

## Highlights

Global	<p>Hope is a beautiful thing. <b>Another temporary ceasefire for fresh US tariffs</b> as US and China head back to the negotiating table for further talks, as well as a nice photo-op and handshake between US president Trump and North Korean leader Kim Jong Un also led to increased expectations that negotiations for the latter's denuclearization will restart. For now at least, China has committed to buy more US goods and Trump will allow US companies to supply Huawei, albeit White House advisor Kudlow warned that the latter was not being granted a "general amnesty". That said, China's manufacturing PMI disappointed by being unchanged at 49.4. S&amp;P500 ended higher on Friday, while the 10-year UST bond yield closed at 2.0% at the month-end and gold slipped below the US\$1,400 per ounce handle. Oil prices also rose as OPEC+ looks to extend its production agreement into early 2020 at its meeting in Vienna tomorrow.</p> <p><b>Expect Asian markets to attempt to trade with a firm tone to start the third quarter</b> with the likely resumption of both US-China trade and US-North Korean denuclearisation talks. Today's economic calendar comprises China's Caixin manufacturing PMI, US' manufacturing ISM and construction spending, Eurozone's unemployment rate, manufacturing PMIs across Europe and Asia, Indonesia and Thailand's CPI. Key to watch would be Fed's Clarida who is speaking on monetary policy today, as well as ECB's Guindos and PBOC's Yi. For the week ahead, RBA policy decision tomorrow (with a 25bp rate cut to 1% anticipated and any dovish rhetoric may drive further rate cut expectations) and following the 4 July US holiday to cap the week is the US' labor market report comprising nonfarm payrolls, unemployment rate and earnings data where market consensus is eyeing 160k, 3.6% and 0.3% mom (3.2% yoy) for June vis-à-vis May's 75k, 3.6% and 0.2% mom (3.1% yoy).</p>
US	<p>Personal income rose a better-than-expected 0.5% in May, while spending eased from a revised 0.6% to 0.4%. Meanwhile, the core PCE deflator rose 0.2% mom (1.6% yoy), but is not expected to deter the Fed from delivering a 25bp rate cut later this month.</p>
EU	<p>Eurozone's inflation was unchanged at 1.2% yoy in June following some volatility in previous months, while the core CPI rebounded from 0.8% to 1.1%.</p>
SG	<p>MAS will issue up to five new digital bank licenses to non-bank firms. Meanwhile, May bank loans growth numbers improved to 2.1% yoy (0.8% mom), with a pickup in manufacturing and general commerce bank loans growth, albeit at this juncture it's difficult to pinpoint whether the improvement will sustain given the deterioration in the external macro-economic environment and if manufacturers and businesses are actually stepping up their capex plans to leverage on the potential trade diversion and relocation arising from a protracted US-China trade war. Given the murky economic environment, overall bank loans growth will likely remain tepid for the coming months.</p>

## Major Markets

- **US:** The S&P 500 index (+0.58%) traded up on Friday as markets anticipated a deal between Xi and Trump after their G20 meeting. While the markets are slightly more optimistic with the positive comments from both leaders, investors may most likely be keeping a close eye on any signs of further US economic softness amid the release of ISM manf, Markit manf PMI, MBA mortgage applications and initial jobless claims data this week.
- **Singapore:** The STI slipped 0.21% to close at 3321.61 on Friday as investors took some profit into the month-end. With positive cues from Wall Street on Friday, and increased market optimism following the G-20 summit on prospects for the resumption of US-China trade talks, STI may trade firmer today, but the broad trading range remains 3300-3050 in the interim. With muted UST bond market moves on Friday, and risk appetite likely to firm today, SGS bonds may also see a soft start.
- **Malaysia:** The country's manufactured goods exports rose 2.7% yoy in April with electric products rising by 3.9% yoy. Semi-conductors and electrical machinery/appliance exports in particular also increased by 6.9% yoy and 10.3% yoy respectively. Malaysia is to some extent in a favourable position to benefit from the relocation of supply chains amid on-going trade tensions given the country's strong manufacturing base.
- **Indonesia:** The government is targeting to sell Rp185tn worth of bonds in 3Q 2019. As of June 2019, the government has issued Rp197.2tn worth of bonds or 51% of its net issuance target for this year. There are concerns recently of fiscal slippage this year amid risks that weaker than expected economic growth could hurt tax revenue collection but less than full realization of expense allocations could mean a significant budget shortfall may not emerge. June headline inflation due later with our expectations at 3.2% yoy.
- **Hong Kong:** Total loans growth printed 0% mom or 3.1% yoy in May. Internally, trade finance dropped for the ninth consecutive month by 7.6% yoy amid shrinking trade activities. Loans use in HK (excluding trade finance) fell by 0.2% mom as renewed trade tension dented investor sentiments and seasonal factors pushed up local rates. Moving into the coming months, a combination of lingering trade war risks, domestic economic slowdown and high borrowing costs may continue to hurt local loan demand. Externally, the growth in loans for use outside of HK decelerated further to 2.7% yoy in May, the weakest since Nov 2016. This was probably due to the renewed slowdown in China's growth and RMB's depreciation. Nevertheless, loan demand from Mainland companies may rebound in the near term due to widening USD-RMB yield differential and stabilizing RMB. In conclusion, we expect total loan growth to remain subdued and see low single-digit growth in 2019.
- **Asian PMI:** The IHS market PMIs for ASEAN, South Korea and Taiwan generally either saw a fall or stagnation. Output growth as a whole for the ASEAN region continued to be marginal whilst new orders were broadly unchanged. Weak export sales hurt South Korea and Taiwan. Continued weak global economic activity and ongoing trade tensions have been taking their toll on the mostly export orientated economies of the Asian region. TW 45.5, MY 47.8, TH 50.6, PH 51.3, SK 47.5, ID 50.6, VN 52.5, MM 53.0.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve was bullish across all tenors last Friday, with all tenors trading 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 135bps while the Markit iBoxx USD Asia ex-Japan China High Yield TRI Index increase 0.2 to 305.7. 10Y UST yields fell 1bps to 2.01% on muted trading, as investors took a wait-and-see approach due to uncertainties regarding the outcome of trade talks between the US and China at the G20 summit. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrower at -8bps.
- **New Issues:** There were no new issues or mandates.

### • Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	96.130	-0.07%	<b>USD-SGD</b>	1.3530	-0.03%
<b>USD-JPY</b>	107.850	0.06%	<b>EUR-SGD</b>	1.5390	0.02%
<b>EUR-USD</b>	1.1373	0.04%	<b>JPY-SGD</b>	1.2541	-0.10%
<b>AUD-USD</b>	0.7020	0.16%	<b>GBP-SGD</b>	1.7184	0.19%
<b>GBP-USD</b>	1.2696	0.17%	<b>AUD-SGD</b>	0.9499	0.15%
<b>USD-MYR</b>	4.1320	-0.28%	<b>NZD-SGD</b>	0.9090	0.25%
<b>USD-CNY</b>	6.8668	-0.15%	<b>CHF-SGD</b>	1.3860	0.01%
<b>USD-IDR</b>	14128	-0.10%	<b>SGD-MYR</b>	3.0566	-0.09%
<b>USD-VND</b>	23301	-0.09%	<b>SGD-CNY</b>	5.0729	-0.17%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3880	-0.20%	<b>O/N</b>	2.3704	0.09%
<b>2M</b>	-0.3360	0.09%	<b>1M</b>	2.3980	--
<b>3M</b>	-0.3450	--	<b>2M</b>	2.3309	-0.45%
<b>6M</b>	-0.3110	-0.45%	<b>3M</b>	2.3199	-1.10%
<b>9M</b>	-0.1940	-1.10%	<b>6M</b>	2.2005	1.36%
<b>12M</b>	-0.2140	1.36%	<b>12M</b>	2.1781	0.14%

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.5-1.75%	1.75-2%	2-2.25%
07/31/2019	0.0%	100.0%	0.0%	13.5%	86.5%
09/18/2019	0.0%	100.0%	9.5%	65.0%	25.5%
10/30/2019	0.0%	100.0%	27.5%	52.1%	17.2%
12/11/2019	0.0%	100.0%	38.0%	37.3%	9.9%
01/29/2020	0.0%	100.0%	37.8%	28.7%	6.8%
03/18/2020	0.0%	100.0%	35.5%	23.3%	5.1%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.47	-1.6%	Corn (per bushel)	4.2025	-4.5%
Brent (per barrel)	66.55	0.0%	Soybean (per bushel)	8.998	1.4%
Heating Oil (per gallon)	1.9446	-0.4%	Wheat (per bushel)	5.2800	-3.6%
Gasoline (per gallon)	1.9425	-0.2%	Crude Palm Oil (MYR/MT)	1,865.0	-0.8%
Natural Gas (per MMBtu)	2.3080	-0.7%	Rubber (JPY/KG)	234.0	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,993	0.1%	Gold (per oz)	1,413.7	0.1%
Nickel (per mt)	12,690	-0.2%	Silver (per oz)	15.253	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,599.96	73.38
<b>S&amp;P</b>	2,941.76	16.84
<b>Nasdaq</b>	8,006.24	38.49
<b>Nikkei 225</b>	21,275.92	-62.25
<b>STI</b>	3,321.61	-6.99
<b>KLCI</b>	1,672.13	-0.57
<b>JCI</b>	6,358.63	5.92
<b>Baltic Dry</b>	1,354.00	14.00
<b>VIX</b>	15.08	-0.74

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.66 (-)	1.75 (+0.01)
<b>5Y</b>	1.77 (-0.01)	1.77 (-)
<b>10Y</b>	2.00 (-0.02)	2.01 (-0.01)
<b>15Y</b>	2.28 (-0.02)	--
<b>20Y</b>	2.41 (+0.03)	--
<b>30Y</b>	2.58 (-0.01)	2.53 (-)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.50	0.15
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.42
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/01/2019	ID CPI YoY	Jun	3.20%	--	3.32%
07/01/2019 07:50	JN Tankan Large Mfg Index	2Q	9	--	12
07/01/2019 08:30	TA Markit Taiwan PMI Mfg	Jun	--	--	48.4
07/01/2019 08:30	JN Jibun Bank Japan PMI Mfg	Jun F	--	--	49.5
07/01/2019 08:30	SK Markit South Korea PMI Mfg	Jun	--	--	48.4
07/01/2019 08:30	ID Markit Indonesia PMI Mfg	Jun	--	--	51.6
07/01/2019 08:30	VN Markit Vietnam PMI Mfg	Jun	--	--	52
07/01/2019 09:45	CH Caixin China PMI Mfg	Jun	50.1	--	50.2
07/01/2019 11:00	TH CPI YoY	Jun	1.09%	--	1.15%
07/01/2019 16:00	EC Markit Eurozone Manufacturing PMI	Jun F	47.8	--	47.8
07/01/2019 16:30	UK Markit UK PMI Manufacturing SA	Jun	49.5	--	49.4
07/01/2019 21:45	US Markit US Manufacturing PMI	Jun F	50.1	--	50.1
07/01/2019 22:00	US ISM Manufacturing	Jun	51	--	52.1

Source: Bloomberg

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