

Highlights

Global	<p>Notable market developments overnight saw S&P500 rallying on the back of tech stocks as Apple's market cap crossed US\$1 trillion, while the 10-year UST bond yield slipped below 3% again to 2.986%, and the USD gained amid signs of potential escalation in US-Sino trade tensions. US Commerce Secretary Ross warned China that "we have to create a situation where it's more painful for them to continue their bad practices than it is to reform", but China's retort to the US was to stop the "blackmailing and pressuring". Elsewhere, the BOE unanimously hiked rates by 25bps for the second time since the GFC to 0.75% and governor Carney tried to emphasize that "this is the right decision for the economy given the track that it's on" and when asked if this hike is his last, he responded that "it's certainly not my last decision and there will be a number of very important decisions" before his term ends next June despite Brexit uncertainties. Note UK PM May is meeting French president Macron today to discuss Brexit issues ahead of the EU leaders' summit on 20 September.</p> <p>Asian markets may trade sideways today, awaiting tonight's US labour market report (specifically the nonfarm payrolls, unemployment rate and average hourly earnings where market is eyeing 193k, 3.9% and 2.7% yoy respectively). Other economic data releases include US' non-manufacturing ISM, services PMI, and June trade deficit, services and composite PMIs from Europe, UK and China Caixin, as well as Malaysia's June trade data.</p>
US	<p>Initial jobless claims were little changed at 218k (+1k) last week, with the 4-week average falling to 214.5k (lowest since 12 May). Meanwhile, June factory orders rose 0.7% in line with expectations, up from 0.4% in May. Challenger job cuts declined 4.2% in July, after surging 19.6% in June.</p>
CH	<p>The sharp depreciation of RMB in June did not stop foreign investors from increasing their exposure to Chinese onshore RMB assets. Bonds held by foreign investors increased to CNY1.6 trillion from CNY1.49 trillion in May though foreign ownership of equity fell to CNY1.275 trillion from CNY1.323 trillion. In addition, foreign ownership of NCD also rose further to CNY203 billion from CNY181.6 billion in May.</p>
TH	<p>Trade war concerns and rising oil prices curbed July's consumer confidence. The consumer confidence however rose further to 82.2, suggesting the sustained strength in trade and MFG PMI prints in July boosted sentiments.</p>
KR	<p>Foreign reserves rose for its fifth consecutive month to record high of \$402.5bn, and bringing the import cover to 9.0 months.</p>
SG	<p>UOB reported 2Q net profit rose 28% yoy to \$1.08b as net interest income rose 14% to \$1.54b. The whole economy PMI printed 53.0 in July, down from 56.0 from the previous month.</p>
CMD	<p>It was merely short-covering for the crude oil markets, amid little fresh fundamental news surrounding why prices rose into last night. Brent and WTI rose as investors eye on Iran's plans to hold military exercises in the Hormuz Strait, highlighting the chance for more ratcheting of geopolitical tensions. Expectations for higher US gasoline demand into 2020 following Trump's proposal to ease fuel economy standards could have also aided higher oil prices. Copper however fell below its \$6,000/MT on intraday trading yesterday, an important indicator to highlight investors' concerns over how US-Sino trade tensions could affect future trade growth.</p>

