

Highlights

Global	<p>The US economy grew better than expected 2.6% qoq annualised in 2Q17, nearly double the revised 1Q pace of 1.2% and led by consumption (+2.8%) and non-residential fixed investment (+5.2%), but wage growth, namely the employment cost index remained muted at 0.5% following 1Q's 0.8% expansion. S&P500 ended lower due to the drag from earnings from Amazon, Exxon and Starbucks, while the USD and UST bond yields dipped amid the soft US wage data. There was also another North Korean missile launch over the weekend which could again stress the Sin-US relationship, but was largely shrugged off by financial markets.</p> <p>Asian bourses may trade with a mixed tone this morning on the above themes. The economic data calendar kicks off with US' pending home sales and Chicago Purchasing Manager, Eurozone's June unemployment rate, German retail sales, Thai trade and current account, and Singapore's bank loans (our forecast 7.5% YoY) data today, and culminates with the US' key nonfarm payrolls and unemployment report on Friday, with market eyeing +180k (previously +222k) and 4.3% (previously 4.4%) respectively. For this week, look for RBA to keep rates pat at 1.5% tomorrow, while RBI is tipped to trim repo and reverse repo rates by 25bps to 6% and 5.75% respectively on 2 Aug in reaction to softer than expected inflation, and BOE likely static on 3 Aug. On the corporate earnings front, watch for Apple tomorrow, followed by AIG, BP, Tesla etc.</p>
US	<p>US' core PCE deflator rose just 0.9% in 2Q, half of the revised 1.8% reading seen in 1Q. The University of Michigan sentiment index printed at 93.4 in July, up from the 93.2 estimate. Meanwhile, Fed's Kashkari opined that "I have been in favour of us slowly bringing that balance sheet back down to a more normal size even though I'm still concerned about inflation". The failure of Congress to pass healthcare legislation last week, which prompted Trump to scold Congress for looking like "fools" and urge Republican senators not to be "total quitters" on Saturday, now focuses market attention on the budget with the upcoming debt ceiling deadline.</p>
SG	<p>The overall unemployment rate was unchanged at 2.2% in June, but declined for residents (-0.1% point to 3.1%) and citizens (-0.2% points to 3.3%). Employment excluding FDW fell by 8.4k in 2Q, less than 9.4k in 1Q, but was contributed mainly by a decline in work permit holders in Marine and Construction, whereas services employment continue to grow by 3.4k albeit this growth was slower than 1Q. Layoffs also fell from 4k in 1Q to 3.5k in 2Q, but was broad-based across industries. The labour market outlook remains uneven across sectors, even though there are initial signs of some stabilisation as growth prospects and domestic sentiments improve modestly. Hiring remains cautious in sectors such as Construction and Marine, but opportunities will continue to be available in Finance & Insurance, Infocomms & Media, Healthcare, Professional Services and Wholesale Trade. Looking ahead, the domestic labour market should tread a steadier path amid the brighter global and regional growth prospects.</p>

