

Highlights

Global	<p>US president Trump stole headlines again overnight, with the USTR publishing a list of an additional US\$200b of Chinese imports that may face 10% tariffs after a public consultation period that will end on 30 Aug. This list includes items from TV components, air conditioners, apparel, leather goods, electric vehicle batteries, refrigerators, photocopiers, drying machines, frog legs, and many types of seafood and fruits etc. USTR Representative Lighthizer opined that “unfortunately, China has not changed its behaviour – behaviour that puts the future of the US economy at risk. Rather than address our legitimate concerns, China has begun to retaliate against US products”. While Wall Street closed higher amid earnings season optimism, S&P500 futures tumbled and UST Treasury bonds rallied. Expect a risk-off tone to prevail over Asian markets today as investors prepare for the next escalation of US-Sino trade tensions and China’s response. In addition, watch for BNM and BOC policy decisions later today, with the former tipped to be static at 3.25% under a new governor and the latter likely to hike 25bps to 1.50%. Today’s economic data calendar revolves around US’ PPI, wholesale inventories and mortgage applications. Speakers include ECB president Draghi, Praet, Mersch and Nouy, BOC’s Poloz and Wilkins, BOE’s Carney, and Fed’s Williams.</p>
US	<p>JOLTS job openings softened to 6.64m in May, versus a revised record of 6.84m in April, while hiring rose from 5.58m to 5.75m and the quits rate hit a 17-year high of 2.40%.</p>
EZ	<p>German ZEW survey of investor expectations fell for the fifth straight month from -16.1 in June to -24.7 in July, mirroring the decline in the Euro area (-18.7 versus -12.6 previously) amid the anticipated negative effects on foreign trade.</p>
UK	<p>UK’s first monthly GDP estimate printed at 0.3% mom in May, with the 3-month average at 0.2% mom. This suggested that the UK economy is coming back from a lacklustre 1Q18 and may provide fodder for BOE to hike in August. Industrial production unexpectedly declined 0.4% mom in May, hurt by a shutdown of an oil and gas terminal in the North Sea.</p>
SG	<p>Temasek Holdings reported a 12% increase in its portfolio value to \$308b for the year to 31 March, the second straight record, but warned it may slow investments for the next 9-18 months due to rising risks, volatility and the likelihood of moderating global growth. Total shareholder return was 12.2%, down from 13.4% in the previous period.</p>
CMD	<p>More news over supply outages pushed crude oil prices higher. Note that a 15-day worker strike in Total’s operation in Gabon started early this week, which is said to affect over 20% of Africa’s crude oil production. Furthermore, a similar strike in Shell’s oil field in Norway adds to further supply disruptions. Today’s US-centric oil data including oil inventories will be particularly interesting to watch. However, base metals continue to print lower yesterday, a sign that risk-off appetite persisted to-date. Elsewhere in Asia, Indonesia palm oil exports fell 2.5% m/m to 2.333 million tonnes, underscoring the relatively weaker palm oil demand environment seen to-date, while stronger production (+14.1% m/m) and stockpiles (+19.6% m/m) will likely exacerbate bearish cues for palm oil prices into the trading day ahead.</p>