Major Markets

- **US:** Wall Street ended mostly up on Thursday. The tech-rich Nasdaq composite (+1.24%) and S&P500 (+0.49%) gained on strong tech stock performance, led by Apple which became the first publicly traded firm in the US worth \$1 trillion, closing up at 7,802.69 and 2,827.22 respectively. Trade-sensitive industrial stock continued to weigh on the Dow due to renewed tariff concerns, dragging the index slightly down by 0.03% to 25,326.16. The VIX Index fell to 12.19 on Thursday, as compared to 13.15 on Wednesday. On the Treasury front, the 2y yield slipped 1.4bp to 2.663%, while the 10y yield dropped to 2.986% (-2.1bp).
- **Singapore:** The STI slipped 1.28% to close at 3286.32 yesterday, but may open on a firmer tone today amid slightly more upbeat morning cues from Nikkei and Kospi. STI could see support and resistance at 3270 and 3330 respectively. With the UST bond yields lower by around 2bps overnight, the SGS bond market which had sold off by up to 3bps at the front of the curve, may see some respite today.
- **Malaysia:** The government is considering to gazette a minimum wage of RM1,500. The current minimum wage stands at RM1,000 for those in Peninsular Malaysia and RM920 for Sabah, Sarawak and Labuan. At this point, it is not clear yet how the implementation of the minimum wage would be done, including whether the government would be providing subsidies or which groups it would apply to.
- **Indonesia:** According to Finance Minister Sri Mulyani, the Ministry of Finance would study a request made by Tourism Minister Arief Yahya, to revise down the minimum amount tourists would need to spend in a store to get a tax refund. Currently, under the existing regulation, tourists can get their tax back if they spend at least Rp5mn (US\$346) at certain stores. Meanwhile, Coordinating Minister for Economic Affairs Darmin Nasution tells reporters in Jakarta that the government projects 5.2 – 5.3% GDP growth in Q2 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 2-4bps higher while the longer tenors traded 4-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 476bps. Overall, 10Y UST yields fell 2bps to close at 2.99% as investors sought for safe havens with trade tensions between the US and China escalating once again.
- **New Issues:** Power Finance Corp Ltd has priced a USD300mn 10-year bond at CT10+235bps, tightening from its initial price guidance of CT10+255bps area. Sands China Ltd has priced a USD5.5bn deal across three tranches, with the USD1.8bn 5-year bond priced at CT5+175bps, tightening from its initial price guidance of CT5+200bps area; the USD1.8bn 7-year bond priced at CT7+220bps, tightening from its initial price guidance of CT7+235bps area and the USD1.9bn 10-year bond priced at CT10+245bps, tightening from its initial price guidance of CT10+260bps area. Wuhan Real Estate Development Investment Group Co Ltd has priced a USD430mn 3-year bond at 5.7%, in line with its initial price guidance. Bank of China Ltd/Macau has priced a USD300mn 3-year FRN at 3mL+75bps, in line with its initial price guidance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.170	0.54%	USD-SGD	1.3687	0.51%
USD-JPY	111.660	-0.06%	EUR-SGD	1.5857	-0.14%
EUR-USD	1.1585	-0.64%	JPY-SGD	1.2263	0.61%
AUD-USD	0.7360	-0.59%	GBP-SGD	1.7817	-0.32%
GBP-USD	1.3017	-0.84%	AUD-SGD	1.0074	-0.09%
USD-MYR	4.0765	0.25%	NZD-SGD	0.9232	-0.18%
USD-CNY	6.8428	0.29%	CHF-SGD	1.3756	0.22%
USD-IDR	14478	0.26%	SGD-MYR	2.9827	-0.10%
USD-VND	23281	-0.04%	SGD-CNY	5.0057	-0.06%

Equity and Commodity

Index	Value	Net change
DJIA	25,326.16	-7.66
S&P	2,827.22	13.86
Nasdaq	7,802.69	95.40
Nikkei 225	22,512.53	-234.17
STI	3,286.32	-42.63
KLCI	1,778.13	-10.18
JCI	6,011.72	-21.70
Baltic Dry	1,760.00	--
VIX	12.19	-0.96

