

Highlights

Global	<p>An exciting end to a busy last week saw US' nonfarm payrolls disappointing at 157k and the non-manufacturing ISM also missing estimates at 55.7 (marking its biggest drop since August 2016 to an 11-month low), albeit the unemployment rate edged down to 3.9% as market expected, but the "fireworks" came from China which threatened to retaliate with tariffs on US\$60b of US imports as well as re-impose a 20% reserve requirement on long forward positions effective from 6 August, and was reminiscent of 2015 when it was used to stabilise the RMB after the 2015 devaluation and was only removed in September 2017. This came as the USDRMB is approaching the 7 handle. Meanwhile, US president Trump tweeted that "tariffs are working far better than anyone ever anticipated" and since "every country on earth wants to take wealth out of the US, always to our detriment...I say, as they come, tax them". Wall Street closed higher on Friday, capping five weeks of gains while the 10-year UST bond yield remained shy of the 3% handle after a brief test earlier last week. Elsewhere, Saudi Arabia froze diplomatic, trade and investments with Canada.</p> <p>Asian markets may trade sideways today as investors digest the US' labour market report from Friday as well as the latest US-Sino trade developments, including China's reserve requirement measure. The economic data calendar is relatively light, with the main focus on Indonesia's 2Q18 (our forecast: 5.2% yoy), part from German factory orders. For the week ahead, there's RBA policy decision (likely unchanged at 1.5%), followed by BOT on 8 August (likely static at 1.5% too), RBNZ (also tipped unchanged at 1.75%), and BSP (likely to hike its overnight borrowing rate by 50bps to 4.0%) on 9 August.</p>
US	<p>The June trade deficit widened in June to its fast pace amid a stronger USD and robust growth. Meanwhile, the two-month change in the nonfarm payrolls was +59k and the under-employment rate edged down from 7.8% to 7.5% (lowest in 17 years). The average hourly earnings also rose 0.3% mom (2.7% yoy) in July in line with expectations, while the labour force participation rate was steady at 62.9%. An average of 224k workers were added in 1H18, suggesting the labour market remained healthy, reinforcing Powell's "strong" economy message, and notwithstanding subdued wage inflation.</p>
CN	<p>RMB rebounded sharply on Friday night after PBoC announced to restart punitive 20% reserve for long dollar forward position, which was previously removed in September 2017.</p>
UK	<p>BOE governor Carney warned that the risk of a no-deal Brexit outcome was "uncomfortably high" and "highly undesirable", but said the financial system is prepared for "very difficult circumstances".</p>
SG	<p>OCBC reported 2Q net income rose 16% to \$1.21b, with net interest income up 8% to \$1.45b and non-interest income up 2%.</p>
CMD	<p>Crude oil prices declined as US-Sino trade war intensifies, as China threatens further tariffs of 5 – 25% on \$60bn worth of US imports. The fall in oil prices came despite news that Saudi Arabia pumped less oil in July (10.3 million bpd vs June's 10.5 million bpd), even as China refused to cut Iranian oil imports by 4th November according to anonymous sources who spoke to Bloomberg News.</p>

