

Highlights

Global	Wall Street closed higher for a third session as investors focused on strong earnings results from Berkshire Hathaway and took a sanguine view of escalating US-Sino trade tensions as well as geopolitical developments elsewhere on the Korean peninsula and US' re-imposition of some sanctions on Iran. The USD and UST bond market also gained overnight, with the 10-year yield holding below 3%. Asian markets may trade with a firmer tone this morning given positive leads from Wall Street. First up will be the RBA policy decision whose cash rate target is likely to stay unchanged at 1.5%, followed by the economic data calendar which comprises German trade and industrial production, Taiwan CPI and trade, Philippines' CPI, and foreign reserves data from China, Indonesia and Malaysia.
EU	German factory orders fell more than expected by 4.0% mom (-0.8% yoy) in June, after printing +2.6% mom (+4.4% yoy) in May, reflecting worries amid the escalating global trade tensions. Overseas orders fell 4.7% in June, while domestic orders also declined 2.8% and bringing total orders to -1.5% for 1H18.
JP	The BOJ had supposedly considered hiking rates later this year before market turbulence in January and weak domestic inflation data shelved plans. The forward guidance in the July meeting is a policy normalisation tool that could be tweaked once circumstances change in favour of a hike, according to a Reuters report.
ID	GDP growth strengthened in 2Q 2018 to 5.3% yoy (1Q 2018: 5.1% yoy), beating our forecast at 5.2% yoy and the Bloomberg median consensus forecast of 5.1% yoy. This growth came on top of a stronger expansion in household consumption which finally edged above the 5.0% mark to 5.1% yoy. Meanwhile, investment grew slower but still healthily at 5.9% yoy (1Q 2018: 7.9% yoy). Government consumption expanded at 5.3% yoy (1Q 2018: 2.74% yoy), the strongest it has been since 2Q 2016. Going forward, we continue to hold our full year 2018 GDP growth forecast at 5.1% yoy. We remain cautious if the momentum in the growth of household consumption can continue amid various pressure points including the IDR value and interest rates. Investment could remain strong but we will still be wary of any business caution going into the 2019 presidential elections. Growth in government consumption has also historically proven to be relatively volatile.
CMD	Copper prices staged another fall overnight, an unsurprising behaviour given the escalation of trade tensions. The red metal has long been viewed as a bellwether for market confidence over global growth and trade, given its multiple uses across manufacturing and construction industries. As such, its decline seen in the recent weeks is a testament that growth confidence remains lacklustre amid trade war concerns. Elsewhere, crude oil prices gained modestly overnight likely on short-covering behaviour even as market-watchers expect slower build in US crude oil inventories. However, we continue to see further downside in crude oil prices given likely increases in supplies especially from Saudi Arabia and Russia.

Major Markets

- **US:** Wall Street closed higher on Monday on the back of solid corporate earnings, led by gains in Berkshire Hathaway, Tyson Foods and Facebook stocks. The tech-rich Nasdaq composite climbed 0.61% to close up at 7,859.68. Meanwhile, the Dow Jones and the S&P500 gained 0.16% and 0.35% to 25,502.18 and 2,850.40, respectively. The VIX Index fell to 11.27 on Monday, as compared to 11.64 on Friday. On the Treasury front, the 2y yield rose 0.2bp to 2.645%, while the 10y yield fell to 2.940% (-0.9bp).
- **Singapore:** The STI closed up 0.60% to close at 3285.34 yesterday and may continue to attempt higher to test the 3300 resistance amid positive overnight cues from Wall Street. With the UST bond market gaining overnight, led by the 7-year tenor, the SGS bond market may also continue to rally today.
- **Malaysia:** Minister of Economic Affairs Azmin Ali has told reporters that the official meeting with Singapore to discuss the High-Speed Rail (HSR) project between Singapore and Kuala Lumpur will take place sometime in August. Reportedly, Azmin had a private visit with senior officials in Singapore on Sunday 5th August 2018 to discuss the project and he said the “meeting was very positive”.
- **Hong Kong:** Housing prices growth accelerated from 14.8% yoy in May to 15.9% yoy in June. Housing transaction volume rose for the second consecutive month by 73% yoy to 6091 deals in July. In the rest of 2018, we expect transaction volume will drop to around 5500 deals due to several reasons. First, the government announced a slew of housing measures in late June which might have shifted some demand from the private housing market to the public one. Second, stock market has turned bearish on trade war fears. This may in turn dent investor sentiments. Third, HIBOR is set to edge higher given possible capital flight from HK amid a wide US-HK yield differential and trade war concerns. As such, commercial banks may lift prime rate for the first time since 2006. All in all, we expect housing price growth to moderate in the coming months. However, any slowdown in housing price growth may be capped by several favorable factors, including a tight labor market, mainland investors’ increasing needs to hedge against RMB depreciation risks and the severe undersupply is unlikely to be improved any time soon. We expect the housing price growth will only moderate to 5%-10% yoy by end-2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors as well as the belly trading 2-4bps lower while the longer tenors traded 2-3bps 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 tightened 1bps to 481bps. 10Y UST yields fell 3bps to 2.92% in the earlier part of the trading session, hitting a two-week low on the back of safe-haven demand due to trade conflict between US and China. Yields subsequently recovered 2bps to close at 2.94% ahead of the sale of USD78bn new supply of treasury notes this week.
- **New Issues:** SK Broadband Co Ltd has priced a USD300mn 5-year bond at CT5+117.5bps, tightening from its initial price guidance of CT5+145bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.358	0.21%	USD-SGD	1.3681	0.16%
USD-JPY	111.400	0.13%	EUR-SGD	1.5806	0.03%
EUR-USD	1.1554	-0.12%	JPY-SGD	1.2284	0.03%
AUD-USD	0.7387	-0.23%	GBP-SGD	1.7708	-0.27%
GBP-USD	1.2944	-0.44%	AUD-SGD	1.0106	-0.03%
USD-MYR	4.0800	-0.03%	NZD-SGD	0.9211	-0.01%
USD-CNY	6.8535	0.39%	CHF-SGD	1.3727	-0.10%
USD-IDR	14478	-0.14%	SGD-MYR	2.9844	0.18%
USD-VND	23308	0.01%	SGD-CNY	5.0120	0.18%

