

Highlights

Global	<p>Some tweaks rather than a game changer – that appeared to be the message sent by the BOJ which signalled some policy flexibility (+/-20bps from its current 10-year JGB target of around 0% and will conduct JGB purchases in a “flexible manner” around the annual JPY80t target) and introduced forward guidance in the form of its commitment to keep rates low for “an extended period of time”. The proportion of bank reserves subjected to the -0.1% interest rate was roughly halved. The BOJ dissenters were Harada and Kataoka. Meanwhile, Wall Street climbed amid a tech rebound and upbeat earning results by some industrial companies, which sent the S&P500 to its biggest monthly gain since January, while the USD also rose ahead of the FOMC meeting and the core PCE deflator rose 0.1% mom (2.2% yoy) in line with expectations in June. The 10-year UST bond yield closed at 2.96%. While there is market talk of re-engagement of trade talks between US Treasury Secretary Mnuchin and Chinese Vice Premier Liu He, nevertheless the Trump administration is also supposedly proposing to ratchet up the planned 10% tariffs on US\$200b of Chinese imports to 25% in coming days. This comes ahead of the US\$16b of duties on Chinese imports that will kick in soon, and after China’s official manufacturing and non-manufacturing PMIs slipping to 51.2 and 54.0 respectively in July (previously 51.5 and 55.0). Asian markets may attempt to open on a firmer tone this morning, with Asian chipmakers likely to zoom in on Apple’s sales forecast which topped analyst estimates on high-end iPhones and digital services. However, the lingering spectre of an escalation of US-Sino trade tensions may limit gains in the interim. The market focus will be on the RBI policy meeting (where pressure is on to hike another 25bps to a 2-year high of 6.5% to rein in core inflation), as well as manufacturing PMIs across Europe and Asia (including China’s Caixin), CPIs for Thailand and Indonesia, US’ manufacturing ISM and ADP employment. FOMC is likely to remain static but its statement will be carefully parsed to ensure that the next hike remains on track for September.</p>
SG	<p>A net 7% of manufacturers in S’pore anticipate a more favourable business prospects in 2H18 (previously 13%), with all except the chemicals cluster seeing better business prospects. The most upbeat were the transport engineering cluster (+22%), electronics (+10%), biomedical (+6%) and precision engineering (+6%). However, the services sector survey revealed that a net weighted 9% of firms are more upbeat for 2H18 (previously 8%), led by accommodation (+38%), F&B services (+37%) due to the upcoming year-end holidays and festive season, followed by business services excluding real estate (+17%) and financial & insurance (+14%) whereas the real estate was the sole laggard after the recent cooling measures.</p>
CMD	<p>Crude oil prices faded below its \$70/bbl again, reinforcing our initial view that oil rallies remain extremely fragile and downside risks to current prices continue to exist at this juncture. News surrounding higher oil supplies once again dulled bullish sentiment, including higher US oil stockpiles as reported by the American Petroleum Institute while market-watchers likely realised the rapid rise in Saudi Arabia’s oil production to 10.5 million bpd in June, up from 9.9 million bpd seen at end 2017.</p>