Major Markets

- **US:** Wall Street closed higher on Friday on the back of solid corporate earnings. The S&P 500 posted its fifth weekly gain, rising 0.46% overnight to 2,840.35. The Dow added 0.54% to 25,462.58, while the Nasdaq composite rose to 7,812.02 (+0.12%). The VIX Index fell to 11.64 on Friday, as compared to 12.19 on Thursday. On the Treasury front, the 2y yield dipped 2.0bp to 2.643%, while the 10y yield fell to 2.949%.
- **Singapore:** The STI closed down 0.63% to close at 3265.73 on Friday and may continue to consolidate between 3230-3290 for now, although Wall Street closed higher on Friday and Nikkei and Kospi are trading on a slightly positive tone this morning. With the UST bond yields lower by up to 4bps on Friday, led by the belly of the curve, the SGS bond market which had gained on Friday may continue to see good bids today.
- **China:** With the RMB index testing the historic low of 92 last week, we think the next possible intervention is the restart of counter cyclical factors to smooth the volatility of daily RMB fixing. China raised its total stake in trade tariffs to US\$110 billion on Friday in retaliation for total US\$250 billion lists unveiled by the US side. Although China's absolute retaliation is much smaller, from percentage perspective, China's lists have covered about 80% of Chinese imports from US, much higher than about 50% ratio proposed by the US. This is a surprise in our view as it shows that China does not fear further escalation of the trade war. Nevertheless, this could be bad for market sentiment. The escalation of trade war may cap the gain of RMB. Market should continue to monitor the development of US-China trade war.
- **Malaysia:** Minister of Economic Affairs Azmin Ali has reportedly arrived in Singapore for a working visit. However, it is currently unclear though what the purpose of the visit is. According to Bloomberg, the minister had previously reported that a meeting on the High-Speed Rail between Singapore and Malaysia would likely take place this month. Meanwhile, Anwar Ibrahim has unofficially won the post of Parti Keadilan Rakyat (PKR) president uncontested.
- **Indonesia:** The country will release its Q2 2018 GDP growth data today. Our forecast is for growth to come out slightly stronger at 5.18% yoy in Q2 2018 (Q1 2018: 5.06% yoy) on top of a slight potential pick-up in consumption growth due to the Eid holiday period.
- **Commodities:** According to CFTC position data, money managers continue to shed their long positions of crude oil, with speculative combined net-long positions falling by another 24.5k. In a nutshell, we continue to sense a bearish tone in the energy market given potentially higher supplies into 2H18 amid potential downside in demand should US-Sino trade tensions intensify further.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 482bps. Overall, 10Y UST yields fell 4bps to close at 2.95% last Friday after China unveiled retaliatory tariffs on USD60bn worth of US goods.
- **New Issues:** There were no new issuances over 3 Aug 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.161	-0.01%	USD-SGD	1.3659	-0.20%
USD-JPY	111.250	-0.37%	EUR-SGD	1.5802	-0.35%
EUR-USD	1.1568	-0.15%	JPY-SGD	1.2280	0.14%
AUD-USD	0.7404	0.60%	GBP-SGD	1.7756	-0.34%
GBP-USD	1.3001	-0.12%	AUD-SGD	1.0109	0.35%
USD-MYR	4.0813	0.12%	NZD-SGD	0.9212	-0.22%
USD-CNY	6.8270	-0.23%	CHF-SGD	1.3741	-0.11%
USD-IDR	14498	0.14%	SGD-MYR	2.9791	-0.12%
USD-VND	23305	0.10%	SGD-CNY	5.0030	-0.05%

Equity and Commodity

Index	Value	Net change
DJIA	25,462.58	136.42
S&P	2,840.35	13.13
Nasdaq	7,812.02	9.33
Nikkei 225	22,525.18	12.65
STI	3,265.73	-20.59
KLCI	1,780.09	1.96
JCI	6,007.54	-4.19
Baltic Dry	1,773.00	17.00
VIX	11.64	-0.55

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9150	-0.0052
2M	-0.3370	--	1M	2.0793	-0.0009
3M	-0.3190	--	2M	2.1824	0.0003
6M	-0.2680	0.0010	3M	2.3430	0.0025
9M	-0.2170	--	6M	2.5248	-0.0057
12M	-0.1760	--	12M	2.8274	-0.0004

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (+0.01)	2.64 (-0.02)
5Y	2.24 (--)	2.81 (-0.04)
10Y	2.48 (-0.02)	2.95 (-0.04)
15Y	2.77 (-0.03)	--
20Y	2.79 (-0.04)	--
30Y	2.89 (-0.04)	3.09 (-0.03)

