

Highlights

Global	<p>Global risk appetite was hesitant with the US markets out for Independence Day holiday yesterday. European equities also traded in a lacklustre session whilst Asian bourses ended mixed as investors await tonight's key US labour market report. US' nonfarm payrolls (NFP) is tipped to rise by 160k (from 75k previously), with the unemployment rate likely static at 3.6% (49-year low) and average hourly earnings accelerating slightly to 0.3% mom (3.2% yoy), with a goldilocks print (neither too hot not too cold) seen as paving the way for the Fed to trim rates by 25bps at the end of July. The notable development overnight was that German 10-year bund yields dipped below the ECB's deposit rate for the first time. News that UK marines had seized an Iranian vessel in violation of EU and US sanctions against Syria also added to geopolitical tensions. Meanwhile, with Christine Lagarde being put forward to replace ECB president Draghi, there is speculation of who will helm the IMF post next and whether there will be a break from a European candidate.</p> <p>Asian markets may drift today, awaiting the US' NFP report. Economic data cues comprise of German factory orders, UK's Halifax house prices, Taiwan's CPI and foreign reserves data from Malaysia, Thailand and Indonesia amongst others.</p>
US	The NFIB small business labour market indicator cooled in June, with the share of small companies planning to hire falling by 2% points to a three-month low of 19%, whereas 28% reported raising compensation (down from 34%).
SG	Malaysia said that its ban of export of sea sand last year was due to environmental concerns and not aimed at Singapore.
MY	May trade surplus slightly narrowed to RM9.08bn in May from RM10.86bn the prior month. Exports expanded at a faster pace of 2.5% yoy whilst imports growth slowed to 1.4% yoy. In particular, exports to China continued to fall amid the ongoing trade tensions whilst exports to the US expanded at 11.7% yoy. Meanwhile, on the import side, capital goods returned back to a declining level of -5.86% yoy, some indication of a weaker investment appetite whilst intermediate goods did expand 6.4% yoy, showing that export activity going forward could still be decent. It appears that the country may be able to continue to maintain a trade surplus going forward but export growth this year is expected to remain moderate amid the weaker global economy and on-going trade tensions.
CMD	British Royal Marines and Gibraltar police seized a supertanker carrying Iranian oil to Syria. Spain's acting foreign minister said the ship seizure was at the US's request; Iran, meanwhile, has called the action an act of "piracy", effectively admitting that the tanker was theirs. This follows a series of rising tensions between Iran and the US; there have been two (alleged) sabotage attacks by Iran on Saudi/UAE/Norwegian tankers and Iran has (allegedly) downed a US drone. The US has imposed sanctions on leaders and nearly performed an airstrike on Iran. Brent still ended the day slightly lower yesterday at -0.8% but we expect further US-Iran tensions to push oil prices higher.

