

Highlights

Global	<p>US equities entered a consolidation phase after the initial optimism from the US-Mexico deal looks to be losing steam. Meanwhile, markets also reassessed the expectations of a July Fed rate cut after the steady US PPI data. Final demand prices rose by 0.1% mom, in line with market expectations; however, annual readings edged down to 1.8% yoy in May from 2.2% in April. The deceleration of year-on-year readings was mainly due to falling gasoline prices and food prices. Core PPI increased by 0.2% mom and 2.3% yoy, supported by rising service costs. This may support the rebound of the PCE. Markets will closely watch for the US CPI data due today.</p> <p>China's equity market rallied strongly yesterday not because of trade talk, but hopes of China's stimulus measures. There is still no clear sign of de-escalation of the US-China trade tension after President Trump defended his tariff strategy on Tuesday. Meanwhile, US Commerce Secretary Wilbur Ross said G20 is not "a place where anyone makes a definitive deal", downplaying the probability of an imminent deal.</p>
CN	<p>China unveiled a new guidance to support the issuance of local government special purpose bonds. In the QnA published by PBoC on 11 June, proceeds from the issuance of special purpose bonds will be allowed to use as seed capital for major projects. Meanwhile, local government funding vehicles are also allowed to renegotiate the financing terms with financial institutions to support the existing projects and contain the risk. In the first five months of 2019, China has issued about CNY859.8 billion special purpose bonds, accounting for about 40% of this year's quota. Under the new guidance, part of the CNY1.3 trillion special purpose bond quota can be used as capital for some major projects, which may provide leverage to boost China's fixed asset investment to counter the impact of trade war. In addition, China's central bank also announced the plan to issue additional PBoC bill in Hong Kong at the end of June, a move to support RMB stability.</p>
CMD	<p>There is still no meeting date between OPEC+ members although their meeting is scheduled in Vienna in the next two weeks. This meeting will be particularly important as members will decide whether to extend the production cuts into 2H – now with only half a month to the end of the 1H, the market has started to turn jittery. The market consensus now appear to believe that an extension of production cuts would be in place, with energy ministers from both Saudi and the UAE having publicly stated their confidence that the curbs may continue into 2H. Brent and WTI closed (almost) unchanged at \$62.29/bbl and \$53.27/bbl, perhaps reflecting the uncertainty with regards to the supply picture from OPEC+.</p>