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9156	--
2M	-0.3370	--	1M	2.0821	--
3M	-0.3190	--	2M	2.1808	--
6M	-0.2690	--	3M	2.3483	--
9M	-0.2170	--	6M	2.5336	--
12M	-0.1770	--	12M	2.8321	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (+0.03)	2.66 (-0.01)
5Y	2.24 (+0.03)	2.85 (-0.02)
10Y	2.50 (+0.01)	2.99 (-0.02)
15Y	2.80 (+0.02)	--
20Y	2.83 (+0.02)	--
30Y	2.93 (+0.01)	3.12 (-0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	94.0%	6.0%	0.0%	0.0%
11/08/2018	100.0%	88.9%	10.8%	0.3%	0.0%
12/19/2018	100.0%	28.0%	64.3%	7.5%	0.2%
01/30/2019	100.0%	25.7%	61.4%	12.1%	0.8%
03/20/2019	100.0%	10.8%	40.7%	40.7%	7.3%
05/01/2019	100.0%	9.5%	37.0%	40.7%	11.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.80	-0.32
EURIBOR-OIS	4.01	-0.10
TED	33.83	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.96	1.92%	Coffee (per lb)	1.067	-1.25%
Brent (per barrel)	73.45	1.46%	Cotton (per lb)	0.8883	0.55%
Heating Oil (per gallon)	2.1318	1.64%	Sugar (per lb)	0.1059	1.05%
Gasoline (per gallon)	2.0681	1.12%	Orange Juice (per lb)	1.6775	-0.83%
Natural Gas (per MMBtu)	2.8160	2.10%	Cocoa (per mt)	2,138	0.42%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,035.1	-0.36%	Wheat (per bushel)	5.8275	0.69%
Nickel (per mt)	13,250.0	-1.92%	Soybean (per bushel)	8.975	-0.47%
Aluminium (per mt)	2,015.3	-1.02%	Corn (per bushel)	3.8125	0.46%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,220.1	-0.61%	Crude Palm Oil (MYR/MT)	2,191.0	-0.95%
Silver (per oz)	15.385	-0.43%	Rubber (JPY/KG)	169.0	-0.53%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/02/2018 02:00	US FOMC Rate Decision (Upper Bound)	Aug-01	2.00%	2.00%	2.00%	--
08/02/2018 07:50	JN Monetary Base YoY	Jul	--	7.00%	7.40%	--
08/02/2018 07:50	JN Japan Buying Foreign Bonds	Jul-27	--	¥526.5b	-¥209.2b	-¥201.3b
08/02/2018 07:50	JN Foreign Buying Japan Stocks	Jul-27	--	-¥63.4b	¥173.5b	¥173.6b
08/02/2018 09:30	AU Trade Balance	Jun	A\$900m	A\$1873m	A\$827m	A\$725m
08/02/2018 16:30	UK Markit/CIPS UK Construction PMI	Jul	52.8	55.8	53.1	--
08/02/2018 19:00	UK Bank of England Bank Rate	Aug-02	0.75%	0.75%	0.50%	--
08/02/2018 19:00	UK BOE Asset Purchase Target	Aug	435b	435b	435b	--
08/02/2018 20:30	US Initial Jobless Claims	Jul-28	220k	218k	217k	--
08/02/2018 20:30	US Continuing Claims	Jul-21	1750k	1724k	1745k	1747k
08/02/2018 21:00	SI Purchasing Managers Index	Jul	--	52.3	52.5	--
08/02/2018 22:00	US Factory Orders	Jun	0.70%	0.70%	0.40%	--
08/02/2018 22:00	US Durable Goods Orders	Jun F	--	0.80%	1.00%	--
08/02/2018 22:00	US Durables Ex Transportation	Jun F	--	0.20%	0.40%	--
08/02/2018 22:00	US Cap Goods Orders Nondef Ex Air	Jun F	--	0.20%	0.60%	--
08/02/2018 22:00	US Cap Goods Ship Nondef Ex Air	Jun F	--	0.70%	1.00%	--
08/03/2018 05:00	SK Foreign Reserves	Jul	--	\$402.45b	\$400.30b	--
08/03/2018 07:00	SK BoP Current Account Balance	Jun	--	\$7377.0m	\$8680.6m	--
08/03/2018 08:30	JN Nikkei Japan PMI Services	Jul	--	--	51.4	--
08/03/2018 08:30	JN Nikkei Japan PMI Composite	Jul	--	--	52.1	--
08/03/2018 08:30	HK Nikkei Hong Kong PMI	Jul	--	--	47.7	--
08/03/2018 09:30	AU Retail Sales MoM	Jun	0.30%	--	0.40%	--
08/03/2018 09:45	CH Caixin China PMI Composite	Jul	--	--	53	--
08/03/2018 09:45	CH Caixin China PMI Services	Jul	53.5	--	53.9	--
08/03/2018 12:00	MA Trade Balance MYR	Jun	9.30b	--	8.12b	--
08/03/2018 13:00	IN Nikkei India PMI Services	Jul	--	--	52.6	--
08/03/2018 13:00	IN Nikkei India PMI Composite	Jul	--	--	53.3	--
08/03/2018 15:30	TH Foreign Reserves	Jul-27	--	--	\$204.9b	--
08/03/2018 15:45	IT Markit/ADACI Italy Services PMI	Jul	53.7	--	54.3	--
08/03/2018 15:45	IT Markit/ADACI Italy Composite PMI	Jul	53.4	--	53.9	--
08/03/2018 15:50	FR Markit France Services PMI	Jul F	55.3	--	55.3	--
08/03/2018 15:50	FR Markit France Composite PMI	Jul F	54.5	--	54.5	--
08/03/2018 15:55	GE Markit Germany Services PMI	Jul F	54.4	--	54.4	--
08/03/2018 15:55	GE Markit/BME Germany Composite PMI	Jul F	55.2	--	55.2	--
08/03/2018 16:00	IT Industrial Production MoM	Jun	0.40%	--	0.70%	--
08/03/2018 16:00	IT Industrial Production WDA YoY	Jun	1.50%	--	2.10%	--
08/03/2018 16:00	EC Markit Eurozone Services PMI	Jul F	54.4	--	54.4	--
08/03/2018 16:00	EC Markit Eurozone Composite PMI	Jul F	54.3	--	54.3	--
08/03/2018 16:30	UK Markit/CIPS UK Services PMI	Jul	54.7	--	55.1	--
08/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Jul	54.9	--	55.2	--
08/03/2018 17:00	EC Retail Sales MoM	Jun	0.40%	--	0.00%	--
08/03/2018 17:00	EC Retail Sales YoY	Jun	1.40%	--	1.40%	--
08/03/2018 17:00	IT Retail Sales MoM	Jun	0.10%	--	0.80%	--
08/03/2018 17:00	IT Retail Sales YoY	Jun	--	--	0.40%	--
08/03/2018 20:30	CA Int'l Merchandise Trade	Jun	-2.30b	--	-2.77b	--
08/03/2018 20:30	US Trade Balance	Jun	-\$46.5b	--	-\$43.1b	--
08/03/2018 20:30	US Change in Nonfarm Payrolls	Jul	193k	--	213k	--
08/03/2018 20:30	US Change in Manufact. Payrolls	Jul	25k	--	36k	--
08/03/2018 20:30	US Unemployment Rate	Jul	3.90%	--	4.00%	--
08/03/2018 21:45	US Markit US Services PMI	Jul F	56.2	--	56.2	--
08/03/2018 21:45	US Markit US Composite PMI	Jul F	--	--	55.9	--
08/03/2018 22:00	US ISM Non-Manf. Composite	Jul	58.6	--	59.1	--

Source: Bloomberg

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