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Major Markets

- **US:** Equities were mostly lower on Friday, on political headlines regarding the latest failure of the healthcare repeal, and North Korea's missile test. US 2Q GDP growth also came in slightly softer than expected at 2.6%, although consumption growth matching expectations at 2.8% was a relief. Overall, the S&P 500 and Nasdaq Composite were down 0.13% and 0.12% respectively, while the Dow ended higher by 0.15%. VIX appear to be on a mild upswing, closing at 10.29. Meanwhile, US Treasuries were supported by political headlines over North Korea and weak the US GDP print. However, trading was within a tight range, and gains were modest. 2y and 10y benchmark yields stood at 1.35% and 2.29% at close, down 1-2bps. This week will be a busy one for data releases, note especially global PMIs on Monday, US personal income and manufacturing data on Tuesday and non-farm payrolls on Friday.
- **Singapore:** STI saw profit-taking of 0.71% to close at 3330.75 and may continue to consolidate amid weak cues from Wall Street on Friday and morning slippage in Kospi. STI's support and resistance are tipped at 3320 and 3340 respectively. With the soft US core PCE deflator data driving UST bond yields lower on Friday, SGS bonds may unwind the 1-2bps sell-off seen on Friday as well.
- **Macau:** The number of hotel guests edged up at a slower pace at 15.9% yoy to 1.09 million in June. The slowdown is in tandem with the deceleration of growth in visitor arrivals. As a result, hotel occupancy rate increased merely by 2.4 percentage points to 85.1% in June. Specifically, hotel guests from Mainland China increased by 17.3% yoy while those from South Korea grew by 102.1% yoy. This reinforces that a wide range of promotions offered by a slew of new hotels helped to lure tourists.
- **Hong Kong:** Government estimates that 98,000 units of new homes will be available in the coming three to four years. This is a record high number since the government started to release the data of private housing supply in primary market in September 2004. The prospect for increasing new home supply is likely to hurt housing market sentiments in the short term. Nevertheless, 74% (up from 72% in 1Q) of the new home supply over the next 3-4 years consists of small to medium size houses while the demand for smaller housing units is expected to remain resilient. Therefore, we believe the real impact of the increasing supply will be limited.
- **China:** The launch of North Korea's intercontinental ballistic missile on Friday put the Sino-US relationship under test again. The timing was bad for China as it just came after China and US failed to reach consensus on how to reduce trade imbalance in the latest Sino-US Comprehensive Economic Dialogue. Trump's frustration with China over North Korea is likely to put the bilateral trade in the spotlight again in particular when the result of section 232 investigation on whether aluminium and steel imports are threatening national security will be due soon. Market will continue to monitor the increasing risk of trade friction between world's two largest economy.
- **Indonesia:** Finance Ministry has reportedly refrained from including Rupiah redenomination initiative in the list of financial legislations to be discussed by the parliament this year. Reports suggest that the ministry decided to focus its energy on other priorities for now, including next year's budget as well as revisions to legislations involving VATs, income tax and banking regulations.
- **Commodities:** Another session of higher oil prices were seen over the weekend, while WTI crossed its critical \$50/bbl handle in early Asian trading hours this morning. As written in our latest "Commodities Weekly: It's already rebalanced!", global oil fundamentals are already rebalanced as of April 2017, while demand remains robust, thus supporting the oil rally of late. Elsewhere, gold prices staged a rally to close at \$1,275.3/oz, the highest in a month, chiefly on dollar weakness.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards on Friday, with swap rates trading 1-2bps higher across all tenors (with the exception of 7Y swaps). In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 188bps, while the yield on JACI HY Corporates was flattish at 6.90%. 10y UST yields fell 2bps to 2.29% at Friday close, as GDP price index for the second quarter came in lower than expected.
