

Highlights

Global	<p>Investors are essentially now awaiting Fed chair Powell's congressional testimony to the House of Representatives today and the Senate tomorrow, coupled with the June FOMC minutes also due today and ECB minutes to follow tomorrow. While a 25bp rate cut is still priced in for the end-July FOMC meeting, nevertheless the better-than-expected nonfarm payrolls (NFP) data last Friday had cast doubt over the need for further Fed rate cuts beyond July. Note Fed's Harker (non-voter) had also cautioned that "there's no immediate need to move rates in either direction at this point in my view" given the strong US economy. Meanwhile, US-China high-level trade talks between Lighthizer and Mnuchin with Liu He and Zhong Shan did not offer fresh details on the road ahead despite being characterised as "constructive" by Kudlow. The S&P500 closed higher overnight, lifted by tech stocks, while the 10-year UST bond yield edged up to 2.06% and the USD was higher. Our house view remains that the Fed will cut rates by 25bps end-July and leave the door open for further insurance cuts if need be, notwithstanding the healthy NFP data.</p> <p>Asian markets may range trade today, awaiting Powell's cues and the Bank of Canada's rate decision (likely to be static at 1.75%). The economic data calendar kicks off with China's CPI and PPI data, followed by US' wholesale inventories, and UK's May industrial production and trade data. Fed's George and Bullard are also speaking.</p>
US	<p>The NFIB small business optimism index slipped from 105.0 in May to 103.3 in June, suggesting heightened uncertainty due to the trade war as they slashed hiring and capex on lower sales expectations. Meanwhile, Kudlow had also opined that Powell's job is safe for now, but also weighed in on the FOMC's mandate earlier saying that "price level stability and a steady dollar is what the Fed should aim for...not employment".</p>
UK	<p>The UK Parliament passed a measure aimed at preventing the future leader from pursuing a no-deal Brexit as Boris Johnson, the front-runner, refused to rule out suspending Parliament to deliver Brexit with or without a deal.</p>
SG	<p>Temasek's net portfolio value rose 1.6% to \$313b for the 12 months ended 31 March, with 1- and 3-year total shareholder return for the period at 1.49% and 8.88% in SGD terms.</p>
CMD	<p>Iran's military said they will retaliate against the British army after its oil tanker was seized by the British Royal Marines. A report by the American Petroleum Institute also showed a decline in oil inventories last week of 8.13mil barrels, more than twice the median estimate from a Bloomberg poll. Both factors were supportive of oil prices, resulting in the slight increase in Brent (+0.1%) and WTI (+0.3%) that was witnessed yesterday.</p>

Major Markets

- **US:** The S&P index (+0.1%) edged upwards on Tuesday, as investors await Powell's testimony before the Congress later today. The DXY spot rate (+0.1%) continued to crawl upwards on receding rate cut expectations, and 10Y UST yields gained 1.7bps. Markets are pricing in very low expectations of a 50bps cut for the July FOMC (0.05%), though investors still think that a 25bps cut then would be likely. Powell's testimony could possibly give hints on the Fed's near-term rate policies.
- **Singapore:** The STI declined 0.014% to close at 3329.46 yesterday, tracking the slippage across most Asian bourses. While the Nikkei and Kospi are opening a tad firmer this morning, the STI may range trade today. With UST bonds slipping overnight despite a decent 3-year note auction and investors awaiting Fed chair Powell's congressional testimony as well as the 10- and 30-year UST bond auctions, SGS bonds may continue to see selling pressure today.
- **Malaysia:** BNM held the benchmark rate as expected at 3.00% yesterday as they continued to highlight downside risks to growth whilst holding their growth forecast at 4.3% - 4.8%. Our base case is for BNM to stay on hold for the rest of 2019 but we don't rule out additional rate cuts if these growth risks significantly worsen. Meanwhile, Transport Minister Anthony Loke has said that there may be "good news" in about two months regarding the Rapid Transit System (RTS) between Johor and Singapore. Earlier, The Star had reported that the Transport Minister had said the East Coast Rail Link (ECRL) may be re-launched on the 25th July. The resumption of these major projects can provide some boost to economic growth.
- **Indonesia:** President Jokowi has issued regulations on tax deductions aimed at boosting investment, research & development and human capital development. Under additional regulations, taxpayers can enjoy a tax deduction of up to 300% when engaging in such activities.
- **Thailand:** Foreign investors pulled out funds from Thailand's bond space in the last two days, with Monday's outflow the largest since early May 2018. Net inflows into Thailand, including equities, in the first nine days of July still shows a net inflow of \$139mn, but should outflows continue at this pace it is highly probable that Thailand will record its first net monthly outflows since April 2019.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors trading 1-3bps higher, while the belly and longer tenors traded 3-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 461bps. 10Y USTs gained 2bps to 2.07% on muted trading, as investors await the release of the Federal Reserve's June meeting minutes. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrowing to -17bps.
- **New Issues:** Bluestar Finance Holdings Limited (Guarantor: China National Bluestar (Group) Co., Ltd) has priced a USD700mn 5-year bond at T+157.5bps, tightening from IPT of T+185bps area. Haitong International Securities Group Limited has priced a USD700mn 5-year bond at T+155bps, tightening from IPT of T+185bps area. Korea Gas Corporation has priced a USD500mn 10-year bond at T+92.5bps, tightening from IPT of T+120bps area. Logan Property Holdings Company Limited has priced a USD400mn 4NC2 bond at 6.5%, tightening from IPT of 7.0% area. Mizuho Financial Group Inc has priced a USD2.75bn deal in 4 tranches: a USD1.0bn 4NC3 FRN at T+85bps (tightening from IPT of T+100-105bps area), a USD500mn 4NC3 FRN at 3-month US LIBOR+84bps (in line with IPT), a USD500mn 6NC5 FRN at T+95bps (tightening from IPT of T+115bps area), and a USD750mn 11NC10 FRN at T+108bps (tightening from IPT of T+130bps area). Times China Holdings Limited has priced a USD400mn 4NC3 bond at 6.75%, tightening from IPT of 7.375% area. Housing & Development Board has priced a SGD600mn 10-year bond at 2.27%.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DX	97.489	0.11%	USD-SGD	1.3615	0.12%	DJIA	26,783.49	-22.65
USD-JPY	108.850	0.12%	EUR-SGD	1.5259	0.05%	S&P	2,979.63	3.68
EUR-USD	1.1208	-0.05%	JPY-SGD	1.2507	-0.01%	Nasdaq	8,141.73	43.35
AUD-USD	0.6928	-0.63%	GBP-SGD	1.6974	-0.26%	Nikkei 225	21,565.15	30.80
GBP-USD	1.2465	-0.40%	AUD-SGD	0.9433	-0.52%	STI	3,329.46	-4.77
USD-MYR	4.1417	0.05%	NZD-SGD	0.8994	-0.17%	KLCI	1,682.87	5.23
USD-CNY	6.8880	0.09%	CHF-SGD	1.3704	0.15%	JCI	6,388.32	36.50
USD-IDR	14130	0.16%	SGD-MYR	3.0419	-0.12%	Baltic Dry	1,725.00	--
USD-VND	23229	-0.08%	SGD-CNY	5.0579	-0.07%	VIX	14.09	0.13

