

Highlights

Global	Lingering trade concerns continued to sustain, notwithstanding signs that White House officials are attempting to restart talks with China ahead of the tariffs taking effect on 6 July, and this dragged Wall Street lower overnight and looks set to cast a shadow over Asian bourses this morning. While the BOE stayed pat on rates in a 6-3 vote, nevertheless its chief economist Haldane dissented and voted for a rate hike and raised prospects for a potential hike at the August meeting. Elsewhere, the Mexican central bank also hiked its overnight rate by 25bps to 7.75%. Key events to watch today include the OPEC meeting in Vienna, flash manufacturing PMIs for the Eurozone and the Fed's bank stress test results. In addition, scheduled over the weekend are Turkish elections and an informal EU leaders summit in Brussels to discuss migration.
US	Initial jobless claims fell 3k to a 6-week low of 218k, with the four-week moving average to 221k, while continuing claims rose 22k. The Philadelphia Fed business index cooled a larger-than-expected 14.5 points to 19.9 in June with new orders plunging 22.7 points (the most since October 2008), possibly due to an escalation of trade tensions. The leading index also eased from 0.4% in April to 0.2% in June.
CN	The Commerce Department said the recent US-Sino trade tension will not stop China from further opening its market. China will continue to unveil its shortened negative list to lower barrier for foreign investors on 1 July as planned. On currency, RMB weakened significantly yesterday with the USDCNH breaking its 6.51 handle, dragging onshore USDCNY above 6.50. However, big sell dollar flows at 4:30 pm brought the USDCNY closing price to below 6.50, which was deemed as signal from PBoC to slow down the pace of depreciation. Nevertheless, we think China is still comfortable with current mild depreciation as RMB is one of the best performers in global currency market year-to-date though they will watch out for the pace of movement closely.
HK	Inflation accelerated from 1.9% to 2.1% in May 2018. For the two most heavily-weighted items, housing inflation picked up to 2% from 1.8% with the increases in private housing rentals, while the food inflation grew at a slightly faster pace to 3.6% amid higher charges for eating out.
TH	Prime Minister Prayuth Chan-Ocha confirmed that an election will be held early next year, and looks to give further concrete cues over his political future in September. Elsewhere, SET president Pakorn commented that Thailand's "fundamentals are strong and companies have good earnings".
CMD	Market-watchers will be eyeing closely on this evening's OPEC meeting, where more concrete cues over OPEC's production cues and its confidence over higher oil prices into 2H18. Still, oil prices fell further overnight, likely as investors stayed cautious over a potential return to an oil glut into 2H18, amid ongoing concerns over US-Sino trade tensions. Gold prices continue to tumble for its fourth consecutive trading day, a clear sign that investors are preferring USTs, greenback, and potentially the JPY as safe havens instead. In Asia, crude palm oil prices continue to point south for its fourth day as well to its lowest July 2016 as investors digested Malaysia's sustained poor palm oil export prints (1 – 20 June palm oil exports contracted 6.4% m/m).

Major Market

- **Wall Street:** US stocks continued their descent overnight, an unsurprising behaviour given that US-Sino trade concerns remained on the table. Elsewhere, the lower oil prices seen may have depressed equity valuations as well, given market-watchers' cautious take on how energy prices may move into 2H18. Safe haven buying into the US Treasuries ensued; the 2y- and 10y- yields rose to 2.55% (+1.3bp) and 2.90% (+0.7bp), respectively, while the VIX surged to 14.64 to its highest in over three weeks.
- **Singapore:** The STI sank 0.48% to close at 3,300.00 yesterday amid the sea of red ink and looks set to break below the 3300 handle today amid weak leads from Wall Street and morning declines in Nikkei and Kospi. STI's resistance and support are tipped at 3,320 and 3,280 respectively. With eroding risk appetite, UST bonds rallied by up to 4bps and this may set the tone for support in the SGS bond market today.
- **Hong Kong:** Moving forward, given strong economic growth and upbeat consumer sentiment, corporate may gradually pass through the increasing costs to the consumers. A tight labor market could also translate into wage inflation. All in all, we expect overall inflation to accelerate to 2.2% in 2018, up from last year's 1.5% print.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 3bps higher while the longer tenors traded 2-3bps higher. 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 6bps to 465bps. 10Y UST yields fell 4bps to 2.90% yesterday, on the back of continuing concerns over US trade war with China as well as weaker-than-expected US economic data.
- **New Issues:** Horse Gallop Finance Ltd has priced a USD700mn 3-year FRN (guaranteed by ICBC International Holdings Ltd) at 3mL+118bps, tightening from its initial price guidance of 3mL+145bps area. Zhenro Properties Group Ltd has priced a USD250mn 2-year bond at 11.5 %, in line with its initial price guidance. SK Innovation Co Ltd has hired banks for its potential USD bond issuance. Korea East-West Power Co Ltd has scheduled for investor meetings from 28 Jun for its potential USD bond issuance

