

**Highlights**

<b>Global</b>	US markets traded cautiously yesterday, with equities dipping and Treasuries gaining. Brent tumbled below \$60/bbl while gold inched higher. The feel-good exuberance in the past week – driven largely by Mexico averting trade tariffs and poor US job data sparking speculations of a Fed rate cut – have gradually tapered and cautiousness is now seeping into global markets once more. Trade pessimism continues to be the main source of bearishness in the markets, as US President Donald Trump continues with his rhetoric of a new set of tariffs on Chinese goods if there is not forthcoming meeting between himself and President Xi at the G20 meeting. Trump also added further ambiguity to the potential trade talks by declaring that there is no deadline on talks, other than “what’s up here”, pointing to his head. China has also continued to remain mum on whether Xi will meet with Trump at the G-20 meeting. We expect that the longer the trade uncertainty persists, the higher the probability of risk-off sentiments settling into the markets.
<b>US</b>	US core inflation in May slowed to 2.0% from 2.1%, which added to the probability that the Fed may cut interest rates before the end of this year. UST 10Y yields plunged 2.26bp to 2.12%; the UST yield curve flattened 0.83bp to 9.43bp inverted, led by a decline on the front end of the curve. Headline inflation also eased to 1.8% in May from 2.0% last month. The softening CPI calls into question on the “transient” label that Fed Chair Jerome Powell placed on US inflationary pressures. A falling CPI print also increases the probability that the Fed may cut rates soon, exemplified by the further flattening of the inverted UST yield curve led by a decline on front end. Separately, the budget statement shows the deficit in May ballooning to - \$207.8bn from -\$146.8bn from April. Lower tax revenues from tax cuts were mainly attributed to the widening budget deficit.
<b>SG</b>	Retail sales fell for the third consecutive month by -1.8% yoy (+0.5% mom sa) in April, with declines observed in every industry except the wearing apparel and footwear segment, which rose +3.4% YoY. Sales of motor vehicles slid -1.1% YoY; excluding auto sales, retail trade fell -2.0% in May YoY. The biggest retail sales decline was observed in the electronics sector, which posted a contraction of -6.7% YoY in May. The poor showing by electronics has not just been limited to local retail sales – global demand for smartphones, has been waning as the sector enters a cyclical downturn. Domestic exports of electronics this year has also been sluggish, having contracted -17% YTD on a YoY basis. We expect the local retail sales picture to remain bleak in the near-term as consumers tighten their purse strings. We now forecast that full-year retail sales may shrink -0.5%
<b>CMD</b>	Crude oil prices tumbled yesterday, with Brent closing below the \$60/bbl level at \$59.97/bbl. Brent slid -3.7% on the day while WTI fell -4.0% to \$51.14/bbl. Rising US stockpiles in all three important inventories – crude oil, petroleum and gasoline – sparked the selloff yesterday, which were further catalysed by bearish trade sentiments from Trump’s ambiguity. All three inventories are now closing on a 5-year seasonal high, with US crude oil and US petroleum potentially setting a new seasonal high before the end of June. We expect bearishness to persist in the short-term until further clarity from OPEC+.

