

Highlights

Global	<p>Blood-letting across many equity bourses amid strong risk aversion was seen in yesterday's trading day. Wall Street was expectedly down yesterday following sabre-rattling between the US and China, while the dollar broadly rose against major currencies. Lower UST yields and a rather flattish JPY seen overnight suggest that there were some buying into safe haven assets as well, though the stronger dollar depressed greenback-dominated commodity prices. Across equities, we saw that the China CSI fell 3.5%, which surpassed the declines seen in other Asian economies, while the Shanghai Composite Index fell below its 3,000 mark for the first time in two years. For now, it seems that trade war tensions will only sustain into the trading days ahead, with neither side willing to give any conciliatory rhetoric. According to the recent announcements, beyond the tit-for-tat \$50bn tariffs that China is proposing, Trump has also ordered the USTR to consider an additional 10% tariff on \$200bn worth of Chinese imports, citing Beijing's "predatory" trade practices. Elsewhere, PBOC surprised the market with an injection of CNY200bn of medium term funds into the banking system, likely in an effort to bolster liquidity as well as limit the impact of a full-out trade war. Yi Gang, the governor of the PBOC, also urged the market to "stay calm" and said that the policy-makers "will use a combination of monetary policy tools to main liquidity at an appropriate and stable level." Additionally, the central bank also issued a working paper recommending another RRR cut as well. Elsewhere, BOT and BSP are meeting later today. While BOT is expected to hold its rate unchanged, the BSP governor in his recent speeches has hinted that the central bank is "ready to act to prevent excessive peso volatility", while consensus is pointing that it may inject another 25bps hike in its overnight borrowing rate later this afternoon.</p>
EU	<p>The EUR took a hit as ECB's Draghi opined at the 3-day Sintra forum yesterday that "We will remain patient in determining the timing of the first rate rise and will take a gradual approach to adjusting policy thereafter". He further added that market pricing for its first post-crisis rate increase were consistent with its aim to move gradually, reiterating the dovish stance that came across from last week's ECB meet. Moving forward, watch out for Draghi on a policy panel at the forum later today, joined by RBA's Lowe, BoJ's Kuroda and Fed's Powell.</p>
CN	<p>With the stake for a trade war increasing to US\$200 billion, there is no way for China to match. But at least, it has signalled clearly that China will not give up its bottom line to support its own high-tech industries.</p>
TH	<p>The Bank of Thailand is slated to meet later this afternoon, where we look for policy-makers to keep its interest rate parameters unchanged. We do expect some inertia in tweaking its monetary policy for now, despite the recent improvement in inflation and growth outlook, given the ongoing trade war uncertainty in the backdrop.</p>
CMD	<p>The stronger greenback sent commodity prices broadly lower yesterday, even as the yellow metal declined to \$1,278.6/oz, the lowest since Dec 2017. Growth-related commodities such as energy and base metals were also starkly lower, accounting for the dearer dollar as well as renewed risk aversion in the backdrop.</p>