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.862	-0.28%	USD-SGD	1.3583	-0.03%
USD-JPY	109.990	-0.34%	EUR-SGD	1.5761	0.24%
EUR-USD	1.1604	0.28%	JPY-SGD	1.2352	0.32%
AUD-USD	0.7379	0.15%	GBP-SGD	1.7986	0.51%
GBP-USD	1.3240	0.52%	AUD-SGD	1.0022	0.12%
USD-MYR	4.0157	0.25%	NZD-SGD	0.9329	-0.06%
USD-CNY	6.4932	0.30%	CHF-SGD	1.3690	0.37%
USD-IDR	14102	1.22%	SGD-MYR	2.9446	-0.13%
USD-VND	22865	0.00%	SGD-CNY	4.7808	0.30%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9304	--
2M	-0.3380	--	1M	2.0836	--
3M	-0.3230	--	2M	2.1653	--
6M	-0.2680	--	3M	2.3319	--
9M	-0.2130	--	6M	2.5009	--
12M	-0.1820	--	12M	2.7725	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	24.8%	24.8%	0.0%	0.0%	0.0%
09/26/2018	81.4%	62.7%	18.6%	0.0%	0.0%
11/08/2018	82.4%	60.3%	21.1%	1.0%	0.0%
12/19/2018	92.3%	36.2%	43.2%	12.3%	0.6%
01/30/2019	93.1%	33.3%	42.5%	15.4%	1.8%
03/20/2019	96.4%	20.6%	38.1%	28.4%	8.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.54	-1.03%	Copper (per mt)	6,709.8	-0.60%
Brent (per barrel)	73.05	-2.26%	Nickel (per mt)	14,933.0	0.08%
Heating Oil (per gallon)	2.0701	-1.76%	Aluminium (per mt)	2,195.0	0.57%
Gasoline (per gallon)	2.0123	-0.55%			
Natural Gas (per MMBtu)	2.9750	0.37%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,251.0	-0.49%
			Rubber (JPY/KG)	174.2	-1.02%
Precious Metals	Futures	% chg			
Gold (per oz)	1,270.5	-0.31%			
Silver (per oz)	16.404	0.13%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,461.70	-196.10
S&P	2,749.76	-17.56
Nasdaq	7,712.95	-68.56
Nikkei 225	22,693.04	137.61
STI	3,300.00	-15.90
KLCI	1,692.32	-17.43
JCI	5,822.33	-61.71
Baltic Dry	1,373.00	--
VIX	14.64	1.85

