

Highlights

Global	<p>A host of disappointingly soft manufacturing PMI prints across Europe and Asia failed to douse the financial market's enthusiasm post-G20 as they focused on the glass being half full, especially with the RBA expected to deliver another 25bp rate cut to 1.0% this morning. Wall Street closed higher overnight, with S&P500 at fresh record highs and the 10-year UST bond yield up slightly to 2.03%, whereas the USD outperformed on the back of a more resilient manufacturing ISM print. On one hand, US president Trump said that trade talks with China has already commenced, on the other hand, the US is mulling more tariffs to the US\$4 billion of EU goods over aircraft subsidies. Separately, OPEC+ will extend production cuts into March 2020.</p> <p>Expect Asian markets to tread carefully between the market cross-currents today, with Hong Kong markets due to reopen after a holiday. First up will be the highly anticipated 25bp rate cut by RBA, with governor Lowe widely expected to open the door for further rate cuts down the road. Today's economic calendar is relatively light and comprises only of German retail sales, UK's Nationwide house prices, and Hong Kong's retail sales. Other speakers include Fed's Williams and Mester.</p>
US	<p>The US' manufacturing ISM slipped from 52.1 in May to 51.7 in June (lowest since October 2016), but beat market expectations. That said, the new orders gauge retreated from 52.7 to 50.0 and export orders also cooling from 51.0 to 50.5. Meanwhile, construction spending unexpectedly shrank 0.8% mom in May, down from an upwardly revised 0.4% gain in April.</p>
ID	<p>Headline inflation slowed to 3.28% yoy for June (May: 3.32% yoy) whilst core inflation slightly picked up to 3.25% yoy (May: 3.12% yoy). The slowdown was mainly driven by lower price increases for the transport category given the government's effort to push down the cost of air travel. In our view, headline inflation is likely to continue trending within Bank Indonesia's (BI) target range of 2.5% - 4.5% and we see July headline inflation at 3.25% yoy. Therefore, inflation is no constraint to monetary policy easing and we are expecting a 25bps benchmark rate cut within 3Q 2019.</p>

Major Markets

- **US:** The S&P 500 index closed up 0.44% on Monday. Markets rallied initially on Trump's comments of the US and China restarting trade talks but gains were later on pared when the June ISM manufacturing data showed a decline to 51.7 (May: 52.1), the lowest since October 2016. For the rest of this week, investors will likely be looking out for further signs of US economic softness amid the release of key US data including non-farm payroll, unemployment rate, May factory orders and initial jobless claims.
- **Singapore:** The STI rallied 1.52% to close up at 3372.26 yesterday, but may see some profit-taking interest today amid signs that the US may levy more tariffs on the EU. Whilst Wall Street gained overnight, morning cues by Kospi are soft. STI may face support and resistance at 3328 and 3392 respectively. With UST bonds yields climbing by up to 3bps led by the shorter tenors, SGS bonds may track the moves.
- **Malaysia:** According to an article by the Malaysian Insight, government sources have said a new proposal on the targeted fuel subsidy scheme, whereby petrol subsidies would be directly banked into the accounts of the low-income group, is expected to be presented in a cabinet meeting next week for approval and possibly implemented by the end of July.
- **Thailand:** Headline inflation hit to a four month low of 0.87% yoy in June, below the Bank of Thailand's (BOT) target. Core inflation slowed to 0.48% yoy, from 0.54% yoy in May. The Commerce Ministry had said that lower oil prices were the key reason for the slowdown in inflation. Meanwhile, the BoT has trimmed its offers this month for 3 months bonds to 35bn baht, from 40bn baht whilst the 6 months bonds tranche has been cut to 40bn baht, from 45bn baht.
- **South Korea:** Inflation numbers came in at 0.7% yoy for the month of June, slightly below consensus of 0.8%. Core CPI was seen at 0.9% yoy, up from the 0.8% in May.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was little changed yesterday, with the shorter tenors trading 0-1bps lower, while the belly and longer tenors were unchanged. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 133bps while the Markit iBoxx USD Asia ex-Japan China High Yield TRI Index increased 0.4 to 306.1. 10Y USTs gained 2bps to 2.03%, after a truce in the US – China trade war and better than expected US manufacturing growth data caused investors to pare their safe-haven assets. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread remaining at -8bps.
- **New Issues:** Skyfame Realty Holdings Ltd has priced a USD105mn 3-year bond at 13.0%. Tahoe Group Global (Co.,) Ltd has priced a USD400mn 3-year bond at 16.0%.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.844	0.74%	USD-SGD	1.3558	0.21%
USD-JPY	108.450	0.56%	EUR-SGD	1.5299	-0.59%
EUR-USD	1.1286	-0.76%	JPY-SGD	1.2500	-0.33%
AUD-USD	0.6966	-0.77%	GBP-SGD	1.7136	-0.28%
GBP-USD	1.2641	-0.43%	AUD-SGD	0.9444	-0.58%
USD-MYR	4.1345	0.06%	NZD-SGD	0.9048	-0.46%
USD-CNY	6.8517	-0.22%	CHF-SGD	1.3722	-1.00%
USD-IDR	14113	-0.11%	SGD-MYR	3.0532	-0.11%
USD-VND	23265	-0.15%	SGD-CNY	5.0541	-0.37%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3880	-0.10%	O/N	2.3704	1.55%
2M	-0.3360	1.55%	1M	2.3980	-0.44%
3M	-0.3450	-0.44%	2M	2.3309	-1.00%
6M	-0.3110	-1.00%	3M	2.3199	0.10%
9M	-0.1940	0.10%	6M	2.2005	-1.29%
12M	-0.2140	-1.29%	12M	2.1781	-0.65%