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%	91.4%	8.4%	0.2%	0.0%
12/19/2018	100.0%	28.1%	65.9%	5.9%	0.1%
01/30/2019	100.0%	25.8%	62.9%	10.7%	0.6%
03/20/2019	100.0%	11.9%	42.9%	38.9%	6.0%
05/01/2019	100.0%	10.4%	39.0%	39.4%	10.1%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.25	-0.83
EURIBOR-OIS	4.01	--
TED	34.12	-0.49

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.49	-0.68%	Coffee (per lb)	1.078	0.98%
Brent (per barrel)	73.21	-0.33%	Cotton (per lb)	0.8812	-0.80%
Heating Oil (per gallon)	2.1269	-0.23%	Sugar (per lb)	0.1085	2.46%
Gasoline (per gallon)	2.0655	-0.13%	Orange Juice (per lb)	1.6890	0.69%
Natural Gas (per MMBtu)	2.8530	1.31%	Cocoa (per mt)	2,114	-1.12%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,092.5	0.95%	Wheat (per bushel)	5.7975	-0.51%
Nickel (per mt)	13,467.5	1.64%	Soybean (per bushel)	9.023	0.53%
Aluminium (per mt)	2,007.3	-0.40%	Corn (per bushel)	3.8425	0.79%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,223.2	0.25%	Crude Palm Oil (MYR/MT)	2,196.0	0.23%
Silver (per oz)	15.462	0.50%	Rubber (JPY/KG)	168.3	-0.41%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 31 Jul 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Live Cattle	64,298	53,415	10,883	Nymex Crude	648,758	673,278	-24,520
Wheat	20,898	11,602	9,296	Natural Gas	-129,652	-116,968	-12,684
RBOB Gasoline	100,902	97,722	3,180	Corn	-53,447	-41,461	-11,986
Heating Oil	41,143	39,179	1,964	Cocoa	27,574	38,589	-11,015
Platinum	-7,465	-9,208	1,743	Soybean	-44,689	-33,938	-10,751
Lean Hogs	-2,552	-3,148	596	Sugar	-39,608	-30,791	-8,817
Copper	9,024	9,431	-407	Gold	32,331	38,891	-6,560
Cotton	97,729	99,013	-1,284	Silver	3,030	8,295	-5,265
Coffee	-81,648	-79,933	-1,715	Palladium	3,526	5,401	-1,875