- **New Issues:** Olam International Limited priced a SGD50mn tap of its existing SGD300mn 5.5% PNC5 at 100.25, for a yield of 5.44%. Powerlong Real Estate Holdings Ltd has priced a USD100mn re-tap of its PWRLNG 5.95%'20s. The issue ratings are 'B-/B2/NR'. PT Tunas Baru Lampung Tbk has scheduled investor meetings for potential SGD bond issuance from 31 Jul to 1 Aug. PT Medco Energi Internasional Tbk has scheduled investor meetings for potential USD bond issuance from 31 Jul. The expected issue ratings are 'B/B2/B'. Jiangsu Nantong Sanjian Engineering Jobbing Co Ltd has scheduled investor meetings for potential USD bond issuance from 31 Jul.
- **Rating Changes:** S&P has affirmed Australian Gas Networks' (AGN) 'BBB+' credit ratings while revising the outlook to positive from stable. The rating action reflects the possibility of AGN's rating going up by one notch, as its major shareholders, CK Infrastructure Holdings and Power Assets Holdings (together referred to as the CKI Group) have their outlooks revised to positive from stable. S&P has assigned PT Medco Energi Internasional Tbk (Medco) a corporate credit rating and senior unsecured rating of 'B'. The rating action reflects Medco's operations which are concentrated in a few fields, and its elevated investment appetite despite high leverage. However, these risks are tempered by Medco's good operating track record, growing cash flows, creditworthy and good standing in credit markets. S&P has downgraded Tianjin Binhai New Area Construction & Investment Group Co Ltd (BHCI) to 'BBB+' from 'A-'. The outlook is stable. S&P has also lowered the company's senior unsecured rating to 'BBB+' from 'A-'. The rating action reflects S&P's view that BHCI's rating reflects the credit profile of the Binhai Government, which deteriorated due to its widening budget deficit. Moody's has confirmed Baidu Inc's (Baidu) 'A3' issuer and senior unsecured debt ratings, as well as its negative outlook. The rating action reflects Moody's expectation that Baidu's Financial Services Group's (FSG) business will weaken Baidu's financial profile and raise execution risks. Moody's has assigned PT Medco Energi Internasional Tbk (Medco) a corporate family rating and senior unsecured rating of 'B2'. The outlook is stable. The rating action reflects Medco's improving scale of production and modest degree of visibility on its cash flow, but are constrained by Medco's high leverage. Moody's has assigned QT Mutual Bank Limited (QTMB) a senior unsecured rating of 'Baa1'. The outlook is stable. The rating action reflects QTMB's mutual ownership structure, which allows it to maintain its low-risk model, as well as its above-average capital levels and conservative funding. However, the ratings are constrained by the bank's small scale. Moody's has assigned Spyder (BC) BidCo Pty Ltd (Spyder), the holding company of the combined Camp Australia Group, a corporate credit rating of 'B2'. At the same time, Moody's has assigned 'B2' ratings to its first lien senior secured term loan facility and senior secured revolving credit facility, as well as a 'B3' rating to its second lien senior secured term loan facility. The outlook is stable. The rating action reflects Camp Australia Group's track record of strong cash flow generation and solid margins, but is constrained by its relatively high financial leverage. Fitch has assigned PT Medco Energi Internasional Tbk (Medco) an issuer default rating (IDR) of 'B'. A similar rating was assigned to its proposed US dollar notes. The outlook is stable. The rating action reflects Medco's business profile as a small upstream producer and its high leverage, which the company is reducing. Fitch has assigned PT Tunas Baru Lampung Tbk (TBLA) an issuer default rating and a senior unsecured rating of 'BB-'. Fitch has also assigned a 'BB-' rating to TBLA's proposed senior unsecured notes. The outlook is stable. The rating action reflects the beneficial regulatory environment for sugar in Indonesia, as well as TBLA's small but well-diversified palm operations and healthy debt leverage.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.259	-0.64%	USD-SGD	1.3568	-0.19%
USD-JPY	110.680	-0.52%	EUR-SGD	1.5941	0.43%
EUR-USD	1.1751	0.63%	JPY-SGD	1.2259	0.33%
AUD-USD	0.7987	0.25%	GBP-SGD	1.7824	0.35%
GBP-USD	1.3136	0.54%	AUD-SGD	1.0835	0.04%
USD-MYR	4.2813	0.11%	NZD-SGD	1.0196	0.17%
USD-CNY	6.7369	-0.09%	CHF-SGD	1.4006	-0.59%
USD-IDR	13324	0.05%	SGD-MYR	3.1479	-0.11%
USD-VND	22729	0.03%	SGD-CNY	4.9644	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	21,830.31	33.76
S&P	2,472.10	-3.32
Nasdaq	6,374.68	-7.51
Nikkei 225	19,959.84	-119.80
STI	3,330.75	-23.96
KLCI	1,767.08	-2.99
JCI	5,831.03	11.28
Baltic Dry	933.00	-9.00
VIX	10.29	0.18