Major Market

- **Wall Street:** US shares slumped Tuesday on the back of a broad sell-off in global financial markets rattled by President Trump's threats to impose further tariffs on \$200bn worth of Chinese imports. In return, China has vowed to retaliate fiercely should this come to pass. The Dow Jones lost 1.15% to continue a six-session streak of declines. Similarly, the S&P 500 and Nasdaq composite fell 0.4% and 0.28%, respectively. The VIX index inched higher to 13.35, vs 12.31 on Monday. Following the heightened threat of a potential trade war between the world's two largest economies, yield on 10y Treasuries pared declines, inching 2bps down to 2.897% on Tuesday. Meanwhile, the 2y yield remained relatively unchanged at 2.545%.
- **Singapore:** The STI Index slipped 0.68% to post declines for a 5th consecutive session, closing down at 3,301.35 on Tuesday. Counters in focus include Golden Agri-Resources Ltd (+1.56%) as well as ComfortDelGro Corp Ltd (+0.88%). On the other hand, StarHub Ltd (-5.11%), Venture Corp Ltd (-4.94%) and Wilmar International Ltd (-3.35%) witnessed the most declines. The index will likely trade lower into the day ahead as seen from the sea of red registered across global financial markets as trade tensions continue to escalate.
- **China:** The Commerce Department vowed to retaliate forcefully should the US release the additional list of US\$200 billion. Instead of being trapped in this vicious cycle of tit-for-tat, we expect China to expedite its plan to boost its domestic demand via proactive fiscal policies to cut tax and increase expense. From a monetary policy perspective, it could be the time for us to see a more simulative PBoC. Against the backdrop of rising default risks, slowing growth and looming trade war, it could be less difficult for the PBoC to make a choice to safeguard the bottom line of no financial risk. The unexpected injection of longer term liquidity via 1-year MLFs despite there are no MLFs maturing on the same day shows that PBoC is likely to turn more flexible going forwards.
- **Hong Kong:** The jobless rate stayed unchanged at 2.8%, an over twenty-year low, during the three months through May. Employment of tourism- and trade-related sectors showed improvement. Specifically, the unemployment rate of tourism-related sector reduced further to 4.0%, the lowest since the early 2014, mainly supported by the revival of inbound tourism activities. Besides, the jobless rate of trade sector dropped from 2.6% to 2.3% as US-China trade conflicts have not yet materialized and global demand remained sanguine. Moving forward, we do expect to see further improvement in tourism sector and its employment. However, the outlook of trade sector as well as its employment looks bleak given the escalating US-China trade tension. Elsewhere, financial sector's hiring sentiments may also take a hit as the prospects of local interest rate hikes and trade war may weigh down financial activities. All in all, even though the still positive economic outlook could help to sustain a tight labour market, we expect the jobless rate to increase slightly in 2H18.

Bond Market Updates

- **Market Commentary:** The SGD curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 457bps. 10Y UST yields traded volatile yesterday as yields fell by 5bps to 2.85% as trade tensions between China and the United States intensified after President Donald

Trump threatened to impose tariffs on \$200bn worth of Chinese goods. However, yields were offset by 5bps to close at 2.90%, following the housing starts data report which rose 5% to a seasonally adjusted annual rate of 1.35 million units, the highest since July 2007.

- **New Issues:** Greenland Hong Kong Holdings Ltd has priced a USD200mn 364-day note at 7.875%, in line with its initial price guidance. Korea Development Bank has priced a CNH1.75bn 3-year bond at 4.6%, in line with its initial price guidance. Far East Horizon Ltd has scheduled for investor meetings from 20 Jun for its potential USD FRN issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.013	0.27%	USD-SGD	1.3570	0.41%
USD-JPY	110.060	-0.44%	EUR-SGD	1.5728	0.13%
EUR-USD	1.1590	-0.28%	JPY-SGD	1.2328	0.82%
AUD-USD	0.7381	-0.57%	GBP-SGD	1.7878	-0.12%
GBP-USD	1.3174	-0.54%	AUD-SGD	1.0015	-0.17%
USD-MYR	4.0025	0.12%	NZD-SGD	0.9365	-0.14%
USD-CNY	6.4853	0.72%	CHF-SGD	1.3634	0.41%
USD-IDR	13932	--	SGD-MYR	2.9468	-0.36%
USD-VND	22835	0.03%	SGD-CNY	4.7747	0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9255	--
2M	-0.3380	--	1M	2.0838	--
3M	-0.3230	--	2M	2.1505	--
6M	-0.2680	--	3M	2.3247	--
9M	-0.2150	--	6M	2.4969	--
12M	-0.1840	--	12M	2.7719	--

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	81.2%	68.4%	12.8%	0.0%	0.0%
11/08/2018	82.2%	65.7%	15.8%	0.7%	0.0%
12/19/2018	91.9%	39.6%	43.0%	9.0%	0.4%
01/30/2019	92.7%	36.4%	42.7%	12.4%	1.2%
03/20/2019	96.4%	21.8%	39.5%	27.5%	6.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.07	-1.18%	Copper (per mt)	6,768.2	-1.89%
Brent (per barrel)	75.08	-0.35%	Nickel (per mt)	14,595.0	-1.99%
Heating Oil (per gallon)	2.1218	-0.46%	Aluminium (per mt)	2,187.3	-1.52%
Gasoline (per gallon)	2.0379	-0.81%			
Natural Gas (per MMBtu)	2.9000	-1.73%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,263.0	-1.91%
			Rubber (JPY/KG)	173.7	-1.75%
Precious Metals	Futures	% chg			
Gold (per oz)	1,278.6	-0.12%			
Silver (per oz)	16.323	-0.71%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,700.21	-287.26
S&P	2,762.59	-11.16
Nasdaq	7,725.59	-21.44
Nikkei 225	22,278.48	-401.85
STI	3,301.35	-22.69
KLCI	1,715.36	-28.07
JCI	5,993.63	--
Baltic Dry	1,442.00	--
VIX	13.35	1.04