**Major Markets**

- **US:** Wall Street suffered a downturn today, with the S&P500 down 0.2%. The DJIA dropped 0.17%, and the Nasdaq composite fell 0.38%.
- **EU:** US President Donald Trump has threatened to place sanctions on companies involved in Russia's Nord Stream 2 pipeline. About a third of EU's gas supply comes from Russia, with a bulk of that supply transported via the current Nord Stream pipeline. Trump says that the sanctions seek to "protect Germany from Russia".
- **UK:** PM candidate Boris Johnson said that the UK must prepare for a no-deal Brexit and reiterated his stance on leaving the EU on 31 October – with or without a deal. A parliamentary bid to block a no-deal Brexit failed, increasing the odds of the UK crashing out of the EU without a plan in place.
- **South Korea:** Unemployment rate eased to 4.0% in May from 4.1% in April, with improvements stemming largely from the service industry. Manufacturing jobs continued to remain lacklustre as the electronics industry remain sluggish on poor global demand, particularly China.
- **Indonesia:** Consumer confidence rose to the highest since April 2002 in May, the highest level on record, coinciding with the re-election of Jokowi as Indonesia President. Separately, syndicated loan volume in Indonesia jumped 23% YTD, according to data by Bloomberg. A combination of improved stability in both the political and FX scene, on top of a relatively low YoY base, led to the strong showing in Indonesian loan deals.
- **Macau:** Housing transaction volume increased by 38.8% mom to the highest since Aug 2018 at 794 deals, while average housing prices rose for the second consecutive month by 4.9% yoy to MOP107,430/square meter in Apr. The resilient performance of the property market was largely attributed to easing concerns about local rate hikes, attractive new home projects, limited housing supply, and the wealth effect from stock market rallies, and measures supporting local first-home buyers. Nevertheless, this round of property market growth was muted, probably due to housing control measures and cautious investor sentiment. Going forward, the subdued performance of the crucial gaming sector and the re-escalation of US-China trade war may cloud Macau's economic outlook while reducing wealth effect. At the same time, the control measures may continue to tame speculative demand. Lastly, the effect of measures supporting local first-home buyers may abate gradually. In conclusion, we believe that the housing market may lose some momentum in the coming months.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened over yesterday, with the shorter tenors and belly trading 2-4bps lower, while the longer tenors traded 5-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 503bps. 10Y UST yields fell 2bps to 2.12%, after soft US inflation data increased investors' expectations that the Federal Reserve will ease monetary policy, against the backdrop of rising trade tensions and slowing economic growth. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, albeit narrower to -8bps.
- **New Issues:** Zhenro Properties Group Ltd has priced a USD200mn NC2.6-perpetual bond at 10.25%, tightening from IPT of 10.5% area. China Merchants Bank Co Ltd, London Branch has priced a USD600mn 3Y FRN at 3-month US LIBOR+74bps, tightening from IPT of +95bps area. The Republic of Korea has priced a USD1.5bn deal over 2 tranches; a USD500mn 5-year bond at T+30bps, tightening from IPT of T+55bps area, and also a USD1bn 10-year bond at T+55bps, tightening from IPT of T+75bps area. CNAC (HK) Finbridge Co., Ltd (guarantor: China National Chemical Corporation Ltd) has priced a USD2.3bn deal over 4 tranches; with a USD300mn 3-year bond at T+135bps (tightening from IPT at T+160bps area), a USD900mn 5-year bond at T+155bps (tightening from IPT of T+190bps area), a USD900mn 10-year bond at T+182.5bps area (tightening from IPT of T+220bps area) and a USD200mn 30-year bond at 4.75% (tightening from IPT of 4.95% area). LMIRT Capital Pte. Ltd has priced a USD250mn 5NC3 bond at 7.50%, tightening from IPT of 7.75% area. Sichuan Railway Investment Group Co., Ltd. Has scheduled investor meetings commencing on 13 June for its potential USD bond issuance. VCREDIT Holdings Ltd has mandated banks for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.000	0.32%	<b>USD-SGD</b>	1.3668	0.19%
<b>USD-JPY</b>	108.500	-0.02%	<b>EUR-SGD</b>	1.5429	-0.14%
<b>EUR-USD</b>	1.1287	-0.34%	<b>JPY-SGD</b>	1.2600	0.23%
<b>AUD-USD</b>	0.6928	-0.49%	<b>GBP-SGD</b>	1.7344	-0.07%
<b>GBP-USD</b>	1.2689	-0.28%	<b>AUD-SGD</b>	0.9471	-0.26%
<b>USD-MYR</b>	4.1585	-0.11%	<b>NZD-SGD</b>	0.8986	0.08%
<b>USD-CNY</b>	6.9177	0.09%	<b>CHF-SGD</b>	1.3731	-0.10%
<b>USD-IDR</b>	14235	-0.04%	<b>SGD-MYR</b>	3.0494	-0.05%
<b>USD-VND</b>	23328	-0.07%	<b>SGD-CNY</b>	5.0644	-0.05%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3770	--	<b>O/N</b>	2.3509	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4106	--
<b>3M</b>	-0.3190	--	<b>2M</b>	2.4284	--
<b>6M</b>	-0.2580	--	<b>3M</b>	2.4495	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.3520	--
<b>12M</b>	-0.1780	--	<b>12M</b>	2.3433	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	19.7%	0.0%	19.7%	80.3%
07/31/2019	0.0%	82.3%	15.4%	66.9%	17.7%
09/18/2019	0.0%	94.0%	49.4%	34.4%	6.0%
10/30/2019	0.0%	95.9%	44.6%	25.3%	4.1%
12/11/2019	0.0%	98.2%	33.6%	13.2%	1.8%
01/29/2020	0.0%	98.7%	27.9%	10.0%	1.3%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.14	-4.0%	Corn (per bushel)	4.3000	0.5%
Brent (per barrel)	59.97	-3.7%	Soybean (per bushel)	8.780	2.2%
Heating Oil (per gallon)	1.7799	-2.3%	Wheat (per bushel)	5.2625	1.6%
Gasoline (per gallon)	1.6861	-4.0%	Crude Palm Oil (MYR/MT)	1,951.0	-1.8%
Natural Gas (per MMBtu)	2.3860	-0.5%	Rubber (JPY/KG)	232.0	0.9%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,852	-0.4%	Gold (per oz)	1,331.9	0.4%
Nickel (per mt)	11,841	-0.4%	Silver (per oz)	14.753	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,004.83	-43.68
<b>S&amp;P</b>	2,879.84	-5.88
<b>Nasdaq</b>	7,792.72	-29.85
<b>Nikkei 225</b>	21,129.72	-74.56
<b>STI</b>	3,207.74	-1.84
<b>KLCI</b>	1,650.74	-0.46
<b>JCI</b>	6,276.18	-29.82
<b>Baltic Dry</b>	1,105.00	--
<b>VIX</b>	15.91	-0.08

