

Highlights

Global	<p>Bad news was good news for US equities again last night, as a worse-than-expected US initial jobless claims of 222k (est. 215k) prompted an increase in implied probability that the Fed may cut rates as early as next week. The implied probability of a June rate cut increased to 32.4% yesterday, the highest since 27 March. Across the remaining FOMC meetings this year, the probability for a rate cut in each meeting has increased; it appears increasingly that the question is now a matter of when, not whether, the Fed will cut rates. The S&P 500 index rose +0.4% yesterday, with the UST 10Y yields falling to a one-week low of 2.095%. Higher expectations of a rate cut before the end of the year also further flattened the yield curve by 2bp to an inverted 7.4bp, up almost 19bp from 25.3bp inverted at the start of the month. Oil tanker attacks along the Strait of Hormuz caused oil prices to spike, with Brent closing +2.2% higher on the day at \$61.31/bbl. Increasingly hostile tensions between the US and Iran, especially after the US accused Iran of the tanker attacks, pushed gold prices higher to \$1,342.30/oz. Gold has not breached \$1,350/oz in the past five years.</p>
US	<p>US initial jobless claims increased to 222k as of 7 June, worse than expectations of 215k. It is the second time in a week that we are seeing signs of pressure in the US labour market, with last Friday displaying a surprisingly low nonfarm payrolls figure. That prompted an increase in the implied probability of a June rate cut, with that figure now rising to 32.4% - the highest since 27 March. At 32.4%, however, only a minority expect a rate cut in next week's Fed meeting. There is a higher conviction of a rate cut in the July meeting, however, with the implied probability of a July cut at 86.5%.</p>
MY	<p>Finance Minister Lim Guan Eng said yesterday that Malaysia is reaping benefits from business relocations and investment diversions as a result of the on-going US-China trade war. Lim also says that 1Q FDI numbers signal healthy Q2 GDP growth. Separately, Malaysian Rating Corp reported that foreign holdings of local bonds in May dropped to the lowest since December 2011 at RM 175.9bn, a decline of RM 4.2bn from April. Foreign ownership now consists of 11.9% of total outstanding, as outflows were driven by a depreciating ringgit and expectations of a prolonged US-China trade war.</p>
CMD	<p>Two oil tankers were attacked near the Persian Gulf yesterday, with the US pointing fingers at Iran over the attacks despite a lack of evidence. It is the second time in a month that tankers have been attacked along the Strait of Hormuz, a particularly narrow sea route running between UAE and Iran. An estimated 20% of global oil trade passes along the Strait of Hormuz, making it a particularly vulnerable chokepoint as attacks are easily planted due to the passage's narrowness. Both Brent and WTI closed +2.2% higher to \$61.31/bbl and \$52.28/bbl, respectively, although both reached intraday highs of \$62.64/bbl and \$53.45/bbl. Further attacks on oil tankers along the Persian Gulf, especially if the US continues to believe Iran's involvement in those attacks, may prompt the White House in sending US navy ships to escort tankers and patrol the nearby waters. The presence of a US navy warship near Iran may escalate tensions between the two countries and may send oil prices higher. The oil tanker attack is likely to dominate headlines for crude oil in the very short-term.</p>