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/03/2018 05:00	SK Foreign Reserves	Jul	--	\$402.45b	\$400.30b	--
08/03/2018 06:30	AU AiG Perf of Services Index	Jul	--	53.6	63	--
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	--	51.3	51.4	--
08/03/2018 08:30	JN Nikkei Japan PMI Composite	Jul	--	51.8	52.1	--
08/03/2018 08:30	HK Nikkei Hong Kong PMI	Jul	--	48.2	47.7	--
08/03/2018 09:30	AU Retail Sales MoM	Jun	0.30%	0.40%	0.40%	--
08/03/2018 09:45	CH Caixin China PMI Composite	Jul	--	52.3	53	--
08/03/2018 09:45	CH Caixin China PMI Services	Jul	53.5	52.8	53.9	--
08/03/2018 12:00	MA Trade Balance MYR	Jun	9.30b	6.05b	8.12b	--
08/03/2018 12:00	MA Imports YoY	Jun	15.30%	14.90%	0.10%	--
08/03/2018 12:00	MA Exports YoY	Jun	10.30%	7.60%	3.40%	--
08/03/2018 13:00	IN Nikkei India PMI Services	Jul	--	54.2	52.6	--
08/03/2018 13:00	IN Nikkei India PMI Composite	Jul	--	54.1	53.3	--
08/03/2018 14:45	FR Budget Balance YTD	Jun	--	-58.9b	-55.1b	--
08/03/2018 15:30	TH Foreign Reserves	Jul-27	--	\$204.9b	\$204.9b	--
08/03/2018 15:45	IT Markit/ADACI Italy Services PMI	Jul	53.7	54	54.3	--
08/03/2018 15:45	IT Markit/ADACI Italy Composite PMI	Jul	53.4	53	53.9	--
08/03/2018 15:50	FR Markit France Services PMI	Jul F	55.3	54.9	55.3	--
08/03/2018 15:50	FR Markit France Composite PMI	Jul F	54.5	54.4	54.5	--
08/03/2018 15:55	GE Markit Germany Services PMI	Jul F	54.4	54.1	54.4	--
08/03/2018 15:55	GE Markit/BME Germany Composite PMI	Jul F	55.2	55	55.2	--
08/03/2018 16:00	IT Industrial Production MoM	Jun	0.40%	0.50%	0.70%	0.80%
08/03/2018 16:00	IT Industrial Production WDA YoY	Jun	1.50%	1.70%	2.10%	2.20%
08/03/2018 16:00	IT Industrial Production NSA YoY	Jun	--	1.70%	2.10%	2.20%
08/03/2018 16:00	EC Markit Eurozone Services PMI	Jul F	54.4	54.2	54.4	--
08/03/2018 16:00	EC Markit Eurozone Composite PMI	Jul F	54.3	54.3	54.3	--
08/03/2018 16:30	UK Official Reserves Changes	Jul	--	\$577m	\$716m	--
08/03/2018 16:30	UK Markit/CIPS UK Services PMI	Jul	54.7	53.5	55.1	--
08/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Jul	54.9	53.6	55.2	--
08/03/2018 17:00	EC Retail Sales MoM	Jun	0.40%	0.30%	0.00%	0.30%
08/03/2018 17:00	EC Retail Sales YoY	Jun	1.40%	1.20%	1.40%	1.60%
08/03/2018 17:00	IT Retail Sales MoM	Jun	0.10%	-0.20%	0.80%	1.10%
08/03/2018 17:00	IT Retail Sales YoY	Jun	--	1.50%	0.40%	0.80%
08/03/2018 20:30	CA Int'l Merchandise Trade	Jun	-2.30b	-0.63b	-2.77b	-2.72b
08/03/2018 20:30	US Trade Balance	Jun	-\$46.5b	-\$46.3b	-\$43.1b	-\$43.2b
08/03/2018 20:30	US Change in Nonfarm Payrolls	Jul	193k	157k	213k	248k
08/03/2018 20:30	US Change in Manufact. Payrolls	Jul	25k	37k	36k	33k
08/03/2018 20:30	US Unemployment Rate	Jul	3.90%	3.90%	4.00%	--
08/03/2018 21:45	US Markit US Services PMI	Jul F	56.2	56	56.2	--
08/03/2018 21:45	US Markit US Composite PMI	Jul F	--	55.7	55.9	--
08/03/2018 22:00	US ISM Non-Manf. Composite	Jul	58.6	55.7	59.1	--
08/06/2018 09:00	AU Melbourne Institute Inflation MoM	Jul	--	--	0.00%	--
08/06/2018 09:00	AU Melbourne Institute Inflation YoY	Jul	--	--	2.00%	--
08/06/2018 09:00	NZ ANZ Commodity Price	Jul	--	--	-1.00%	--
08/06/2018 09:30	AU ANZ Job Advertisements MoM	Jul	--	--	-1.70%	--
08/06/2018 14:00	GE Factory Orders MoM	Jun	-0.50%	--	2.60%	--
08/06/2018 14:00	GE Factory Orders WDA YoY	Jun	3.40%	--	4.40%	--
08/06/2018 15:30	GE Markit Germany Construction PMI	Jul	--	--	53	--
08/06/2018 16:20	TA Foreign Reserves	Jul	--	--	\$457.12b	--
08/06/2018	ID GDP YoY	2Q	5.12%	--	5.06%	--
08/06/2018 08/13	VN Domestic Vehicle Sales YoY	Jul	--	--	-5.20%	--

Source: Bloomberg

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