The rating action reflects S&P's view that ITOCHU will achieve higher profits than most peers and that it is able to maintain its conservative investment policy and financial discipline which would further improve its capital adequacy. S&P has upgraded the counterparty credit ratings on ING Group's core subsidiaries – ING Bank NV, ING Belgium SA/NV and ING Financial Markets LLC to 'A+' from 'A'. S&P has also upgraded ING Bank (Australia) Ltd's counterparty credit ratings to 'A' from 'A-' while affirming ING Groep NV's counterparty credit rating at 'A'. The rating action reflects S&P's expectation that ING Group will build a sizable buffer which protects the bank's senior creditors, while maintaining strong capital adequacy due to resilient financial performance, supportive internal capital generation and a broadly similar risk profile. Moody's has placed China Travel Service (Holdings) Hong Kong Ltd's (CTS) 'Baa3' issuer rating, and its subsidiary, King Power Capital Limited's (King) 'Baa3' senior unsecured rating under review for upgrade. The rating action reflects CTS' improving financial leverage due to strong earnings growth, despite the slight increase in debt. Fitch has downgraded Hengdeli Holdings Limited's (Hengdeli) Issuer Default Rating (IDR) to 'B-' from 'B+'. The outlook is stable. Fitch has removed the ratings from Rating Watch Negative, and has also withdrawn the senior unsecured rating as the 2018 notes were repaid early. The rating action reflects Hengdeli's loss of position as a market leader and the severe shrinkage in its operating scale after the disposal of Xinyu and Harvest Max.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.672	-0.41%	USD-SGD	1.3573	-0.37%
USD-JPY	111.180	-0.63%	EUR-SGD	1.5927	0.38%
EUR-USD	1.1734	0.75%	JPY-SGD	1.2208	0.27%
AUD-USD	0.8005	0.86%	GBP-SGD	1.7809	0.37%
GBP-USD	1.3122	0.74%	AUD-SGD	1.0867	0.51%
USD-MYR	4.2847	0.08%	NZD-SGD	1.0205	1.00%
USD-CNY	6.7540	0.04%	CHF-SGD	1.4274	-0.20%
USD-IDR	13338	0.08%	SGD-MYR	3.1415	-0.10%
USD-VND	22723	0.00%	SGD-CNY	4.9623	0.07%

Equity and Commodity

Index	Value	Net change
DJIA	21,711.01	97.58
S&P	2,477.83	0.70
Nasdaq	6,422.75	10.57
Nikkei 225	20,050.16	94.96
STI	3,336.72	8.89
KLCI	1,766.00	2.66
JCI	5,800.21	-13.33
Baltic Dry	980.00	--
VIX	9.60	0.17