Major Markets

- **US:** Markets were closed for Independence Day yesterday but investors will keenly look to tonight's nonfarm payroll numbers for an indication of US labour market health. June's numbers will reflect the first full-month hiring activity in the US since the US-China trade war resumed in mid-May. A resilient NFP number even on the back of the resumption of the US-China trade war may spark some reconsiderations among the Fed on the degree of monetary easing needed, which may result in an increase in UST yields.
- **China:** China's Commerce Ministry reiterated yesterday that all the existing additional tariff must be removed should US and China want to reach a trade deal. Meanwhile, China will continue to implement the unreliable entity list as planned.
- **Hong Kong:** Housing price index rose by 10.4% YTD to a historical high in May. However, the CCL index, which tracks secondary housing prices, came off from a historical high in June. Housing transaction volume dropped by 31% yoy or 43.6% mom to 4627 deals in June. As a lagging indicator, the retracement in housing data was mainly due to the negative effect from May's stock market correction, trade war re-escalation, political concerns, and elevated local rates. On a positive note, with the trade truce between US and China, and the rising expectations of US rate cuts, investment sentiment improved in June and supported the global stock market rally which will likely lend renewed support to the housing market. However, we still believe that lingering trade war risks, global economic slowdown, increasing short-term supply and the high local rates could be factors capping the upside for the housing market. As such, we hold onto our view that property price will grow 8% by end of this year.
- **Singapore:** The STI added 0.13% to close at 3372.25 yesterday even as Asian bourses ended in a mixed session. With a lack of overnight cues from Wall Street, STI like the other Asian markets may tread water ahead of the US' labour market report. Longer dated SGS bonds continued to outperform the rest of the curve with yields lower by 5bps. The 10-year SGS bond yield has touched 1.90%, which is the lowest since November 2016 and to give a context at this juncture the Fed Funds Target rate was 0.25-0.5%, as compared to the current 2.25-2.5%.
- **Malaysia:** May trade surplus slightly narrowed to RM9.08bn in May from RM10.86bn the prior month. Exports expanded at a faster pace of 2.5% yoy whilst imports growth slowed to 1.4% yoy. In particular, exports to China continued to fall amid the ongoing trade tensions whilst exports to the US expanded at 11.7% yoy. Meanwhile, on the import side, capital goods returned back to a declining level of -5.86% yoy, some indication of a weaker investment appetite whilst intermediate goods did expand 6.4% yoy, showing that export activity going forward could still be decent. It appears that the country may be able to continue to maintain a trade surplus going forward but export growth this year is expected to remain moderate amid the weaker global economy and on-going trade tensions.
- **Indonesia:** According to Bloomberg, President Jokowi may now likely announce a major overhaul of his cabinet in October. The news portal reported that several key ministers could be dropped including State-Owned Enterprise Minister Rini Soemarno, Coordinating Minister for Economic Affairs Darmin Nasution and Energy Minister Ignasius Jonan. Bloomberg went on to also report that Darmin Nasution's replacement could include former Bank Indonesia (BI) Governor Agus Martowardojo, former Finance

Minister Chatib Basri and CT Corp Chairman Chairul Tanjung. However, Bloomberg further noted that Jokowi's Chief of Staff Moeldoko has said, "The president has not decided on the names of ministers. There is no ministerial list yet. That is the president's prerogative."

- **Thailand:** Foreign fund flows in the month of June were the highest in almost five years at \$3.83bn. Equity fund inflows in June were \$1.51bn, while bond inflows were \$2.32bn. The inflows have continued in the first four days of July, with this trend possibly persisting in the short-term as investors flock to Thai assets amid reports that businesses are relocating to the country in a bid to minimise exposure to the US-China trade war.
- **Philippines:** BSP Governor Benjamin Diokno said that the Philippines is still on track to achieve both its GDP target of at least 6% this year and its inflation to be within the target range of 2-4% this year. This came on the back of Wednesday's remarks that there is still "a lot of monetary policy space" for easing in the country, given similar moves globally. We maintain our forecast of three further rate cuts by the BSP in the remaining six months of this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with the shorter tenors and belly trading 3-5bps lower, while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 133bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 470bps. The US bond market was closed yesterday due to the July Fourth holiday. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread remaining at -25bps.
- **New Issues:** Easy Tactic Ltd (guarantor: R&F Properties (HK) Co., Ltd) has priced a USD450mn 5NC3 bond at 8.125%, tightening from IPT of 8.625% area. Dafa Properties Group Ltd has priced a USD180mn 2-year bond at 12.875%, tightening from IPT of 14.0% area. FWD Group Ltd has priced a USD550mn 5-year bond at 5.75%, tightening from IPT of 6.0% area.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.768	--	USD-SGD	1.3561	-0.01%
USD-JPY	107.820	0.01%	EUR-SGD	1.5303	0.06%
EUR-USD	1.1285	0.06%	JPY-SGD	1.2575	--
AUD-USD	0.7022	-0.10%	GBP-SGD	1.7057	0.03%
GBP-USD	1.2579	0.04%	AUD-SGD	0.9522	-0.12%
USD-MYR	4.1330	-0.10%	NZD-SGD	0.9068	-0.32%
USD-CNY	6.8716	-0.14%	CHF-SGD	1.3764	0.15%
USD-IDR	14134	0.08%	SGD-MYR	3.0487	-0.11%
USD-VND	23248	0.03%	SGD-CNY	5.0679	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3900	-1.00%	O/N	2.3564	0.50%
2M	-0.3360	0.50%	1M	2.3600	-1.95%
3M	-0.3530	-1.95%	2M	2.3355	-0.29%
6M	-0.3350	-0.29%	3M	2.2885	-2.45%
9M	-0.1940	-2.45%	6M	2.2089	-1.75%
12M	-0.2430	-1.75%	12M	2.1804	-2.27%