Equity and Commodity

Index	Value	Net change
DJIA	25,502.18	39.60
S&P	2,850.40	10.05
Nasdaq	7,859.68	47.66
Nikkei 225	22,507.32	-17.86
STI	3,285.34	19.61
KLCI	1,779.75	-0.34
JCI	6,101.13	93.59
Baltic Dry	1,773.00	--
VIX	11.27	-0.37

Interbank Offer Rates (%)

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

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-0.02)	2.65 (--)
5Y	2.21 (-0.03)	2.80 (-0.01)
10Y	2.46 (-0.01)	2.94 (-0.01)
15Y	2.75 (-0.02)	--
20Y	2.77 (-0.02)	--
30Y	2.86 (-0.03)	3.09 (--)

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%	26.3%	62.1%	10.9%	0.7%
03/20/2019	100.0%	11.6%	42.1%	39.6%	6.4%
05/01/2019	100.0%	10.1%	38.3%	39.9%	10.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	32.25	0.28
EURIBOR-OIS	4.10	0.09
TED	34.12	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.01	0.76%	Coffee (per lb)	1.088	0.93%
Brent (per barrel)	73.75	0.74%	Cotton (per lb)	0.8840	0.32%
Heating Oil (per gallon)	2.1393	0.58%	Sugar (per lb)	0.1098	1.20%
Gasoline (per gallon)	2.0651	-0.02%	Orange Juice (per lb)	1.6640	-1.48%
Natural Gas (per MMBtu)	2.8600	0.25%	Cocoa (per mt)	2,170	2.65%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,021.9	-1.16%	Wheat (per bushel)	5.9725	3.02%
Nickel (per mt)	13,604.0	1.01%	Soybean (per bushel)	8.935	-0.97%
Aluminium (per mt)	2,020.5	0.66%	Corn (per bushel)	3.8525	0.26%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,217.7	-0.45%	Crude Palm Oil (MYR/MT)	2,206.0	0.46%
Silver (per oz)	15.348	-0.74%	Rubber (JPY/KG)	170.5	1.31%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/06/2018 09:00	AU Melbourne Institute Inflation MoM	Jul	--	0.10%	0.00%	--
08/06/2018 09:00	AU Melbourne Institute Inflation YoY	Jul	--	2.00%	2.00%	--
08/06/2018 09:00	NZ ANZ Commodity Price	Jul	--	-3.20%	-1.00%	-0.90%
08/06/2018 09:30	AU ANZ Job Advertisements MoM	Jul	--	1.50%	-1.70%	--
08/06/2018 12:12	ID GDP QoQ	2Q	4.07%	4.21%	-0.42%	-0.41%
08/06/2018 12:12	ID GDP YoY	2Q	5.12%	5.27%	5.06%	--
08/06/2018 14:00	GE Factory Orders MoM	Jun	-0.50%	-4.00%	2.60%	--
08/06/2018 14:00	GE Factory Orders WDA YoY	Jun	3.40%	-0.80%	4.40%	--
08/06/2018 15:30	GE Markit Germany Construction PMI	Jul	--	50	53	--
08/06/2018 15:52	CH BoP Current Account Balance	2Q P	--	\$5.8b	-\$34.1b	--
08/06/2018 16:00	UK New Car Registrations YoY	Jul	--	1.20%	-3.50%	--
08/06/2018 16:20	TA Foreign Reserves	Jul	--	\$458.50b	\$457.12b	--
08/06/2018 16:30	EC Sentix Investor Confidence	Aug	13.4	14.7	12.1	--