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.77 (-0.01)	1.88 (-0.05)
<b>5Y</b>	1.82 (-0.03)	1.87 (-0.04)
<b>10Y</b>	2.01 (-0.04)	2.12 (-0.02)
<b>15Y</b>	2.23 (-0.05)	--
<b>20Y</b>	2.31 (-0.04)	--
<b>30Y</b>	2.49 (-0.04)	2.62 (--)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	4.90	0.05
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.38
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/13/2019 09:30	AU Unemployment Rate	May 5.10%	--	5.20%	--
06/13/2019 20:30	US Initial Jobless Claims	June 215k	--	218k	--
06/12/2019 09:30	CH CPI YoY	May 2.70%	2.70%	2.50%	--
06/12/2019 20:30	US CPI MoM	May 0.10%	0.10%	0.30%	--
06/13/2019 09:30	AU Employment Change	May 16.0k	--	28.4k	--
06/12/2019 07:50	JN Core Machine Orders MoM	Apr -0.008	0.052	0.038	--
06/12/2019 19:00	US MBA Mortgage Applications	June --	0.268	1.50%	--
06/12/2019 07:50	JN PPI YoY	May 0.70%	0.007	1.20%	0.013
06/13/2019 15:30	SZ SNB 3-Month Libor Upper Target Range	June -0.0025	--	-0.0025	--
06/13/2019 14:00	GE CPI YoY	May F 0.014	--	0.014	--
06/12/2019 09:30	CH PPI YoY	May 0.60%	0.006	0.90%	--
06/13/2019 17:00	EC Industrial Production SA MoM	Apr -0.50%	--	-0.30%	--

Source: Bloomberg

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