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%	25.5%	74.5%
09/18/2019	0.0%	100.0%	18.2%	60.5%	21.3%
10/30/2019	0.0%	100.0%	32.8%	47.0%	13.9%
12/11/2019	0.0%	100.0%	39.8%	30.7%	7.1%
01/29/2020	0.0%	100.0%	37.0%	23.4%	4.9%
03/18/2020	0.0%	100.0%	33.6%	18.9%	3.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.34	--	Corn (per bushel)	4.3300	--
Brent (per barrel)	63.30	-0.8%	Soybean (per bushel)	8.853	--
Heating Oil (per gallon)	1.8987	--	Wheat (per bushel)	5.1800	--
Gasoline (per gallon)	1.9167	--	Crude Palm Oil (MYR/MT)	1,890.0	-0.2%
Natural Gas (per MMBtu)	2.2900	--	Rubber (JPY/KG)	228.6	2.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,920	0.0%	Gold (per oz)	1,420.9	--
Nickel (per mt)	12,340	-0.1%	Silver (per oz)	15.252	--

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,966.00	--
S&P	2,995.82	--
Nasdaq	8,170.23	--
Nikkei 225	21,702.45	64.29
STI	3,372.25	4.45
KLCI	1,687.48	-2.57
JCI	6,375.97	13.34
Baltic Dry	1,549.00	--
VIX	12.57	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (--)	1.76 (--)
5Y	1.72 (-0.02)	1.73 (--)
10Y	1.91 (-0.03)	1.95 (--)
15Y	2.13 (-0.04)	--
20Y	2.26 (-0.05)	--
30Y	2.42 (-0.05)	2.47 (--)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.87	0.12
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.42
-------------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/05/2019 07:20	IR GDP QoQ	1Q	--	0.10%	--
07/05/2019 09:00	PH CPI YoY 2012=100	Jun	2.80%	--	3.20%
07/05/2019 13:00	ES CPI MoM	Jun	--	--	0.20%
07/05/2019 15:00	MA Foreign Reserves	Jun-28	--	--	\$102.6b
07/05/2019 15:30	TH Foreign Reserves	Jun-28	--	--	\$215.1b
07/05/2019 15:30	UK Halifax House Prices MoM	Jun	-0.40%	--	0.50%
07/05/2019 16:00	TA CPI YoY	Jun	0.85%	--	0.94%
07/05/2019 20:30	US Change in Nonfarm Payrolls	Jun	160k	--	75k
07/05/2019 20:30	CA Unemployment Rate	Jun	5.50%	--	5.40%
07/05/2019 20:30	US Unemployment Rate	Jun	3.60%	--	3.60%
07/05/2019 20:30	US Change in Manufact. Payrolls	Jun	3k	--	3k
07/05/2019	ID Foreign Reserves	Jun	--	--	\$120.35b
07/05/2019	HK Foreign Reserves	Jun	--	--	\$437.8b

Source: Bloomberg

OCBC Treasury Research	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Terence Wu TerenceWu@ocbc.com Howie Lee HowieLee@ocbc.com Alan Lau AlanLau@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com Seow Zhi Qi ZhiQiSeow@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).