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.98 (+0.01)	2.54 (-0.03)
5Y	2.29 (+0.03)	2.77 (-0.04)
10Y	2.57 (+0.02)	2.90 (-0.04)
15Y	2.83 (+0.03)	--
20Y	2.89 (+0.03)	--
30Y	2.94 (+0.03)	3.04 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.04	-1.49
EURIBOR-OIS	3.40	0.10
TED	41.67	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/21/2018 06:45	NZ GDP SA QoQ	1Q	0.50%	0.50%	0.60%	--
06/21/2018 07:50	JN Japan Buying Foreign Bonds	Jun-15	--	¥1490.4b	¥488.5b	¥475.6b
06/21/2018 07:50	JN Foreign Buying Japan Stocks	Jun-15	--	¥40.8b	¥108.5b	¥108.3b
06/21/2018 09:30	AU RBA FX Transactions Market	May	--	A\$556m	A\$538m	--
06/21/2018 11:30	TH Customs Exports YoY	May	9.90%	11.40%	12.34%	--
06/21/2018 11:30	TH Customs Trade Balance	May	-\$88m	\$1204m	-\$1283m	--
06/21/2018 11:57	MU CPI Composite YoY	May	--	2.97%	2.88%	--
06/21/2018 14:00	JN Machine Tool Orders YoY	May F	--	14.90%	14.90%	--
06/21/2018 14:45	FR Manufacturing Confidence	Jun	108	110	109	110
06/21/2018 15:00	MA Foreign Reserves	Jun-14	--	\$107.9b	\$108.5b	--
06/21/2018 16:00	TA Export Orders YoY	May	8.60%	11.70%	9.80%	--
06/21/2018 16:30	UK PSNB ex Banking Groups	May	6.3b	5.0b	7.8b	6.9b
06/21/2018 16:30	HK CPI Composite YoY	May	2.10%	2.10%	1.90%	--
06/21/2018 17:24	TA CBC Benchmark Interest Rate	Jun-21	1.38%	1.38%	1.38%	--
06/21/2018 19:00	UK Bank of England Bank Rate	Jun-21	0.50%	0.50%	0.50%	--
06/21/2018 19:00	UK BOE Asset Purchase Target	Jun	435b	435b	435b	--
06/21/2018 20:30	CA Wholesale Trade Sales MoM	Apr	0.30%	0.10%	1.10%	1.40%
06/21/2018 20:30	US Initial Jobless Claims	Jun-16	220k	218k	218k	221k
06/21/2018 20:30	US Continuing Claims	Jun-09	1710k	1723k	1697k	1701k
06/21/2018 20:30	US Philadelphia Fed Business Outlook	Jun	29	19.9	34.4	--
06/21/2018 21:00	US FHFA House Price Index MoM	Apr	0.50%	0.10%	0.10%	0.20%
06/21/2018 21:45	US Bloomberg Consumer Comfort	Jun-17	--	56.5	55.8	--
06/21/2018 22:00	US Leading Index	May	0.40%	0.20%	0.40%	--
06/21/2018 22:00	EC Consumer Confidence	Jun A	0	-0.5	0.2	--
06/22/2018 07:30	JN Natl CPI YoY	May	0.60%	--	0.60%	--
06/22/2018 07:30	JN Natl CPI Ex Fresh Food YoY	May	0.70%	--	0.70%	--
06/22/2018 08:30	JN Nikkei Japan PMI Mfg	Jun P	--	--	52.8	--
06/22/2018 11:00	NZ Credit Card Spending YoY	May	--	--	7.00%	--
06/22/2018 12:30	JN All Industry Activity Index MoM	Apr	0.90%	--	0.00%	--
06/22/2018 14:45	FR GDP QoQ	1Q F	0.20%	--	0.20%	--
06/22/2018 15:00	FR Markit France Manufacturing PMI	Jun P	54	--	54.4	--
06/22/2018 15:00	FR Markit France Services PMI	Jun P	54.3	--	54.3	--
06/22/2018 15:00	FR Markit France Composite PMI	Jun P	54.2	--	54.2	--
06/22/2018 15:30	GE Markit/BME Germany MFG PMI	Jun P	56.3	--	56.9	--
06/22/2018 15:30	TH Foreign Reserves	Jun-15	--	--	\$212.3b	--
06/22/2018 15:30	GE Markit Germany Services PMI	Jun P	52.2	--	52.1	--
06/22/2018 15:30	GE Markit/BME Germany Composite PMI	Jun P	53.4	--	53.4	--
06/22/2018 16:00	EC Markit Eurozone Manufacturing PMI	Jun P	55	--	55.5	--
06/22/2018 16:00	TA Unemployment Rate	May	3.70%	--	3.69%	--
06/22/2018 16:00	EC Markit Eurozone Services PMI	Jun P	53.8	--	53.8	--
06/22/2018 16:00	EC Markit Eurozone Composite PMI	Jun P	53.9	--	54.1	--
06/22/2018 20:30	CA Retail Sales MoM	Apr	0.00%	--	0.60%	--
06/22/2018 20:30	CA Retail Sales Ex Auto MoM	Apr	0.50%	--	-0.20%	--
06/22/2018 20:30	CA CPI YoY	May	2.60%	--	2.20%	--
06/22/2018 21:45	US Markit US Manufacturing PMI	Jun P	56.1	--	56.4	--
06/22/2018 21:45	US Markit US Services PMI	Jun P	56.5	--	56.8	--
06/22/2018 21:45	US Markit US Composite PMI	Jun P	--	--	56.6	--
06/22/2018	MU Visitor Arrivals	May	--	--	2961t	--

Source: Bloomberg

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