08/06/2018 18:42	ID Consumer Confidence Index	Jul	--	124.8	128.1	--
08/07/2018 06:30	AU AiG Perf of Construction Index	Jul	--	52	50.6	--
08/07/2018 07:01	UK BRC Sales Like-For-Like YoY	Jul	1.50%	0.50%	1.10%	--
08/07/2018 07:30	JN Household Spending YoY	Jun	-1.40%	-1.20%	-3.90%	--
08/07/2018 07:50	JN Official Reserve Assets	Jul	--	--	\$1258.7b	--
08/07/2018 08:00	JN Labor Cash Earnings YoY	Jun	1.70%	--	2.10%	--
08/07/2018 08:00	JN Real Cash Earnings YoY	Jun	0.90%	--	1.30%	--
08/07/2018 09:00	PH CPI YoY 2012=100	Jul	5.50%	--	5.20%	--
08/07/2018 12:30	AU RBA Cash Rate Target	Aug-07	1.50%	--	1.50%	--
08/07/2018 13:00	JN Leading Index Cl	Jun P	105.3	--	106.9	--
08/07/2018 13:00	JN Coincident Index	Jun P	116.2	--	116.8	--
08/07/2018 14:00	GE Trade Balance	Jun	20.9b	--	19.7b	19.6b
08/07/2018 14:00	GE Current Account Balance	Jun	21.0b	--	12.6b	--
08/07/2018 14:00	GE Exports SA MoM	Jun	-0.30%	--	1.80%	--
08/07/2018 14:00	GE Imports SA MoM	Jun	0.30%	--	0.70%	--
08/07/2018 14:00	GE Industrial Production SA MoM	Jun	-0.50%	--	2.60%	--
08/07/2018 14:00	GE Industrial Production WDA YoY	Jun	3.00%	--	3.10%	--
08/07/2018 14:30	AU Foreign Reserves	Jul	--	--	A\$75.8b	--
08/07/2018 14:45	FR Trade Balance	Jun	-5520m	--	-6005m	--
08/07/2018 14:45	FR Current Account Balance	Jun	--	--	-2.9b	--
08/07/2018 15:00	MA Foreign Reserves	Jul-31	--	--	\$104.6b	--
08/07/2018 15:30	UK Halifax House Prices MoM	Jul	0.20%	--	0.30%	--
08/07/2018 15:30	UK Halifax House Price 3Mths/Year	Jul	2.70%	--	1.80%	--
08/07/2018 16:00	TA CPI YoY	Jul	1.50%	--	1.31%	--
08/07/2018 16:00	TA WPI YoY	Jul	--	--	6.65%	--
08/07/2018 16:00	TA Trade Balance	Jul	\$5.10b	--	\$5.21b	--
08/07/2018 16:00	TA Exports YoY	Jul	7.00%	--	9.40%	--
08/07/2018 16:00	TA Imports YoY	Jul	10.00%	--	15.40%	--
08/07/2018 17:00	SI Foreign Reserves	Jul	--	--	\$288.04b	--
08/07/2018 22:00	CA Bloomberg Nanos Confidence	Aug-03	--	--	54.7	--
08/07/2018 22:00	US JOLTS Job Openings	Jun	6625	--	6638	--
08/07/2018 22:00	CA Ivey Purchasing Managers Index SA	Jul	--	--	63.1	--
08/07/2018	CH Foreign Reserves	Jul	\$3107.00b	--	\$3112.13b	--
08/07/2018	HK Foreign Reserves	Jul	--	--	\$431.9b	--
08/07/2018	ID Net Foreign Assets IDR	Jul	--	--	1688.3t	--
08/07/2018	ID Foreign Reserves	Jul	--	--	\$119.80b	\$119.84b
08/07/2018	PH Foreign Reserves	Jul	--	--	\$77.7b	\$77.5b
08/06/2018 08/13	VN Domestic Vehicle Sales YoY	Jul	--	--	-5.20%	--

Source: Bloomberg

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