Major Markets

- **US:** Wall Street made gains on Tuesday as investors held expectations of a strong corporate earnings season ahead. The S&P500 edged up 0.35% to close at 2793.84, its highest since Feb 1. The Dow climbed 0.58% to 24919.66, while the Nasdaq composite rose 0.04% to 7759.20. The VIX Index fell to 12.64 on Tuesday, as compared to 12.69 on Monday. On the Treasury front, the 2y yield increased to 2.569% (+1.0bp), while the 10y yield dipped 0.7bp to 2.849%.
- **Singapore:** The STI added 1.42% to close up at 3274.83 yesterday, but may reverse gains today after US president Trump fired his next salvo of trade tariffs against China. Despite a positive cue from Wall Street overnight, morning slippage in Kospi sets the tone for Asian bourse trading today. STI may re-test support near 3200 in the interim. As the UST yield curve flattened overnight, with longer-dated tenors seeing yields lower by around 1bp, the SGS bonds may see better bids due to the risk-off tone today.
- **Malaysia:** Finance Minister Lim Guan Eng has said that the cost of the Light Rapid Transit 3 (LRT3) must be “drastically” reduced to ensure its viability. He then added that the Ministry of Finance “will not support any additional funding” otherwise. He said that “much more than RM6bil must be reduced if the LRT3 project is to proceed”. He further elaborated by saying, “The projected total cost of LRT3 of RM31.45bil due to poor management by Prasarana Malaysia Bhd.” However, back in 2015, Prasarana Malaysia Bhd had entered into a joint venture with Malaysian Resources Corp Bhd (MRCB) and George Kent (M) Bhd as the project delivery partner for the LRT3 project for a construction cost of RM9bil and another RM1bil for land acquisitions. According to the Starbiz, RM15bn worth of work packages have been awarded so far. Meanwhile, Prime Minister Mahathir Mohamad has said, “We have not given them full notice yet but they know what we want to do” in response to Singapore’s Transport Minister Khaw Boon Wan’s claim that Malaysia has still not given the Singapore government official notice on the status of the Singapore-Kuala Lumpur High Speed Rail project.
- **Indonesia:** Finance Minister Sri Mulyani has said that President Jokowi has decided not to revise the 2018 state budget, as there was no major deviation between state revenues and expenditure. She made mention that tax revenues for the first quarter of 2018 had grown 14.9% which was higher than the corresponding period in 2017 of 6%. She said, “The achievement in state revenue is close to what we had planned.” She also added that in terms of expenditure, ministries and other state institutions had spent about 35 percent of the year’s planned spending, compared to 33 percent in the corresponding period of 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with swap rates trading within 1bps across most tenors (with the exception of the 12-year swap rates trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 147bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 571bps. 10Y UST yields rose 1bps to 2.87% in the earlier part of the trading session, ahead of the additional USD22bn 10-year notes to be sold by the Federal Reserve on Wednesday. However, yields subsequently fell by 2bps to close at 2.85% following a Bloomberg report, citing sources that US President Donald Trump is ready to release an additional USD200bn tariffs on Chinese goods.

- **New Issues:** Legend Fortune Limited has priced a USD250mn 3-year bond (guaranteed by CMB International Capital Corporation Ltd) at 3mL+128bps, tightening from its initial price guidance of 3mL+150bps area. Ronshine China Holdings Ltd has priced a USD225mn re-tap of its RONXIN 8.25%'21s (guaranteed by certain restricted subsidiaries of Ronshine China Holdings Ltd incorporated outside of the PRC) at 92.971%, tightening from its initial price guidance of 11.5% area. Toyota Motor Corp has priced a USD2bn deal across three tranches, with the USD750mn 3-year bond priced at CT3+50bps, tightening from its initial price guidance of CT3+60-65bps area; the USD750mn 5-year bond priced at CT5+65bps, tightening from its initial price guidance of CT5+75-80bps area and the USD500mn 10-year bond priced at CT10+80bps, tightening from its initial price guidance of CT10+95-100bps area. PT Bank Rakyat Indonesia Persero Tbk has scheduled for investor meetings from 11 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.158	0.09%	USD-SGD	1.3571	0.03%
USD-JPY	111.000	0.14%	EUR-SGD	1.5939	-0.02%
EUR-USD	1.1744	-0.06%	JPY-SGD	1.2227	-0.09%
AUD-USD	0.7459	-0.11%	GBP-SGD	1.8017	0.16%
GBP-USD	1.3276	0.12%	AUD-SGD	1.0123	-0.07%
USD-MYR	4.0220	-0.15%	NZD-SGD	0.9279	0.04%
USD-CNY	6.6340	0.27%	CHF-SGD	1.3681	-0.01%
USD-IDR	14367	0.26%	SGD-MYR	2.9662	-0.40%
USD-VND	23040	--	SGD-CNY	4.8943	0.32%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9259	--
2M	-0.3360	--	1M	2.0775	--
3M	-0.3210	--	2M	2.1718	--
6M	-0.2700	--	3M	2.3331	--
9M	-0.2180	--	6M	2.5088	--
12M	-18.1%	--	12M	277.6%	--

