

Highlights

Global	Global equity markets retreated further on Monday as market continued to reassess their expectation on the Fed aggressive rate cut following the stronger than expected US job data last Friday. Investors await Powell's congressional testimony this week to gauge the prospects for monetary easing amid mixed and conflicting signs on US economic performance. US 10 year treasury yields continued to rise as it moved closer to the 2.05% mark whilst the DXY also ended stronger. The latest survey from the New York Fed shows that consumers' one-year inflation outlook has risen by 0.2%, to 2.7%. This further adds to the already conflicting picture on the state of the US economy. On the geopolitical front, the IAEA has confirmed that the Iran has breached the uranium enrichment cap set in the 2015 deal as French President Emmanuel Macron dispatches his top diplomatic adviser to Tehran to resolve the situation. Brent though ended slightly lower yesterday by 0.19%. In Turkey, President Recep Tayyip Erdoğan has sacked the central bank governor as the Turkish Lira continued to slide. Asian markets are likely to see a more muted start today following the slip on Wall Street. Key data releases include US Jolts Job opening and AU June NAB business confidence. Bank Negara Malaysia (BNM) will be releasing their rate decision today with our expectation of a hold.
EU	Data from the Eurozone shows that the growth in the region continued to deteriorate. Industrial production in May fell by larger than expected 3.7% yoy in May. In addition, investor sentiment in Eurozone in July also weakened to -5.8 down from -3.3 in June with Germany morale falling to the lowest of -4.8 in almost a decade. Meanwhile, on the trade front, the EU Trade Commissioner expects the US and Europe to impose retaliatory tariffs on each other over the Boeing/Airbus subsidies after the WTO faulted both sides regarding the government aid provided to these aircraft manufacturers.
CN	China's FX reserve rose to US\$3.119 trillion in June, highest since May 2018. The recovery of China's FX reserve was partially the result of favourable valuation effect due to weak broad dollar in June. Meanwhile, the gradual capital inflow into China's financial market is supportive to China's FX reserve as well. China's holdings of gold continued to rise in June, a sign of diversification as China is reducing its holdings of US Treasury.
MY	Bank Negara Malaysia (BNM) will be releasing their benchmark rate decision today with our expectation that they will remain on hold this time around. Our base case is for BNM to hold for the rest of 2019 although we do not rule out additional rate cuts if growth risks significantly worsen such as a further escalation in US – China trade tensions.

Major Markets

- **US:** The US markets closed lower on Monday, with the S&P 500 index (-0.48%) continuing its slide as traders slashed rate cut expectations on strong employment data. Looking ahead, investors will shift their focus from the payroll numbers toward the upcoming Powell speech for hints about the July FOMC rate decision. There may be some market volatility should Powell backtrack from the Fed's dovish comments from earlier speeches and media releases.
- **Indonesia:** The government is proposing to set the 2020 budget assumptions with lower growth expectations at 5.2% - 5.5% compared to 5.3% - 5.6% previously. The IDR is also assumed to be at 14,000 – 14,500 against the USD whilst the government sees headline inflation to be in the range of 2% - 4%. In our view, these assumptions appear realistic given current economic conditions. The president's annual budget speech will be held this coming August.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly trading 1-2bps higher, the belly trading 3bps higher while the longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 462bps. 10Y USTs gained 1bps to 2.05%, as investor expectations of a 50bps rate cut were reduced, and investors look to Fed Chairman Jerome Powell's comments on Wednesday as he delivers the Fed's semi-annual monetary policy report. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrowing to -18bps.
- **New Issues:** Eastern Creation II Investment Holdings Ltd (guarantor: Beijing Infrastructure Investment (Hong Kong) Limited) has priced a USD200mn 3-year bond at T+102bps, tightening from IPT of T+135bps area. China Overseas Finance (Cayman) VIII Limited (guarantor: China Overseas Land & Investment Limited) has priced a USD450mn 10-year bond at T+145bps, tightening from IPT of T+170bps area. Chong Hing Bank Limited has priced a USD400mn NC5 Perpetual AT1 at 5.7%, tightening from IPT of 6.1% area. POSCO has priced a USD500mn 5-year bond at T+105bps, tightening from IPT of T+130bps area. Shimao Property Holdings Limited has priced a USD1bn 7NC4 bond at 5.6%, tightening from IPT of 6.0% area. Sumitomo Mitsui Financial Group has priced a USD4.5bn offering in two tranches: a USD2.0bn 5-year bond at T+85bps (tightening from IPT of T+105bps area), and a USD2.5bn 10-year bond at T+100bps, tightening from IPT of T+120bps area. CIFI Holdings (Group) Co., Ltd has priced a USD300mn re-tap of its existing CIFIHG 6.55%'24s bond at 6.82%, tightening from IPT of 7.125% area. Lifestyle International Holdings Ltd has priced a USD300mn 5-year bond at 4.875%. China Development Bank Corporation of Hong Kong has priced a USD500mn 5-year FRN at 3-month US LIBOR+64bps, and a USD200mn 3-year FRN at 3-month USD LIBOR+54bps. Peking University Resources Group Co. Ltd has scheduled investor meetings commencing on 9 July for its potential USD bond issuance. Dalian Deta Holding Co. has scheduled investor meetings commencing on 9 July for its potential USD bond issuance. China Mengniu Dairy Company Limited has scheduled investor meetings commencing on 9 July for its potential USD bond issuance. Greenland Hong Kong Holdings Limited has scheduled investor meetings commencing on 9 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.384	0.10%	USD-SGD	1.3599	0.02%
USD-JPY	108.720	0.23%	EUR-SGD	1.5251	-0.06%
EUR-USD	1.1214	-0.10%	JPY-SGD	1.2508	-0.19%
AUD-USD	0.6972	-0.11%	GBP-SGD	1.7018	-0.06%
GBP-USD	1.2515	-0.05%	AUD-SGD	0.9482	-0.06%
USD-MYR	4.1398	0.10%	NZD-SGD	0.9009	-0.02%
USD-CNY	6.8819	-0.17%	CHF-SGD	1.3683	-0.20%
USD-IDR	14108	0.18%	SGD-MYR	3.0457	-0.02%
USD-VND	23248	0.04%	SGD-CNY	5.0615	0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3940	-1.00%	O/N	2.3483	-0.81%
2M	-0.3360	-0.81%	1M	2.3665	0.24%
3M	-0.3600	0.24%	2M	2.3374	0.26%
6M	-0.3440	0.26%	3M	2.3114	0.87%
9M	-0.1940	0.87%	6M	2.2098	0.91%
12M	-0.2680	0.91%	12M	2.1916	1.22%