Major Markets

- **US:** S&P 20-city house prices rose 6.5% yoy in May (April: 6.7%) amid robust demand and continued supply tightness. Meanwhile, the 2Q employment cost index eased more than expected from 0.8% in 1Q18 to 0.6%, with the wage and salary gauge easing from 0.9% to 0.05% and suggesting that wage inflation remains muted despite the strong 2Q GDP growth. The Chicago PMI improved from 64.1 in June to 65.5 in July. Separately, the US and Mexico are said to be in the final stages of negotiating a car deal under NAFTA.
- Wall Street closed higher on Tuesday on the back of industrial stock gains and tech equity rebound. The Dow added 0.43% to close up at 25,415.19. The Nasdaq composite rose to 7,671.79 (+0.55%), while the S&P500 climbed 0.49% to 2,816.29. The VIX Index fell to 12.83 on Tuesday, as compared to 14.26 on Monday. On the Treasury front, the 2y yield rose 0.8bp to 2.669%, while the 10y yield fell 1.3bp to 2.960%.
- **Singapore:** The STI added 0.38% to close at 3319.85 yesterday, but may trade firmer today amid a positive tone from overnight Wall Street and morning gains in Nikkei and Kospi. STI could see support and resistance at 3280 and 3340 respectively. Despite the UST bond yield curve flattening into the month-end, the SGS bond market may tread water today amid relatively elevated short-term funding rates.
- S'pore's bank loans growth unexpectedly accelerated from 5.5% yoy (0.1% mom) in May to 5.9% yoy (0.8% mom) in June. This beat our expectation for a moderation in June, and marked the fastest pace of bank loans growth since November 2017. The key driver was business loans which surged 7.0% yoy (1.2% mom) in June (fastest since November 2017) amid strong loan momentum to financial institutions (19.5% yoy), individuals for business (11.4% yoy), business services (7.2% yoy), building/construction (3.7% yoy, fastest since February 2017) and general commerce (3.6% yoy). Even the transport, storage and communications sectors saw loans growth recover to grow 0.8% yoy in June following a 0.8% yoy contraction in May. Consumer loans grew 4.3% yoy (0.2% mom) in June, a slowdown from the 5.0% yoy (0.1% mom) seen in May. The moderation was largely due to housing and bridging loans at 4.2% yoy (May: 4.8% yoy), whereas car loans rose 8.6% yoy (fastest since November 2012). The pickup in car purchases and auto loans momentum could possibly sustain into July given the decline in Category A and B COE premiums which hit \$25k and \$31k respectively (lowest since March 2010) at the 4 July tender. Given the latest property cooling measures in early July, mortgage loans could potentially see a bump in July before easing further in the coming months. For the first half of 2018, total loans growth chalked up 5.3% yoy, which is a credible performance compared to the 6.0% yoy seen in 1H 2017. Consumer loans grew 4.9% yoy (fastest since 1H 2014) while business loans expanded by 5.5% yoy (compared to 7.7% yoy in 1H 2017).
- **Korea:** Inflation disappointed at 1.5% yoy (vs market est: 1.7%). Across the groups, transport costs rose to 4.7%, up from 1.3% print seen earlier in Feb likely on higher oil prices, although healthcare costs fell 1.0%. Trade also disappointed with exports growing 6.2% yoy (vs est 7.4%), although it remains starkly higher than June's -0.2% yoy print. Overall, the manufacturing environment continues to stay lacklustre, seen from falling manufacturing PMI to 48.3 in July, the weakest since Nov 2016.