Major Markets

- **Malaysia:** Industrial production in April came in better than expected at 4.0%, beating expectations of 2.5%. Manufacturing activity rose +4.3%, while the mining and electricity sectors grew +2.3% and +5.8% respectively. The 4.0% growth in industrial production came on the back of a relatively high base set in April last year, making the figure all the more impressive and underscoring Minister Lim Guan Eng's weekend optimism over the economy in 2H.
- **Philippines:** Exports grew +0.4% YoY, beating expectations of -0.6%. Exports to China increased 20.4% while that to the US rose 10.6% YoY. A strong showing by electronics, particularly data processing orders which rose 8.5% YoY, underpins the resounding performance of April's exports. Philippines, however, remains a net importer of goods; domestic consumption and investment typically play a bigger role in its GDP growth.
- **Singapore:** The STI rose +0.7% yesterday as risk sentiment continued to spill over from Friday's expectations of a Fed rate cut before the end of this year. The index may trade mixed today as US equities overnight appeared shaky, closing almost flat on the day. We expect retail sales later at 2.1% against a Bloomberg consensus of -0.2%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened over yesterday, with most tenors trading 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 497bps. 10Y UST yields fell 1bps to 2.14%, due to stronger US inflation data, reiterating the Fed's comments that benign inflation is probably transitory. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, remaining at -10bps.
- **New Issues:** Haimen Zhongnan Investment Development International Co Ltd has priced a USD350mn 3-year bond at 11.875%. Power Finance Corp Ltd has priced a USD600mn 3-year bond at T+242.5bps, tightening from IPT of T+270bps area, and a USD400mn 5-year bond at T+195bps, tightening from IPT of T+220bps area. Tuspark Forward Ltd. has priced a USD550mn 3-year bond at 7.35%, tightening from IPT of 7.6% area. Republic of Indonesia has priced a USD750mn 10-year bond at 3.45%, tightening from IPT of 3.75% area. Shanghai Port Group (BVI) Holding Co., Ltd (guarantor: Shanghai International Port (Group) Co., Ltd) has priced a USD400mn 5-year bond at T+100bps, tightening from IPG of T+130bps area and a USD300mn 10-year bond at T+130bps, tightening from IPG of T+160bps area. Sunac China Holdings Ltd has priced a USD600mn 3NC2 at 7.5%, tightening from IPG at 7.875% area. Kunming Dianchi Investment Co., Ltd has scheduled investor meetings from 13 June for its potential USD bond issuance. Kookmin Bank has scheduled investor meetings commencing 17 June for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.686	-0.08%	USD-SGD	1.3642	-0.16%
USD-JPY	108.520	0.06%	EUR-SGD	1.5451	-0.03%
EUR-USD	1.1326	0.12%	JPY-SGD	1.2571	-0.20%
AUD-USD	0.6962	0.01%	GBP-SGD	1.7357	0.14%
GBP-USD	1.2725	0.32%	AUD-SGD	0.9496	-0.14%
USD-MYR	4.1632	-0.02%	NZD-SGD	0.8979	-0.52%
USD-CNY	6.9114	-0.28%	CHF-SGD	1.3745	-0.39%
USD-IDR	14240	-0.07%	SGD-MYR	3.0510	0.18%
USD-VND	23345	-0.13%	SGD-CNY	5.0667	0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3770	--	O/N	2.3450	--
2M	-0.3360	--	1M	2.4134	--
3M	-0.3180	--	2M	2.4208	--
6M	-0.2580	--	3M	2.4358	--
9M	-0.1940	--	6M	2.3488	--
12M	-0.1780	--	12M	2.3376	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	20.5%	0.0%	20.5%	79.5%
07/31/2019	0.0%	76.2%	14.4%	61.8%	23.8%
09/18/2019	0.0%	91.9%	45.7%	36.7%	8.1%
10/30/2019	0.0%	94.3%	43.0%	28.2%	5.7%
12/11/2019	0.0%	97.6%	34.5%	15.3%	2.4%
01/29/2020	0.0%	98.2%	29.7%	12.1%	1.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.27	0.0%	Corn (per bushel)	4.2775	2.9%
Brent (per barrel)	62.29	0.0%	Soybean (per bushel)	8.593	0.1%
Heating Oil (per gallon)	1.8221	0.9%	Wheat (per bushel)	5.1800	2.1%
Gasoline (per gallon)	1.7563	1.5%	Crude Palm Oil (MYR/MT)	1,986.0	0.8%
Natural Gas (per MMBtu)	2.3990	1.8%	Rubber (JPY/KG)	230.0	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,876	0.0%	Gold (per oz)	1,326.4	0.1%
Nickel (per mt)	11,885	2.1%	Silver (per oz)	14.740	0.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,048.51	-14.17
S&P	2,885.72	-1.01
Nasdaq	7,822.57	-0.60
Nikkei 225	21,204.28	69.86
STI	3,209.58	21.47
KLCI	1,651.20	-4.27
JCI	6,305.99	16.38
Baltic Dry	1,125.00	--
VIX	15.99	0.05

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.78 (+0.04)	1.93 (+0.03)
5Y	1.85 (+0.03)	1.92 (--)
10Y	2.05 (--)	2.14 (-0.01)
15Y	2.28 (--)	--
20Y	2.35 (-0.01)	--
30Y	2.54 (-0.01)	2.61 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.95	0.28
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.39
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/13/2019 20:30	US Initial Jobless Claims	39600	215k	--	218k
06/12/2019 09:30	CH CPI YoY	May	2.70%	--	2.50%
06/12/2019 20:30	US CPI MoM	May	0.10%	--	0.30%
06/12/2019 07:50	JN Core Machine Orders MoM	Apr	-0.80%	5.20%	3.80%
06/12/2019 19:00	US MBA Mortgage Applications	39234	--	--	0.015
06/12/2019 07:50	JN PPI YoY	May	0.007	0.007	0.012
06/13/2019 12:30	JN Tertiary Industry Index MoM	Apr	0.40%	--	-0.40%
06/12/2019 20:00	IN Industrial Production YoY	Apr	0.60%	--	-0.10%
06/13/2019 14:00	GE CPI YoY	May F	0.014	--	0.014
06/12/2019 09:30	CH PPI YoY	May	0.006	--	0.009

Source: Bloomberg

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