Major Markets

- **US:** Wall Street was up today, with the S&P500 gaining 0.4%. The DJIA grew 0.4%, and the Nasdaq composite climbed 0.6%.
- **UK:** Boris Johnson won convincingly in yesterday's Conservative leadership election round 1, securing 114 votes. The runner-up, Jeremy Hunt, managed to garner only a distant 43 votes while Michael Gove had 37 votes. 7 candidates now go onto the second round of leadership election but at this pace, it appears that Johnson is most likely going to represent the Conservatives as PM candidate.
- **EU:** Germany CPI increased 1.4% YoY, in-line with expectations. Eurozone industrial production continued to slump, contracting -0.4% YoY and -0.5% MoM.
- **SG:** The STI rose +0.4% yesterday to mark the seventh session of gains in the first eight trading days of June. Singapore equities edge higher despite a risk-off sentiment in overnight US markets the night before, with only 6 of the index's 30 components posting losses on the day. 10-year interest rate swaps fell to 1.924%, the lowest since August 2016 at 1.883%. If the 10Y swaps fall below this level, rates may be headed for the all-time low of 1.50%.
- **Thailand:** Moody's yesterday said that Thailand is likely to sustain its strong fiscal position regardless of political developments, citing the country's track record of adhering to fiscal rules as the main reason for its analysis. It believes, however, that the ruling coalition's slim lead in the Lower House may lead to delays in policy implementations. Moody's also believes that Thailand's low exposure to China relative to other Asia Pacific economies may limit the negative spillovers from the US-China trade tensions. Funds continue to flow into Thailand in June, with total bond inflows now already at \$1.68bn – at present the highest on a monthly basis since August 2018, according to data from Bloomberg. The 2-5 spread is now trading at its lowest levels since April 2016.
- **Indonesia:** Data yesterday shows Indonesian foreign reserves at \$120.35bn, the lowest since January 2019. Indonesia's foreign reserves fell from a record high of \$131.98bn to \$114.85bn last year when markets took flight from emerging markets with current account deficits.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened over yesterday, with the shorter tenors and belly trading 3-4bps lower, while the longer tenors traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 506bps. 10Y UST yields fell 2bps to 2.10%, on the back of falling US import prices, indicating tepid inflation pressures and strengthening the case for the Federal Reserve to lower interest rates in 2019. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, albeit narrower at -7bps.
- **New Issues:** VCREDIT Holdings Ltd has priced a USD100mn 2-year bond (guarantor: Vision Credit Ltd and Asia Jumbo Group Ltd) at 12.125%, in line with IPT. Guangzhou Rural Commercial Bank Co., Ltd has priced a USD1.43bn NC5-perpetual bond at 5.9%, tightening from IPT of 5.9%-6.0% area. Jinke Properties Group Co., Ltd has priced a USD300mn 2-year bond at 9.0%, tightening from IPT of 9.25% area. DianJian Haiyu Ltd has priced a USD300mn 3-year bond at T+128bps (tightening from IPT of T+160bps area), and a USD500mn NC5-perpetual bond at 4.3% (tightening from IPT of 4.6% area). Ford Motor Credit Company LLC has priced a SGD300mn 5-year bond at 4.125%, tightening from IPG at 4.375% area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.013	0.01%	USD-SGD	1.3668	--
USD-JPY	108.380	-0.11%	EUR-SGD	1.5413	-0.10%
EUR-USD	1.1276	-0.10%	JPY-SGD	1.2610	0.08%
AUD-USD	0.6915	-0.19%	GBP-SGD	1.7321	-0.13%
GBP-USD	1.2674	-0.12%	AUD-SGD	0.9451	-0.21%
USD-MYR	4.1650	0.16%	NZD-SGD	0.8976	-0.11%
USD-CNY	6.9216	0.06%	CHF-SGD	1.3751	0.15%
USD-IDR	14280	0.32%	SGD-MYR	3.0475	-0.06%
USD-VND	23317	-0.05%	SGD-CNY	5.0548	-0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3770	--	O/N	2.3504	--
2M	-0.3360	--	1M	2.4011	--
3M	-0.3180	--	2M	2.4204	--
6M	-0.2590	--	3M	2.4279	--
9M	-0.1940	--	6M	2.3416	--
12M	-0.1730	--	12M	2.3330	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	29.2%	0.0%	29.2%	70.8%
07/31/2019	0.0%	84.4%	22.8%	61.6%	15.6%
09/18/2019	0.0%	97.7%	55.8%	22.5%	2.3%
10/30/2019	0.0%	98.4%	44.8%	15.8%	1.6%
12/11/2019	0.0%	99.4%	27.8%	7.5%	0.6%
01/29/2020	0.0%	99.5%	22.3%	5.6%	0.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.28	2.2%	Corn (per bushel)	4.4200	2.8%
Brent (per barrel)	61.31	2.2%	Soybean (per bushel)	8.880	1.1%
Heating Oil (per gallon)	1.8066	1.5%	Wheat (per bushel)	5.3550	1.8%
Gasoline (per gallon)	1.7199	2.0%	Crude Palm Oil (MYR/MT)	1,989.0	1.9%
Natural Gas (per MMBtu)	2.3250	-2.6%	Rubber (JPY/KG)	234.5	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,858	0.1%	Gold (per oz)	1,339.2	0.5%
Nickel (per mt)	11,836	0.0%	Silver (per oz)	14.892	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,106.77	101.94
S&P	2,891.64	11.80
Nasdaq	7,837.13	44.41
Nikkei 225	21,032.00	-97.72
STI	3,220.66	12.92
KLCI	1,643.74	-7.00
JCI	6,273.08	-3.09
Baltic Dry	1,080.00	--
VIX	15.82	-0.09

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.74 (-0.04)	1.84 (-0.04)
5Y	1.77 (-0.05)	1.84 (-0.03)
10Y	1.96 (-0.05)	2.09 (-0.03)
15Y	2.18 (-0.05)	--
20Y	2.25 (-0.06)	--
30Y	2.45 (-0.04)	2.60 (-0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.37
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/14/2019 12:30	JN Industrial Production MoM	Apr F	--	0.60%	--
06/14/2019 15:30	SW CPI Level	May	334.55	334.11	--
06/14/2019 22:00	US U. of Mich. Sentiment	Jun P	98	100	--
06/14/2019 20:30	US Retail Sales Advance MoM	May	0.60%	-0.20%	--
06/14/2019 18:30	RU Key Rate	Jun-14	7.50%	7.75%	--
06/14/2019 21:15	US Industrial Production MoM	May	0.20%	-0.50%	--
06/14/2019 15:00	CH Industrial Production YoY	May	5.40%	5.40%	--
06/14/2019 06:17	IN Exports YoY	May	--	0.60%	--
06/14/2019 15:30	TH Foreign Reserves	Jun-07	--	\$210.0b	--
06/14/2019 14:30	IN Wholesale Prices YoY	May	3.03%	3.07%	--
06/14/2019 15:00	CH Retail Sales YoY	May	8.10%	7.20%	--

Source: Bloomberg

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