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%	17.5%	82.5%
09/18/2019	0.0%	100.0%	12.2%	63.0%	24.8%
10/30/2019	0.0%	100.0%	29.0%	50.4%	16.6%
12/11/2019	0.0%	100.0%	38.7%	35.1%	9.1%
01/29/2020	0.0%	100.0%	37.5%	26.8%	6.2%
03/18/2020	0.0%	100.0%	35.0%	22.0%	4.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.09	1.1%	Corn (per bushel)	4.1200	-2.0%
Brent (per barrel)	65.06	-2.2%	Soybean (per bushel)	8.855	-1.6%
Heating Oil (per gallon)	1.9538	0.5%	Wheat (per bushel)	5.1400	-2.7%
Gasoline (per gallon)	1.9305	-0.6%	Crude Palm Oil (MYR/MT)	1,890.0	1.3%
Natural Gas (per MMBtu)	2.2670	-1.8%	Rubber (JPY/KG)	233.2	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,955	-0.6%	Gold (per oz)	1,389.3	-1.7%
Nickel (per mt)	12,350	-2.7%	Silver (per oz)	15.106	-1.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,717.43	117.47
S&P	2,964.33	22.57
Nasdaq	8,091.16	84.92
Nikkei 225	21,729.97	454.05
STI	3,372.26	50.65
KLCI	1,683.62	11.49
JCI	6,379.69	21.06
Baltic Dry	1,354.00	--
VIX	14.06	-1.02

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.67 (+0.01)	1.79 (+0.03)
5Y	1.78 (-)	1.79 (+0.02)
10Y	2.01 (+0.01)	2.02 (+0.02)
15Y	2.26 (-0.02)	--
20Y	2.40 (-0.01)	--
30Y	2.57 (-0.02)	2.55 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.83	0.33
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.50
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/02/2019 12:30	AU RBA Cash Rate Target	Jul-02	1.00%	--	1.25%
07/02/2019 06:45	NZ Building Permits MoM	May	--	13.20%	-7.90%
07/02/2019 07:00	SK CPI YoY	Jun	0.80%	0.70%	0.70%
07/02/2019 07:00	SK CPI MoM	Jun	-0.10%	-0.20%	0.20%
07/02/2019 07:50	JN Monetary Base YoY	Jun	--	4.00%	3.60%
07/02/2019 14:00	UK Nationwide House Px NSA YoY	Jun	0.50%	--	0.60%
07/02/2019 14:00	GE Retail Sales MoM	May	0.50%	--	-2.00%
07/02/2019 16:30	HK Retail Sales Value YoY	May	-4.30%	--	-4.50%
07/02/2019 16:30	UK Markit/CIPS UK Construction PMI	Jun	49.2	--	48.6
07/02/2019 17:00	EC PPI YoY	May	1.70%	--	2.60%
07/02/2019 18:00	IR Unemployment Rate	Jun	--	--	4.40%
07/02/2019 21:30	CA Markit Canada Manufacturing PMI	Jun	--	--	49.1

Source: Bloomberg

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