- **Thailand:** Exports rose by another double-digit pace of 10% yoy in June, marking Thailand's 20 straight months of positive export print (and three straight months of double-digit export pace). Accounting for imports which rose 12.9%, overall trade balance rose to \$2.9bn, up from May's \$2.7bn.
- **Malaysia:** China's Minister of Foreign Affairs, Wang Yi is currently on a visit to Malaysia and he will be calling on Malaysian Prime Minister Mahathir Mohamad today. In a joint press conference with his Malaysian counterpart Saifuddin Abdullah, Wang Yi said, "We are happy to see that since the assumption of office by Prime Minister Dr Mahathir, in keeping with the wish of the people, there has been new dimensions being opened up in the national development of Malaysia." He also mentioned that they have "confidence that under Dr Mahathir's leadership, Malaysians will stay united and will achieve new glories". He described Mahathir as "an old and good friend of the Chinese people". Meanwhile, the Malaysian government is investigating whether the previous Najib government used funds from China-backed infrastructure program to help pay almost US\$700m of debt owed by 1MDB. Minister of Finance Lim Guan Eng has said, "Chinese companies may be involved in round tripping of major infrastructure projects in Malaysia that siphons off funds from these projects to help 1MDB." On other items, the manufacturing PMI was more or less unchanged at 49.7 for July 2018 (June 2018: 49.5).
- **Indonesia:** The government has scrapped a proposal to lift a requirement that domestic coal miners sell about a quarter of their production into the local market at a fixed price. The price cap of \$70 per metric ton for fuel sold to domestic power producers will also be kept. Meanwhile, President Jokowi could possibly soon sign a revised presidential decree that widens the palm-biodiesel mandate to more users from August. Coordinating Minister of Economic Affairs Darmin Nasution has said that this measure could potentially save US\$5.5billion annually in crude oil imports. This biodiesel mandate will look to have biodiesel blends be used in other industries beyond just the transportation sector and the government is keen to have this implemented within two to three months, according to Darmin. On other items, the manufacturing PMI was more or less unchanged at 50.5 for July 2018 (June 2018: 50.3).
- **Hong Kong:** Total loans and advances grew at the slowest pace since February 2017 by 10.5% yoy to HK\$9.8 trillion in June 2018. The slowdown could be attributed to three major factors including US-China trade tensions, higher interest rates, as well as the reduced funding demand of mainland companies in the offshore market.
- Loans for use in HK (excluding trade finance), which account for 64.4% of total loans and advances, increased by 11.2% yoy. The growth is the softest since January 2017 as higher interest rates and trade war concerns might have hit corporate sentiments. On the other hand, the growth of loans for use outside of HK moderated to the weakest since January 2017 at 10% yoy. Lately, China shifted the focus from deleveraging to containing downward growth risks by unveiling a raft of stimulus measures. As a result, the flushed liquidity and narrowed credit spread encouraged mainland companies to raise funds in the onshore market. Higher borrowing costs following the Fed's gradual rate hikes also deterred mainland companies from financing overseas. Adding on high base effect, we expect total loans growth to decelerate in the second half of 2018 and mark around 5% by end of this year.
- Hong Kong's RMB deposits dropped by 2.7% mom to RMB584.5 billion in June 2018. The year-on-year growth weakened from 14.5% in May to 11.1% in June.
- This could be attributed to the weaker outlook of the RMB which has depreciated against the HKD on a monthly basis since April. Moving ahead, we expect RMB deposits to retreat slightly in the coming months due to two reasons. First, any

escalation of US-China trade tensions will weigh down RMB prospect and reduce the demand for RMB. Second, flushed RMB liquidity in the onshore and offshore markets has prompted the commercial banks in HK to cut RMB deposit rates.