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD Libor	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3930	1.00%	O/N	2.3569	0.86%	2Y	1.71 (+0.02)	1.91 (+0.02)
2M	-0.3360	0.86%	1M	2.3794	1.29%	5Y	1.78 (+0.04)	1.88 (+0.02)
3M	-0.3560	1.29%	2M	2.3648	2.74%	10Y	1.98 (+0.04)	2.06 (+0.02)
6M	-0.3380	2.74%	3M	2.3378	2.64%	15Y	2.19 (+0.04)	--
9M	-0.1940	2.64%	6M	2.2565	4.67%	20Y	2.29 (+0.02)	--
12M	-0.2580	4.67%	12M	2.2615	6.99%	30Y	2.45 (+0.03)	2.54 (+0.01)

Fed Rate Hike Probability						Financial Spread (bps)		
Meeting	Prob Hike	Prob Cut	1.5-1.75%	1.75-2%	2-2.25%		Value	Change
07/31/2019	0.0%	100.0%	0.0%	0.5%	99.5%	EURIBOR-OIS	5.17	-0.20
09/18/2019	0.0%	100.0%	0.3%	62.6%	37.1%	TED	35.36	--
10/30/2019	0.0%	100.0%	22.3%	53.6%	24.0%	Secured Overnight Fin. Rate		
12/11/2019	0.0%	100.0%	35.8%	40.8%	13.7%	SOFR	2.56	
01/29/2020	0.0%	100.0%	37.2%	33.3%	9.9%			
03/18/2020	0.0%	100.0%	36.5%	39.3%	8.2%			

Commodities Futures						
Energy	Futures	% chg	Soft Commodities	Futures	% chg	
WTI (per barrel)	57.83	0.3%	Corn (per bushel)	4.3175	-1.5%	
Brent (per barrel)	64.16	0.1%	Soybean (per bushel)	8.828	0.9%	
Heating Oil (per gallon)	1.9106	0.8%	Wheat (per bushel)	5.0975	-1.4%	
Gasoline (per gallon)	1.9269	1.3%	Crude Palm Oil (MYR/MT)	1,890.0	-0.1%	
Natural Gas (per MMBtu)	2.4250	0.9%	Rubber (JPY/KG)	230.0	-0.4%	

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,822	-1.2%	Gold (per oz)	1,400.5	0.0%
Nickel (per mt)	12,700	-0.2%	Silver (per oz)	15.068	0.6%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/10/2019 07:00	SK Unemployment rate SA	Jun	4.00%	4.00%	4.00%	--
07/10/2019 07:50	JN PPI YoY	Jun	0.40%	--	0.70%	--
07/10/2019 09:30	CH CPI YoY	Jun	2.70%	--	2.70%	--
07/10/2019 09:30	CH PPI YoY	Jun	0.20%	--	0.60%	--
07/10/2019 16:30	UK Industrial Production MoM	May	1.50%	--	-2.70%	--
07/10/2019 16:30	UK Manufacturing Production MoM	May	2.20%	--	-3.90%	--
07/10/2019 17:00	GR Industrial Production YoY	May	--	--	-0.80%	--
07/10/2019 17:15	EC European Commission Publishes Summer 2019 Economic Forecasts					
07/10/2019 19:00	US MBA Mortgage Applications	Jul-05	--	--	-0.10%	--
07/10/2019 20:30	US Powell Testimony to House Financial Services Panel Released					
07/10/2019 22:00	US Fed's Powell Testifies Before House Financial Services Panel					
07/10/2019 22:00	CA Bank of Canada Rate Decision	Jul-10	1.75%	--	1.75%	--

Source: Bloomberg

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