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1783	0.0011
2M	-0.3390	--	1M	1.2317	-0.0022
3M	-0.3290	--	2M	1.2583	0.0011
6M	-0.2720	--	3M	1.3106	-0.0006
9M	-0.2080	--	6M	1.4550	0.0006
12M	-0.1520	0.0010	12M	1.7290	-0.0006

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.24 (+0.01)	1.35 (-0.02)
5Y	1.53 (+0.01)	1.83 (-0.02)
10Y	2.10 (+0.02)	2.29 (-0.02)
15Y	2.30 (+0.02)	--
20Y	2.36 (+0.02)	--
30Y	2.43 (+0.02)	2.90 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
09/20/2017	4.1%	0.0%	4.1%	0.0%	0.00%
11/01/2017	7.9%	0.0%	7.7%	0.2%	0.00%
12/13/2017	38.7%	0.0%	35.9%	2.7%	0.10%
01/31/2018	39.2%	0.0%	36.1%	3.0%	0.10%
03/21/2018	57.0%	0.0%	43.4%	12.7%	0.90%
05/02/2018	57.7%	0.0%	43.4%	13.2%	1.10%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.05	-0.23
EURIBOR-OIS	2.95	0.02
TED	23.36	1.77

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.71	1.37%	Copper (per mt)	6,338.3	-0.09%
Brent (per barrel)	52.52	2.00%	Nickel (per mt)	10,165.5	0.68%
Heating Oil (per gallon)	1.6397	2.28%	Aluminium (per mt)	1,888.8	-1.69%
Gasoline (per gallon)	1.6761	1.92%			
Natural Gas (per MMBtu)	2.9410	-0.94%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,655.0	-0.82%
			Rubber (JPY/KG)	204.5	-4.66%
Precious Metals	Futures	% chg			
Gold (per oz)	1,275.3	0.69%			
Silver (per oz)	16.695	0.74%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 25 Jul 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	92,335	58,045	34,290	Wheat	23,804	31,700	-7,896
Nymex Crude	471,298	443,253	28,045	Natural Gas	-43,650	-36,434	-7,216
Soybean	49,648	33,866	15,782	Live Cattle	137,293	140,836	-3,543
Silver	19,431	8,630	10,801	Lean Hogs	80,905	84,250	-3,345
Sugar	-47,378	-57,893	10,515	Palladium	19,261	19,014	247
Copper	23,883	15,071	8,812	Corn	166,635	166,098	537
RBOB Gasoline	58,248	49,707	8,541	Platinum	10,335	9,015	1,320
Coffee	-15,602	-21,687	6,085	Heating Oil	11,957	10,184	1,773
Cocoa	-38,207	-43,846	5,639	Cotton	32,303	30,229	2,074