- **Commodities:** Elsewhere, some gains in the precious metal space seen overnight are likely underpinned by safe haven demand amid dollar strength, given the US administration proposal to raise its tariff rate to 25%, up from the planned 10%, on \$200bn worth of Chinese imports.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened moderately yesterday, with swap rates for the shorter tenors trading 1bp higher and the belly trading 1-2bps lower while 30-year swap rates traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 463bps. 10Y UST yields fell 4bps to 2.93% initially after Bank of Japan said that it would maintain its ultra-loose monetary policy. Yields subsequently recovered 3bps to close at 2.96% on the back of widespread expectations that the Fed will leave interest rates unchanged.
- **New Issues:** Lotte Property & Development Co Ltd has priced a USD200mn 3-year FRN at 3mL+92.5bps, tightening from its initial price guidance of 3mL+120bps area. KWG Group Holdings Limited has priced a USD350mn 3NC2 bond at 7.875%, tightening from its initial price guidance of 8.2%. China Mengniu Dairy Co Ltd has priced a USD500mn 5-year bond at CT5+148bps, tightening from its initial price guidance of CT5+175bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.554	0.22%	USD-SGD	1.3615	0.04%
USD-JPY	111.860	0.74%	EUR-SGD	1.5918	-0.09%
EUR-USD	1.1691	-0.13%	JPY-SGD	1.2171	-0.71%
AUD-USD	0.7424	0.23%	GBP-SGD	1.7870	-0.03%
GBP-USD	1.3124	-0.07%	AUD-SGD	1.0106	0.25%
USD-MYR	4.0652	0.14%	NZD-SGD	0.9282	-0.06%
USD-CNY	6.8167	0.02%	CHF-SGD	1.3749	-0.18%
USD-IDR	14414	-0.01%	SGD-MYR	2.9859	0.08%
USD-VND	23283	0.11%	SGD-CNY	5.0085	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9160	--
2M	-0.3370	--	1M	2.0815	--
3M	-0.3190	--	2M	2.1736	--
6M	-0.2680	--	3M	2.3431	--
9M	-0.2170	--	6M	2.5305	--
12M	-0.1790	--	12M	2.8213	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	18.6%	18.6%	0.0%	0.0%	0.0%
09/26/2018	93.0%	76.0%	17.0%	0.0%	0.0%
11/08/2018	93.4%	72.2%	20.2%	0.9%	0.0%
12/19/2018	97.9%	27.3%	55.9%	14.2%	0.6%
01/30/2019	98.1%	25.2%	53.6%	17.5%	1.7%
03/20/2019	99.2%	12.2%	37.7%	37.7%	10.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.76	-1.95%	Coffee (per lb)	1.099	-1.35%
Brent (per barrel)	74.25	-0.96%	Cotton (per lb)	0.8959	0.44%
Heating Oil (per gallon)	2.1319	-1.80%	Sugar (per lb)	0.1055	-2.50%
Gasoline (per gallon)	2.1291	-1.44%	Orange Juice (per lb)	1.6740	-1.01%
Natural Gas (per MMBtu)	2.7820	-0.54%	Cocoa (per mt)	2,220	-2.42%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,242.4	1.41%	Wheat (per bushel)	5.5375	1.33%
Nickel (per mt)	13,953.0	1.25%	Soybean (per bushel)	9.190	3.14%
Aluminium (per mt)	2,067.3	-0.64%	Corn (per bushel)	3.8650	1.38%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,233.6	0.17%	Crude Palm Oil (MYR/MT)	2,194.0	0.09%
Silver (per oz)	15.559	0.14%	Rubber (JPY/KG)	170.4	0.47%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,415.19	108.36
S&P	2,816.29	13.69
Nasdaq	7,671.79	41.78
Nikkei 225	22,553.72	8.88
STI	3,319.85	12.70
KLCI	1,784.25	13.99
JCI	5,936.44	-91.49
Baltic Dry	1,703.00	--
VIX	12.83	-1.43