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%	2.0%	98.0%
09/18/2019	0.0%	100.0%	1.4%	68.0%	30.6%
10/30/2019	0.0%	100.0%	23.5%	55.6%	20.4%
12/11/2019	0.0%	100.0%	37.3%	40.4%	11.6%
01/29/2020	0.0%	100.0%	38.2%	32.7%	8.5%
03/18/2020	0.0%	100.0%	37.0%	27.6%	6.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.66	0.3%	Corn (per bushel)	4.3850	1.0%
Brent (per barrel)	64.11	-0.2%	Soybean (per bushel)	8.753	0.3%
Heating Oil (per gallon)	1.8953	-0.5%	Wheat (per bushel)	5.1675	-0.5%
Gasoline (per gallon)	1.9013	-1.5%	Crude Palm Oil (MYR/MT)	1,891.0	-0.9%
Natural Gas (per MMBtu)	2.4030	-0.6%	Rubber (JPY/KG)	231.0	0.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,892	-0.2%	Gold (per oz)	1,400.0	0.0%
Nickel (per mt)	12,720	1.9%	Silver (per oz)	14.972	0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,806.14	-115.98
S&P	2,975.95	-14.46
Nasdaq	8,098.38	-63.41
Nikkei 225	21,534.35	-212.03
STI	3,334.23	-32.58
KLCI	1,677.64	-4.89
JCI	6,351.83	-21.65
Baltic Dry	1,740.00	--
VIX	13.96	0.68

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.69 (+0.01)	1.89 (+0.03)
5Y	1.74 (+0.03)	1.86 (+0.02)
10Y	1.94 (+0.03)	2.05 (+0.01)
15Y	2.14 (+0.02)	--
20Y	2.27 (+0.01)	--
30Y	2.43 (+0.02)	2.53 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.97	-0.03
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.56
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/09/2019 07:50	JN Money Stock M2 YoY	Jun 2.60%	--	2.70%	--
07/09/2019 07:50	JN Money Stock M3 YoY	Jun 2.30%	--	2.30%	--
07/09/2019 09:30	AU NAB Business Confidence	Jun --	--	7	--
07/09/2019 14:00	JN Machine Tool Orders YoY	Jun P --	--	-27.30%	--
07/09/2019 15:00	MA BNM Overnight Policy Rate	Jul-09 3.00%	--	3.00%	--
07/09/2019 16:00	EC ECB's Villeroy speaks in Paris				
07/09/2019 18:00	US NFIB Small Business Optimism	Jun 103.1	--	105	--
07/09/2019 19:00	MX CPI MoM	Jun 0.06%	--	-0.29%	--
07/09/2019 20:45	US Fed's Powell gives opening remarks on stress tests				
07/09/2019 22:10	US Fed's Bullard to Make Welcoming Comments in St. Louis				
07/09/2019 18:00	US NFIB Small Business Optimism	Jun 103.1	--	105	--

Source: Bloomberg

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