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	86.2%	72.4%	13.8%	0.0%	0.0%
11/08/2018	87.0%	69.2%	17.0%	0.8%	0.0%
12/19/2018	95.1%	34.1%	49.6%	10.9%	0.5%
01/30/2019	95.6%	31.2%	48.1%	14.8%	1.5%
03/20/2019	97.8%	17.8%	39.6%	31.4%	8.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.11	0.35%	Coffee (per lb)	1.148	-0.22%
Brent (per barrel)	78.86	1.01%	Cotton (per lb)	0.8638	1.06%
Heating Oil (per gallon)	2.2218	1.19%	Sugar (per lb)	0.1141	0.09%
Gasoline (per gallon)	2.1603	0.55%	Orange Juice (per lb)	1.6685	-1.36%
Natural Gas (per MMBtu)	2.7880	-1.41%	Cocoa (per mt)	2,501	2.37%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,260.0	-0.37%	Wheat (per bushel)	4.9200	-3.15%
Nickel (per mt)	14,064.5	-0.44%	Soybean (per bushel)	8.715	-0.06%
Aluminium (per mt)	2,117.0	-1.37%	Corn (per bushel)	3.6075	-1.70%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,255.4	-0.33%	Crude Palm Oil (MYR/MT)	2,259.0	-0.40%
Silver (per oz)	16.087	-0.32%	Rubber (JPY/KG)	173.2	-0.80%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,919.66	143.07
S&P	2,793.84	9.67
Nasdaq	7,759.20	3.00
Nikkei 225	22,196.89	144.71
STI	3,274.83	46.01
KLCI	1,687.13	14.50
JCI	5,881.76	74.39
Baltic Dry	1,609.00	--
VIX	12.64	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.89 (--)	2.57 (+0.01)
5Y	2.18 (+0.01)	2.75 (--)
10Y	2.45 (+0.01)	2.85 (-0.01)
15Y	2.67 (+0.01)	--
20Y	2.69 (--)	--
30Y	2.77 (--)	2.96 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	37.74	-0.32
EURIBOR-OIS	3.83	-0.02
TED	37.67	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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%	2.70%	--
07/10/2018 07:50	JN Money Stock M2 YoY	Jun	3.20%	3.20%	3.20%	--
07/10/2018 09:00	PH Exports YoY	May	-4.50%	-3.80%	-8.50%	-4.90%
07/10/2018 09:00	PH Imports YoY	May	10.00%	11.40%	22.20%	23.10%
07/10/2018 09:00	PH Trade Balance	May	-\$3539m	-\$3701m	-\$3615m	-\$3480m
07/10/2018 09:30	AU NAB Business Conditions	Jun	--	15	15	14
07/10/2018 09:30	AU NAB Business Confidence	Jun	--	6	6	7
07/10/2018 09:30	CH PPI YoY	Jun	4.50%	4.70%	4.10%	--
07/10/2018 09:30	CH CPI YoY	Jun	1.90%	1.90%	1.80%	--
07/10/2018 14:00	JN Machine Tool Orders YoY	Jun P	--	11.40%	14.90%	--
07/10/2018 14:45	FR Industrial Production MoM	May	0.70%	-0.20%	-0.50%	--
07/10/2018 14:45	FR Industrial Production YoY	May	0.40%	-0.90%	2.10%	1.90%
07/10/2018 14:45	FR Manufacturing Production MoM	May	0.30%	-0.60%	0.40%	--
07/10/2018 16:00	IT Industrial Production MoM	May	0.80%	0.70%	-1.20%	-1.30%
07/10/2018 16:00	IT Industrial Production WDA YoY	May	2.80%	2.10%	1.90%	--