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-)	2.67 (+0.01)
5Y	2.19 (+0.01)	2.85 (-)
10Y	2.46 (+0.01)	2.96 (-0.01)
15Y	2.76 (+0.01)	--
20Y	2.79 (+0.01)	--
30Y	2.89 (+0.02)	3.08 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.11	-0.58
EURIBOR-OIS	4.15	0.03
TED	34.32	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/31/2018 06:45	NZ Building Permits MoM	Jun	--	-7.60%	7.10%	6.90%
07/31/2018 07:00	SK Industrial Production YoY	Jun	0.70%	-0.40%	0.90%	1.20%
07/31/2018 07:01	UK GfK Consumer Confidence	Jul	-9	-10	-9	--
07/31/2018 07:30	JN Job-To-Applclicant Ratio	Jun	1.6	1.62	1.6	--
07/31/2018 07:30	JN Jobless Rate	Jun	2.30%	2.40%	2.20%	--
07/31/2018 07:50	JN Industrial Production MoM	Jun P	-0.30%	-2.10%	-0.20%	--
07/31/2018 08:20	CH Non-manufacturing PMI	Jul	54.9	54	55	--
07/31/2018 09:00	NZ ANZ Business Confidence	Jul	--	-44.9	-39	--
07/31/2018 09:00	CH Manufacturing PMI	Jul	51.3	51.2	51.5	--
07/31/2018 09:30	AU Building Approvals MoM	Jun	1.00%	6.40%	-3.20%	-2.50%
07/31/2018 12:03	JN BOJ Policy Balance Rate	Jul-31	-0.10%	-0.10%	-0.10%	--
07/31/2018 13:00	JN Housing Starts YoY	Jun	-2.50%	-7.10%	1.30%	--
07/31/2018 14:45	FR CPI YoY	Jul P	2.20%	2.30%	2.00%	--
07/31/2018 15:30	TH Exports YoY	Jun	--	10.00%	13.10%	--
07/31/2018 15:30	TH Imports YoY	Jun	--	12.90%	12.70%	--
07/31/2018 15:30	TH Trade Balance	Jun	--	\$2875m	\$2695m	--
07/31/2018 15:30	TH BoP Current Account Balance	Jun	\$3958m	\$4084m	\$958m	--
07/31/2018 16:00	TA GDP YoY	2Q P	2.90%	3.29%	3.02%	--
07/31/2018 17:00	EC Unemployment Rate	Jun	8.30%	8.30%	8.40%	8.30%
07/31/2018 17:00	EC GDP SA QoQ	2Q A	0.40%	0.30%	0.40%	--
07/31/2018 18:00	IT GDP WDA QoQ	2Q P	0.20%	0.20%	0.30%	--
07/31/2018 20:30	CA Industrial Product Price MoM	Jun	0.30%	0.50%	1.00%	1.20%
07/31/2018 20:30	CA Raw Materials Price Index MoM	Jun	--	0.50%	3.80%	--
07/31/2018 20:30	US Personal Income	Jun	0.40%	0.40%	0.40%	--
07/31/2018 20:30	CA GDP MoM	May	0.30%	0.50%	0.10%	--
07/31/2018 20:30	US Personal Spending	Jun	0.40%	0.40%	0.20%	0.50%
07/31/2018 20:30	US PCE Core MoM	Jun	0.10%	0.10%	0.20%	--
07/31/2018 20:30	US Employment Cost Index	2Q	0.70%	0.60%	0.80%	--
07/31/2018 21:45	US Chicago Purchasing Manager Conf. Board Consumer	Jul	62	65.5	64.1	--
07/31/2018 22:00	US Confidence	Jul	126	127.4	126.4	127.1
08/01/2018 01:00	NZ QV House Prices YoY	Jul	--	5.10%	5.70%	--
08/01/2018 06:45	NZ Unemployment Rate	2Q	4.40%	4.50%	4.40%	--
08/01/2018 07:00	SK CPI YoY	Jul	1.70%	1.50%	1.50%	--
08/01/2018 08:00	SK Exports YoY	Jul	7.40%	--	-0.10%	--
08/01/2018 08:00	SK Imports YoY	Jul	17.00%	--	10.70%	--
08/01/2018 08:00	SK Trade Balance	Jul	\$6800m	--	\$6321m	\$6240m
08/01/2018 09:45	CH Caixin China PMI Mfg	Jul	50.9	--	51	--
08/01/2018 12:00	ID CPI YoY	Jul	3.20%	--	3.12%	--
08/01/2018 12:30	TH CPI YoY	Jul	1.49%	--	1.38%	--
08/01/2018 13:00	IN Nikkei India PMI Mfg	Jul	--	--	53.1	--
08/01/2018 14:00	UK Nationwide House PX MoM	Jul	0.10%	--	0.50%	--
08/01/2018 15:50	FR Markit France Manufacturing PMI	Jul F	53.1	--	53.1	--
08/01/2018 15:55	GE Germany Manufacturing PMI	Jul F	57.3	--	57.3	--
08/01/2018 16:00	EC Eurozone Manufacturing PMI	Jul F	55.1	--	55.1	--
08/01/2018 16:30	UK PMI Manufacturing SA	Jul	54.2	--	54.4	--
08/01/2018 16:30	HK Retail Sales Value YoY	Jun	13.00%	--	12.90%	--
08/01/2018 17:00	IN RBI Repurchase Rate	Aug-01	6.50%	--	6.25%	--
08/01/2018 19:00	US MBA Mortgage Applications	Jul-27	--	--	-0.20%	--
08/01/2018 20:15	US ADP Employment Change	Jul	186k	--	177k	--
08/01/2018 21:45	US Markit US Manufacturing PMI	Jul F	55.5	--	55.5	--
08/01/2018 22:00	US Construction Spending MoM	Jun	0.30%	--	0.40%	--
08/01/2018 22:00	US ISM Manufacturing	Jul	59.3	--	60.2	--

Source: Bloomberg

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