

Highlights

Global	<p>Brexit drama retakes centre stage. Wall Street and the USD bounced back overnight, aided by Brexit concerns as the resignation of UK Foreign Secretary Boris Johnson weighed on the pound and amid ECB president Draghi's policy reticence. US Treasury bond yields also rose across the curve as global risk appetite improved and ahead of upcoming US\$69b bond auctions this week. For the upcoming US earnings season, S&P500 profits are expected to climb 21% yoy, marking the second-best quarterly gain in more than seven years. Meanwhile, China has amended its WTO complaint against the US to allege that the US\$34b tariffs violate international trade rules. Asian bourses are likely to trade with a firmer tone today as investors take the cue from Wall Street and focus on the upcoming earnings season. Today's economic data calendar is relatively more packed, with US' JOLTS job openings, Eurozone/German ZEW surveys, UK's first monthly GDP estimate (which may be overshadowed by the Brexit headlines) and industrial production, China's CPI/PPI and Australian NAB business conditions. Speakers include ECB's Angeloni and Lautenschlager.</p>
SG	<p>The net effect on Singapore from the ongoing trade tensions is likely to be modest based on the US-Sino tariffs announced so far, according to MTI minister Chan Chun Sing. He said that direct US tariffs affect a relatively small set of Singapore products, namely solar cells and modules, washing machines, steel and aluminium, which account for a relatively modest 0.1% of S'pore's total domestic exports to the world.</p>
EZ	<p>ECB president Draghi reiterated that "we're confident that basically thanks to our monetary policy the inflation rate will converge to our objectives" and while uncertainties related to global factors like trade tensions "have become more prominent, the risks surrounding the euro area growth outlook remain broadly balanced". Meanwhile, German exports rebounded more than expected by 1.8% yoy in May, with import moderating from 2.2% yoy to 0.7%.</p>
CMD	<p>Some short-covering behaviour into risk assets into yesterday's trading hours gave growth-related commodity prices a boost overnight. Oil and base metals in particular, saw a sizable rebound (Brent +1.2%, Nickel +1.9%) suggesting that market-watchers saw meaning to return to risk-trading after US-Sino's tit-for-tat \$34bn tariffs against one another. Amongst the commodity space, only grains continue to slide further likely as investors re-evaluated China's decline in soybean buying in the recent weeks. In Asia, palm oil prices were relatively unspectacular over the last weeks, although today's palm oil production and export data from the Malaysia's Palm Oil Board (MPOB) may give further hint as to how CPO could trade into the week ahead.</p>