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1800	--
2M	-0.3400	--	1M	1.2328	--
3M	-0.3290	--	2M	1.2567	--
6M	-0.2720	--	3M	1.3167	--
9M	-0.2070	--	6M	1.4539	--
12M	-0.1530	--	12M	1.7390	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.25 (+0.04)	1.36 (-0.03)
5Y	1.54 (+0.03)	1.83 (-0.06)
10Y	2.11 (+0.04)	2.29 (-0.05)
15Y	2.31 (+0.04)	--
20Y	2.36 (+0.04)	--
30Y	2.43 (+0.04)	2.89 (-0.03)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
09/20/2017	4.1%	0.0%	95.9%	4.1%	0.0%
11/01/2017	6.9%	0.0%	93.1%	6.7%	0.1%
12/13/2017	42.9%	0.0%	57.1%	40.1%	2.7%
01/31/2018	44.5%	0.0%	55.5%	40.6%	3.7%
03/21/2018	59.0%	0.0%	41.0%	44.5%	13.4%
05/02/2018	59.7%	0.0%	40.3%	44.5%	13.9%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.65	-0.20
EURIBOR-OIS	2.95	0.07
TED	15.98	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.75	1.80%	Copper (per mt)	6,331.7	0.90%
Brent (per barrel)	50.97	1.53%	Nickel (per mt)	10,008.5	0.39%
Heating Oil (per gallon)	1.5953	1.71%	Aluminium (per mt)	1,926.3	0.63%
Gasoline (per gallon)	1.6173	1.32%			
Natural Gas (per MMBtu)	2.9240	-0.68%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,629.0	0.11%
			Rubber (JPY/KG)	212.8	0.61%
Precious Metals	Futures	% chg			
Gold (per oz)	1,255.6	-0.23%			
Silver (per oz)	16.459	-0.50%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
07/26/2017	06:45	NZ Trade Balance NZD	Jun	150m	242m	103m	74m
07/26/2017	06:45	NZ Exports NZD	Jun	4.60b	4.70b	4.95b	4.92b
07/26/2017	06:45	NZ Imports NZD	Jun	4.40b	4.46b	4.85b	4.84b
07/26/2017	06:45	NZ Trade Balance 12 Mth YTD NZD	Jun	-3680m	-3661m	-3754m	-3796m
07/26/2017	07:50	JN PPI Services YoY	Jun	0.80%	0.80%	0.70%	0.80%
07/26/2017	09:30	AU CPI QoQ	2Q	0.40%	0.20%	0.50%	--
07/26/2017	09:30	AU CPI YoY	2Q	2.20%	1.90%	2.10%	--
07/26/2017	09:30	AU CPI Trimmed Mean QoQ	2Q	0.50%	0.50%	0.50%	--
07/26/2017	09:30	AU CPI Trimmed Mean YoY	2Q	1.80%	1.80%	1.90%	1.80%
07/26/2017	09:30	AU CPI Weighted Median QoQ	2Q	0.50%	0.50%	0.40%	0.50%
07/26/2017	09:30	AU CPI Weighted Median YoY	2Q	1.70%	1.80%	1.70%	--
07/26/2017	13:00	JN Small Business Confidence	Jul	49.8	50	49.2	--
07/26/2017	13:00	SI Industrial Production YoY	Jun	8.50%	13.10%	5.00%	4.40%
07/26/2017	13:00	SI Industrial Production SA MoM	Jun	3.60%	9.70%	-3.50%	-4.00%
07/26/2017	14:45	FR Consumer Confidence	Jul	108	104	108	--
07/26/2017	16:00	IT Economic Sentiment	Jul	--	105.5	106.4	106.3
07/26/2017	16:00	IT Manufacturing Confidence	Jul	107	107.7	107.3	--
07/26/2017	16:00	IT Consumer Confidence Index	Jul	106.3	106.7	106.4	--
07/26/2017	16:30	UK BBA Loans for House Purchase	Jun	40000	40200	40347	40287
07/26/2017	16:30	UK GDP QoQ	2Q A	0.30%	0.30%	0.20%	--
07/26/2017	16:30	UK GDP YoY	2Q A	1.70%	1.70%	2.00%	--
07/26/2017	16:30	UK Index of Services 3M/3M	May	0.40%	0.40%	0.20%	--
07/26/2017	19:00	US MBA Mortgage Applications	Jul-21	--	0.40%	6.30%	--
07/26/2017	22:00	US New Home Sales	Jun	615k	610k	610k	605k
07/26/2017	22:00	US New Home Sales MoM	Jun	0.80%	0.80%	2.90%	4.90%
07/27/2017	02:00	US FOMC Rate Decision (Upper Bound)	Jul-26	1.25%	1.25%	1.25%	--
07/27/2017	07:00	SK GDP SA QoQ	2Q P	0.60%	0.60%	1.10%	--
07/27/2017	07:00	SK GDP YoY	2Q P	2.70%	2.70%	2.90%	--
07/27/2017	07:50	JN Japan Buying Foreign Bonds	Jul-21	--	--	¥947.8b	--
07/27/2017	07:50	JN Japan Buying Foreign Stocks	Jul-21	--	--	¥438.6b	--
07/27/2017	07:50	JN Foreign Buying Japan Bonds	Jul-21	--	--	¥413.7b	--
07/27/2017	07:50	JN Foreign Buying Japan Stocks	Jul-21	--	--	¥341.0b	--
07/27/2017	14:00	GE GfK Consumer Confidence	Aug	10.6	--	10.6	--
07/27/2017	16:00	EC M3 Money Supply YoY	Jun	5.00%	--	5.00%	--
07/27/2017	16:30	HK Exports YoY	Jun	6.40%	--	4.00%	--
07/27/2017	16:30	HK Imports YoY	Jun	5.20%	--	6.60%	--
07/27/2017	16:30	HK Trade Balance HKD	Jun	-42.9b	--	-35.6b	--
07/27/2017	20:30	US Initial Jobless Claims	Jul-22	240k	--	233k	--
07/27/2017	20:30	US Continuing Claims	Jul-15	1960k	--	1977k	--
07/27/2017	20:30	US Durable Goods Orders	Jun P	3.70%	--	-0.80%	--
07/27/2017	20:30	US Durables Ex Transportation	Jun P	0.40%	--	0.30%	--
07/27/2017	20:30	US Cap Goods Orders Nondef Ex Air	Jun P	0.30%	--	0.20%	--
07/27/2017	20:30	US Cap Goods Ship Nondef Ex Air	Jun P	0.30%	--	0.10%	--
07/27/2017	20:30	US Wholesale Inventories MoM	Jun P	0.30%	--	0.40%	--
07/27/2017	20:30	US Chicago Fed Nat Activity Index	Jun	0.35	--	-0.26	--
07/27/2017	21:45	US Bloomberg Consumer Comfort	Jul-23	--	--	47.6	--
07/27/2017		MU Unemployment Rate	Jun	--	--	2.00%	--
07/27/2017	08/03	GE Retail Sales MoM	Jun	0.20%	--	0.50%	--
07/27/2017	08/03	GE Retail Sales YoY	Jun	2.70%	--	4.80%	--

Source: Bloomberg

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