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised
07/28/2017	05:00	SK Business Survey Manufacturing	Aug --	78	80	--
07/28/2017	07:00	SK Industrial Production YoY	Jun 1.10%	-0.30%	0.10%	0.20%
07/28/2017	07:30	JN Jobless Rate	Jun 3.00%	2.80%	3.10%	--
07/28/2017	07:30	JN Job-To-Applicant Ratio	Jun 1.5	1.51	1.49	--
07/28/2017	07:30	JN Natl CPI YoY	Jun 0.40%	0.40%	0.40%	--
07/28/2017	07:30	JN Natl CPI Ex Fresh Food YoY	Jun 0.40%	0.40%	0.40%	--
07/28/2017	07:30	JN Tokyo CPI YoY	Jul 0.10%	0.10%	0.00%	--
07/28/2017	07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jul 0.10%	0.20%	0.00%	--
07/28/2017	07:50	JN Retail Trade YoY	Jun 2.40%	2.10%	2.00%	2.10%
07/28/2017	10:30	SI Unemployment rate SA	2Q 2.30%	2.20%	2.30%	2.20%
07/28/2017	10:47	MU Hotel Occupancy Rate	Jun --	85.1	84.9	--
07/28/2017	13:30	FR GDP QoQ	2Q A 0.50%	0.50%	0.50%	--
07/28/2017	13:30	FR GDP YoY	2Q A 1.60%	1.80%	1.10%	--
07/28/2017	14:45	FR CPI EU Harmonized MoM	Jul P -0.40%	-0.40%	0.00%	--
07/28/2017	14:45	FR CPI EU Harmonized YoY	Jul P 0.80%	0.80%	0.80%	--
07/28/2017	14:45	FR CPI MoM	Jul P -0.40%	-0.30%	0.00%	--
07/28/2017	14:45	FR CPI YoY	Jul P 0.70%	0.70%	0.70%	--
07/28/2017	16:00	TA GDP YoY	2Q P 2.20%	2.10%	2.60%	--
07/28/2017	17:00	EC Consumer Confidence	Jul F -1.7	-1.7	-1.7	--
07/28/2017	18:00	GE CPI MoM	Jul P 0.20%	0.40%	0.20%	--
07/28/2017	18:00	GE CPI YoY	Jul P 1.50%	1.70%	1.60%	--
07/28/2017	18:00	GE CPI EU Harmonized MoM	Jul P 0.30%	0.40%	0.20%	--
07/28/2017	18:00	GE CPI EU Harmonized YoY	Jul P 1.40%	1.50%	1.50%	--
07/28/2017	20:30	CA GDP MoM	May 0.20%	0.60%	0.20%	--
07/28/2017	20:30	US GDP Annualized QoQ	2Q A 2.70%	2.60%	1.40%	1.20%
07/28/2017	20:30	US GDP Price Index	2Q A 1.30%	1.00%	1.90%	2.00%
07/28/2017	20:30	US Employment Cost Index	2Q 0.60%	0.50%	0.80%	--
07/28/2017	22:00	US U. of Mich. Sentiment	Jul F 93.2	93.4	93.1	--
07/29/2017	09:00	VN CPI YoY	Jul 2.45%	2.52%	2.54%	--
07/31/2017	06:45	NZ Building Permits MoM	Jun --	-1.00%	7.00%	6.90%
07/31/2017	07:50	JN Industrial Production MoM	Jun P 1.50%	--	-3.60%	--
07/31/2017	07:50	JN Industrial Production YoY	Jun P 4.80%	--	6.50%	--
07/31/2017	09:00	AU Melbourne Institute Inflation MoM	Jul --	--	0.10%	--
07/31/2017	09:00	NZ ANZ Business Confidence	Jul --	--	24.8	--
07/31/2017	09:00	CH Manufacturing PMI	Jul 51.5	--	51.7	--
07/31/2017	09:30	AU Private Sector Credit MoM	Jun 0.40%	--	0.40%	--
07/31/2017	09:30	AU Private Sector Credit YoY	Jun 5.20%	--	5.00%	--
07/31/2017	15:30	TH Exports YoY	Jun --	--	10.60%	--
07/31/2017	15:30	TH BoP Current Account Balance	Jun \$2900m	--	\$1130m	--
07/31/2017	16:30	UK Mortgage Approvals	Jun 65.0k	--	65.2k	--
07/31/2017	17:00	EC Unemployment Rate	Jun 9.20%	--	9.30%	--
07/31/2017	17:00	IT CPI NIC incl. tobacco MoM	Jul P 0.00%	--	-0.10%	--
07/31/2017	17:00	IT CPI EU Harmonized MoM	Jul P -1.90%	--	-0.20%	--
07/31/2017	17:00	IT CPI EU Harmonized YoY	Jul P 1.20%	--	1.20%	--
07/31/2017	17:00	EC CPI Estimate YoY	Jul 1.30%	--	1.30%	--
07/31/2017	21:45	US Chicago Purchasing Manager	Jul 60	--	65.7	--
07/31/2017	22:00	US Pending Home Sales MoM	Jun 1.00%	--	-0.80%	--

Source: Bloomberg

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