Major Markets

- **US:** Wall Street closed higher on Monday supported by strong financial and energy stocks, with the Dow closing up at 24776.59 (+1.31%). The S&P500 and Nasdaq composite both added 0.88%. The VIX Index fell to 12.69 on Monday, as compared to 13.37 on Friday. On the Treasury front, the 2y yield increased to 2.559% (+2.3bp), while the 10y yield gained 3.5bp to close up at 2.856%.
- **Singapore:** Singapore transport minister Khaw Boon Wan has said there has been no reply to Singapore's diplomatic note sent on 1st June 2018 to seek Malaysia's position on the High-Speed Rail (HSR) project. Khaw said, "The public statements made by the Malaysian ministers, and Prime Minister Dr Mahathir himself, on the termination of the project have not been followed through with any official communications to us." As a result, he said that Singapore has "no choice" but to continue with its end of the agreement as costs related to the HSR carry on climbing. He also further elaborated, "We can recover value for some of the expenditure, even if the HSR project does not proceed. But a significant amount which has been spent will be completely wasted expenditure if the project does not proceed."
- The STI added 1.16% to close at 3228.82, retaking the 3200 handle yesterday as bargain-hunting emerged. With a more positive cue from Wall Street overnight and morning gains in Kospi, STI may trade a firmer range 3200-3260. With the UST yields higher by up to 3bps, SGS bonds may also come under some selling pressure today as investors re-dip their toes back into the equity markets.
- **Indonesia:** According to the Jakarta Globe, the government will send a team to the United States to lobby for preserving special tariff treatment for some Indonesian exports under a program for poor and developing countries, known as the Generalized System of Preferences (GSP). In April, the US Trade Representative's Office said it was reviewing the eligibility of Indonesia, along with India and Kazakhstan, for the GSP, based on concerns over compliance with services and investment criterion.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 1-3bps higher (with the exception of the 30-years swap rates trading 4bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 148bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 575bps. Overall, 10Y UST yields rose 3bps to close at 2.86% as investors moved into equities and freed up cash ahead of USD69bn in new treasuries supply this week.
- **New Issues:** Westpac Banking Corp has priced a EUR1.5bn deal across two tranches, with the EUR650mn 5.25-year bond priced at MS+50bps, tightening from its initial price guidance of MS+high50bps area and the EUR850mn 10-year bond priced at MS+62bps, tightening from its initial price guidance of MS+low70bps area. Commonwealth Bank of Australia has priced a USD1.25bn 5-year bond (guaranteed by Perpetual Corporate Trust Ltd) at MS+40bps, tightening from its initial price guidance of MS+low40bps area. SK Innovation Co Ltd has priced a USD500mn 5-year bond at CT5+140bps, tightening from its initial price guidance of CT5+160bps area. Suntec REIT MTN Pte Ltd has priced a SGD150mn 3-year note (guaranteed by HSBC Institutional Trust services (Singapore) Ltd) at 3%, in line with its initial price guidance. State Bank of India has hired banks for its potential USD green bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.077	0.12%	USD-SGD	1.3567	-0.10%
USD-JPY	110.850	0.34%	EUR-SGD	1.5942	-0.07%
EUR-USD	1.1751	0.04%	JPY-SGD	1.2238	-0.45%
AUD-USD	0.7467	0.50%	GBP-SGD	1.7989	-0.29%
GBP-USD	1.3260	-0.17%	AUD-SGD	1.0130	0.39%
USD-MYR	4.0280	-0.30%	NZD-SGD	0.9275	-0.01%
USD-CNY	6.6160	-0.40%	CHF-SGD	1.3683	-0.30%
USD-IDR	14330	-0.31%	SGD-MYR	2.9782	0.33%
USD-VND	23040	0.02%	SGD-CNY	4.8785	-0.26%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9256	--
2M	-0.3360	--	1M	2.0863	--
3M	-0.3210	--	2M	2.1694	--
6M	-0.2700	--	3M	2.3314	--
9M	-0.2180	--	6M	2.5081	--
12M	-18.1%	--	12M	277.4%	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	16.5%	16.5%	0.0%	0.0%	0.0%
09/26/2018	84.5%	71.1%	13.5%	0.0%	0.0%
11/08/2018	85.4%	68.0%	16.6%	0.7%	0.0%
12/19/2018	94.2%	35.7%	47.7%	10.3%	0.4%
01/30/2019	94.8%	32.7%	46.5%	14.1%	1.4%
03/20/2019	97.3%	19.5%	39.9%	29.7%	7.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.85	0.07%	Coffee (per lb)	1.151	0.83%
Brent (per barrel)	78.07	1.24%	Cotton (per lb)	0.8547	1.21%
Heating Oil (per gallon)	2.1957	1.26%	Sugar (per lb)	0.1140	-0.96%
Gasoline (per gallon)	2.1485	1.90%	Orange Juice (per lb)	1.6915	0.24%
Natural Gas (per MMBtu)	2.8280	-1.05%	Cocoa (per mt)	2,443	-0.89%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,283.2	0.92%	Wheat (per bushel)	5.0800	-1.41%
Nickel (per mt)	14,126.0	1.92%	Soybean (per bushel)	8.720	-2.52%
Aluminium (per mt)	2,146.5	1.67%	Corn (per bushel)	3.5400	-1.73%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,259.6	0.30%	Crude Palm Oil (MYR/MT)	2,268.0	0.09%
Silver (per oz)	16.139	0.44%	Rubber (JPY/KG)	174.6	1.87%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,776.59	320.11
S&P	2,784.17	24.35
Nasdaq	7,756.20	67.81
Nikkei 225	22,052.18	264.04
STI	3,228.82	37.00
KLCI	1,672.63	8.77
JCI	5,807.38	112.46
Baltic Dry	1,622.00	--
VIX	12.69	-0.68