07/10/2018 16:30	UK Visible Trade Balance GBP/Mn	May	£12,000	£12,362	£14,035	£12,396
07/10/2018 16:30	UK Trade Balance Non EU GBP/Mn	May	£3,950	£3,491	£5,372	£4,335
07/10/2018 16:30	UK Trade Balance	May	£3,400	£2,790	£5,280	£3,087
07/10/2018 16:30	UK Industrial Production MoM	May	0.50%	-0.40%	-0.80%	-1.00%
07/10/2018 16:30	UK Manufacturing Production MoM	May	0.70%	0.40%	-1.40%	-1.30%
07/10/2018 16:30	UK Manufacturing Production YoY	May	1.90%	1.10%	1.40%	0.90%
07/10/2018 16:30	UK Index of Services 3M/3M	May	0.40%	0.40%	0.20%	--
07/10/2018 17:00	GE ZEW Survey Current Situation	Jul	78.1	72.4	80.6	--
07/10/2018 17:00	GE ZEW Survey Expectations	Jul	-18.9	-24.7	-16.1	--
07/10/2018 17:00	EC ZEW Survey Expectations	Jul	--	-18.7	-12.6	--
07/10/2018 17:20	US NFIB Small Business Optimism	Jun	106.9	107.2	107.8	--
07/10/2018 20:15	CA Housing Starts	Jun	210.0k	248.1k	195.6k	193.9k
07/10/2018 20:30	CA Building Permits MoM	May	0.00%	4.70%	-4.60%	-4.70%
07/11/2018 07:00	SK Unemployment rate SA	Jun	3.90%	3.70%	4.00%	--
07/11/2018 07:50	JN PPI YoY	Jun	2.80%	--	2.70%	--
07/11/2018 07:50	JN Core Machine Orders MoM	May	-4.90%	--	10.10%	--
07/11/2018 07:50	JN Core Machine Orders YoY	May	10.90%	--	9.60%	--
07/11/2018 08:30	AU Westpac Consumer Conf SA MoM	Jul	--	--	0.30%	--
07/11/2018 09:30	AU Home Loans MoM	May	-2.00%	--	-1.40%	--
07/11/2018 09:30	AU Investment Lending	May	--	--	-0.90%	--
07/11/2018 09:30	AU Owner-Occupier Loan Value MoM	May	--	--	0.20%	--
07/11/2018 12:30	JN Tertiary Industry Index MoM	May	-0.30%	--	1.00%	--
07/11/2018 15:00	MA BNM Overnight Policy Rate	Jul-11	3.25%	--	3.25%	--
07/11/2018 19:00	US MBA Mortgage Applications	Jul-06	--	--	-0.50%	--
07/11/2018 20:30	US PPI Final Demand MoM	Jun	0.20%	--	0.50%	--
07/11/2018 20:30	US PPI Ex Food and Energy MoM	Jun	0.20%	--	0.30%	--
07/11/2018 20:30	US PPI Final Demand YoY	Jun	3.10%	--	3.10%	--
07/11/2018 20:30	US PPI Ex Food and Energy YoY	Jun	2.60%	--	2.40%	--
07/11/2018 22:00	CA Bank of Canada Rate Decision	Jul-11	1.50%	--	1.25%	--
07/11/2018 22:00	US Wholesale Inventories MoM	May F	0.50%	--	0.50%	--
07/09/2018 07/13	VN Domestic Vehicle Sales YoY	Jun	--	-5.20%	2.50%	--
07/11/2018 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	1535.0b	--	1150.0b	--
07/10/2018 07/15	CH Money Supply M2 YoY	Jun	8.40%	--	8.30%	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com Alan Lau AlanLau@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

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