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-0.01)	2.55 (--)
5Y	2.26 (-0.02)	2.77 (-0.02)
10Y	2.53 (-0.04)	2.90 (-0.02)
15Y	2.78 (-0.04)	--
20Y	2.84 (-0.04)	--
30Y	2.88 (-0.05)	3.03 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.00	0.11
EURIBOR-OIS	3.41	0.73
TED	41.44	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/19/2018 05:00	SK Import Price Index YoY	May	--	8.10%	4.00%	3.70%
06/19/2018 05:00	SK Export Price Index YoY	May	--	0.10%	-2.00%	-2.00%
06/19/2018 08:00	TH Car Sales	May	--	84965	79206	--
06/19/2018 09:30	AU House Price Index QoQ	1Q	-1.00%	-0.70%	1.00%	--
06/19/2018 09:30	AU RBA June Meeting Minutes					
06/19/2018 15:05	CH FX Net Settlement - Clients CNY	May	--	143.3b	92.4b	--
06/19/2018 16:00	EC ECB Current Account SA	Apr	--	28.4b	32.0b	32.8b
06/19/2018 16:00	EC Current Account NSA	Apr	--	26.2b	40.6b	41.3b
06/19/2018 16:09	IT Current Account Balance	Apr	--	3009m	3408m	3442m
06/19/2018 16:30	HK Unemployment Rate SA	May	2.80%	2.80%	2.80%	--
06/19/2018 17:00	EC Construction Output MoM	Apr	--	1.80%	-0.30%	-0.20%
06/19/2018 17:06	PH BoP Overall	May	--	-\$583m	-\$270m	--
06/19/2018 20:30	US Housing Starts	May	1311k	1350k	1287k	1286k
06/19/2018 20:30	US Building Permits	May	1350k	1301k	1352k	1364k
06/20/2018 06:00	NZ Westpac Consumer Confidence	2Q	--	108.6	111.2	--
06/20/2018 06:45	NZ BoP Current Account Balance NZD	1Q	0.050b	0.182b	-2.770b	-2.745b
06/20/2018 06:45	NZ Current Account GDP Ratio YTD	1Q	-2.80%	-2.80%	-2.70%	--
06/20/2018 08:30	AU Westpac Leading Index MoM	May	--	--	0.19%	--
06/20/2018 09:00	AU Skilled Vacancies MoM	May	--	--	-0.50%	--
06/20/2018 12:00	MA CPI YoY	May	1.80%	--	1.40%	--
06/20/2018 14:00	GE PPI MoM	May	0.40%	--	0.50%	--
06/20/2018 15:00	JN Convenience Store Sales YoY	May	--	--	0.70%	--
06/20/2018 15:05	TH BoT Benchmark Interest Rate	Jun-20	1.50%	--	1.50%	--
06/20/2018 16:00	SI Automobile COE Open Bid Cat A	Jun-20	--	--	36426	--
06/20/2018 16:00	SI Automobile COE Open Bid Cat B	Jun-20	--	--	36000	--
06/20/2018 16:00	SI Automobile COE Open Bid Cat E	Jun-20	--	--	37000	--
06/20/2018 16:00	PH BSP Overnight Borrowing Rate	Jun-20	3.50%	--	3.25%	--
06/20/2018 18:00	UK CBI Trends Total Orders	Jun	2	--	-3	--
06/20/2018 18:00	UK CBI Trends Selling Prices	Jun	--	--	19	--
06/20/2018 19:00	US MBA Mortgage Applications	Jun-15	--	--	-1.50%	--
06/20/2018 20:30	US Current Account Balance	1Q	-\$129.0b	--	-\$128.2b	--
06/20/2018 22:00	US Existing Home Sales	May	5.52m	--	5.46m	--
06/20/2018	HK Composite Interest Rate	May	--	--	0.40%	--
06/18/2018 06/25	ID Motorcycle Sales	May	--	--	580921	--
06/18/2018 06/25	ID Local Auto Sales	May	--	--	102256	--

Source: Bloomberg

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