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.89 (+0.01)	2.56 (+0.02)
5Y	2.17 (+0.02)	2.75 (+0.03)
10Y	2.44 (+0.02)	2.86 (+0.03)
15Y	2.67 (+0.02)	--
20Y	2.69 (+0.02)	--
30Y	2.77 (+0.02)	2.96 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.06	-0.69
EURIBOR-OIS	3.85	0.04
TED	39.10	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/09/2018 07:50	JN BoP Current Account Balance	May	¥1266.0b	¥1938.3b	¥1845.1b	--
07/09/2018 07:50	JN Trade Balance BoP Basis	May	-¥483.1b	-¥303.8b	¥573.8b	--
07/09/2018 07:50	JN Bank Lending Incl Trusts YoY	Jun	--	2.20%	2.00%	--
07/09/2018 09:21	CH Foreign Reserves	Jun	\$3101.80b	\$3112.13b	\$3110.62b	--
07/09/2018 12:15	JN Bankruptcies YoY	Jun	--	-2.26%	-4.36%	--
07/09/2018 14:00	GE Trade Balance	May	20.2b	19.7b	20.4b	20.1b
07/09/2018 14:00	GE Current Account Balance	May	19.8b	12.6b	22.7b	23.5b
07/09/2018 14:00	GE Exports SA MoM	May	0.70%	1.80%	-0.30%	--
07/09/2018 14:00	GE Imports SA MoM	May	-0.50%	0.70%	2.20%	2.60%
07/09/2018 14:30	FR Bank of France Ind. Sentiment	Jun	100	101	100	--
07/09/2018 16:00	TA Trade Balance	Jun	\$4.90b	\$5.21b	\$4.41b	--
07/09/2018 16:00	TA Exports YoY	Jun	10.30%	9.40%	14.20%	--
07/09/2018 16:00	TA Imports YoY	Jun	15.40%	15.40%	12.00%	--
07/09/2018 17:00	SI Foreign Reserves	Jun	--	\$288.04b	\$287.92b	\$287.92b
07/10/2018 03:00	US Consumer Credit	May	\$12.000b	\$24.559b	\$9.262b	\$10.273b
07/10/2018 07:50	JN Money Stock M3 YoY	Jun	2.70%	--	2.70%	--
07/10/2018 07:50	JN Money Stock M2 YoY	Jun	3.20%	--	3.20%	--
07/10/2018 09:00	PH Exports YoY	May	-4.50%	--	-8.50%	--
07/10/2018 09:00	PH Imports YoY	May	10.00%	--	22.20%	--
07/10/2018 09:00	PH Trade Balance	May	-\$3539m	--	-\$3615m	--
07/10/2018 09:30	AU NAB Business Conditions	Jun	--	--	15	--
07/10/2018 09:30	AU NAB Business Confidence	Jun	--	--	6	--
07/10/2018 09:30	CH PPI YoY	Jun	4.50%	--	4.10%	--
07/10/2018 09:30	CH CPI YoY	Jun	1.90%	--	1.80%	--
07/10/2018 14:00	JN Machine Tool Orders YoY	Jun P	--	--	14.90%	--
07/10/2018 14:45	FR Industrial Production MoM	May	0.70%	--	-0.50%	--
07/10/2018 14:45	FR Industrial Production YoY	May	0.40%	--	2.10%	--
07/10/2018 14:45	FR Manufacturing Production MoM	May	0.30%	--	0.40%	--
07/10/2018 14:45	FR Manufacturing Production YoY	May	0.80%	--	3.00%	--
07/10/2018 16:00	IT Industrial Production MoM	May	0.80%	--	-1.20%	--
07/10/2018 16:00	IT Industrial Production WDA YoY	May	2.80%	--	1.90%	--
07/10/2018 16:00	IT Industrial Production NSA YoY	May	--	--	6.70%	--
07/10/2018 16:30	UK Visible Trade Balance GBP/Mn	May	-£12,000	--	-£14,035	--
07/10/2018 16:30	UK Trade Balance Non EU GBP/Mn	May	-£3,950	--	-£5,372	--
07/10/2018 16:30	UK Trade Balance	May	-£3,400	--	-£5,280	--
07/10/2018 16:30	UK Industrial Production MoM	May	0.50%	--	-0.80%	--
07/10/2018 16:30	UK Industrial Production YoY	May	1.90%	--	1.80%	--
07/10/2018 16:30	UK Manufacturing Production MoM	May	0.70%	--	-1.40%	--
07/10/2018 16:30	UK Manufacturing Production YoY	May	1.90%	--	1.40%	--
07/10/2018 16:30	UK Index of Services 3M/3M	May	0.40%	--	0.20%	--
07/10/2018 17:00	GE ZEW Survey Current Situation	Jul	78.1	--	80.6	--
07/10/2018 17:00	GE ZEW Survey Expectations	Jul	-18.9	--	-16.1	--
07/10/2018 17:00	EC ZEW Survey Expectations	Jul	--	--	-12.6	--
07/10/2018 18:00	US NFIB Small Business Optimism	Jun	106.9	--	107.8	--
07/10/2018 19:00	UK NIESR GDP Estimate	Jun	--	--	0.20%	--
07/10/2018 20:15	CA Housing Starts	Jun	210.0k	--	195.6k	--
07/10/2018 20:30	CA Building Permits MoM	May	0.00%	--	-4.60%	--
07/09/2018 07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	2.50%	--
07/10/2018 07/14	NZ REINZ House Sales YoY	Jun	--	--	1.30%	--
07/10/2018 07/15	CH Aggregate Financing CNY	Jun	1400.0b	--	760.8b	--
07/10/2018 07/15	CH New Yuan Loans CNY	Jun	1520.0b	--	1150.0b	--
07/10/2018 07/15	CH Money Supply M1 YoY	Jun	5.90%	--	6.00%	--
07/10/2018 07/15	CH Money Supply M2 YoY	Jun	8.40%	--	8.30%	--
07/10/2018 07/15	CH Money Supply M0 YoY	Jun	3.50%	--	3.60%	--

Source: Bloomberg

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