

### Highlights

<b>Global</b>	<p>Risk sentiment consolidated last Friday as markets await more directions from central bank meetings this week, including the Fed, Bank of Japan and Bank of England. On trade talks, US Commerce Secretary Ross said on Sunday that “the most that will come out of the G20 might be an agreement to actively resume talks.” It seems that the market sentiment may depend on whether there will be a meeting between President Trump and President Xi, which is not confirmed yet as of now. For this week, markets will watch out for the USTR hearing on the new tariff to tax the remaining US\$300 billion of Chinese goods. The hearing will end on 25 June, just ahead of the G20 meeting. Meanwhile, the ECB will be in the spotlight when ECB officials gathering in Portugal. In addition, the succession plan for Draghi may also be discussed this week when EU head of states meet in Luxembourg.</p>
<b>US</b>	<p>There were positive surprises from the May industrial production and retail sales data although consumer confidence softened. Industrial production rebounded 0.4% mom in May after falling 0.5% mom in April. However, the rebound was partially driven by weather related increases of utilities output. May retail sales rose 0.5% mom, coupled with the upward revision of April’s reading to 0.3% mom from previous -0.2% mom. Additionally, retail sales excluding auto also rebounded strongly by 0.5% mom, beating market expectations of 0.4%. This may support the reacceleration of real consumption growth. Strong industrial production and retail sales may give the Fed more reasons to take a wait-and-see approach. However, the toll of the trade war on the US economy has started to emerge, with the University of Michigan sentiment softening to 97.9 in June from 100 last month.</p>
<b>CN</b>	<p>The overall weak economic activities in May were the result of two changing factors including the rising uncertainty from the re-escalation of US-China trade war and the unexpected shift of monetary policy from easing to neutral from April. The deceleration of infrastructure investment was a disappointment despite proactive fiscal policy. This was mainly due to the funding constraints for the local government. Nevertheless, given China relaxed the use of local government special bonds last week, we think it may help address the funding concerns, which may boost the infrastructure investment in the second half of 2019. In addition, China’s central bank announced more liquidity support to medium and small banks on 14 June. Rediscount quota and standing lending facility (SLF) quota will be increased by CNY200 billion and CNY100 billion respectively. The small banks can use qualified bonds, CDs and bills as collateral to tap the liquidity facility.</p>
<b>SG</b>	<p>NODX for May fell -15.9% (est. -16.5%), beating our exports of -23.6%, with much of the slump originating once more from electronic exports. NODX rose +6.2% on a MoM SA basis, after contracting -0.7% last month. Electronic exports declined -31.4% YoY, with semiconductors contracting -39.4%. NODX to China dipped -23.3% in May, with integrated circuits falling -33.8% YoY. China’s import data last week have already shown a weak demand for electronics – to that extent, the poor showing by electronics in today’s NODX may have come as little surprise. The double-digit YoY dip in May’s values is partially due to high base effects from last May; however, the overall export outlook remains bleak as global demand for goods dampened on the multiple trade barriers around the world.</p>

## Major Markets

- **US:** Wall Street was down on Friday, with the S&P500 falling 0.16%. The DJIA also dropped 0.16%, and the Nasdaq composite tumbled 0.52%.
- **Malaysia:** BNM Governor Nor Shamsiah has said that the “ringgit’s performance has been in line with other regional currencies” and noted that “periods of heightened volatility in the ringgit should be expected”. She did also say that there are “bouts of volatility that will affect the Malaysian economy” but that “Malaysia has a proven track record in managing these shocks well”. The MYR continues to hover around the 4.16 levels and it is likely to remain ranged traded this year possibly around the levels of 4.10 – 4.20 amid the uncertainty regarding trade tensions.
- **Hong Kong:** This week’s panic funding squeeze appears to have calmed. 1M HIBOR came off from the highest since 2008 by 21.3bps to 2.42% last Friday. Despite that, market players would still prefer to hoard cash ahead of the half-year end and during dividend payment season. The upcoming large IPOs including AB InBev and Alibaba (already applied for second listing in HK) would also keep market cautious about offering cash in the interbank market. As such, we expect 1M and longer-tenor HIBORs to stay elevated albeit with limited upside in the coming month. If this is the case, the narrower USD-HKD interest rate gap is expected to keep USDHKD spot away from 7.85 while hovering around the 7.83 area.
- **Indonesia:** Rating agency S&P has said that the country’s investment outlook should improve as Indonesia continues to work on infrastructure and the government looks to improve human capital. Earlier, in end May, the rating agency had upgraded Indonesia’s sovereign rating from BBB- to BBB and stated that the long-term rating may be raised again if Indonesia’s external settings improve materially from their current levels, or if its fiscal settings improve over the next two years.
- **Thailand:** Bank of Thailand MPC member Somchai Jitsuchon remarked that the central bank’s monetary policy will hinge on financial stability and the tough export outlook. He also mentioned that the Sino-US trade war has “haunted” Thailand and that the economy may face further pressure if Donald Trump is re-elected for a second term. Slowing tourism is also another challenge that the country is currently facing, as visitors from China dwindle. The benchmark borrowing rate in Thailand is expected to remain constant at 1.75% through the year, by our estimates. The BoT meets next week 26 June for their rate policy meeting.
- **Philippines:** BSP has forecast the country’s current account deficit this year at -2.8% of GDP – the largest since 1999. The continued imports of construction material for the government’s infrastructure investment programmes are partly the reason for the swelling deficit. Deputy governor Diwa Guinigundo has said that the deficit will be “financeable” with net investment flows, remittances and tourism receipts. The BSP meets Thursday for its rate policy meeting, with 13/20 polled economists on Bloomberg expecting a rate cut of 25bp to 4.25% from the current 4.50%. While we originally expected the next rate cut to be enacted in July, the dovish sentiment among global central banks has picked up on the trade war, and we think that may push BSP’s rate cut schedule ahead by a month.

- **Oil:** Crude oil prices firmed higher on Friday, with Brent up +1.1% and WTI rising +0.4%. Simmering geopolitical tensions between Iran and US allies was probably the main reason for crude oil's second consecutive daily gain on Friday. Saudi's crown prince has now joined the US in the accusation of Iran in last week's tanker attacks along the Persian Gulf. Separately, Saudi Energy Minister Khalid al-Falih on Sunday reiterated his confidence of OPEC extending the supply cuts into 2H, which is expected to provide a lift to Brent prices for the rest of the day.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened over last Friday, with the shorter tenors and belly trading 4-5bps lower, while the longer tenors traded 5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS saw little changed at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 506bps. 10Y UST yields fell 2bps to 2.08%, after the US reported strong consumer spending and manufacturing output data, quelling fears of rapid economic decline and lowering expectations that the Federal Reserve would cut rates at its meeting next week. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, albeit narrower at -6bps.
- **New Issues:** Franshion Brilliant Ltd has priced a USD250mn 5-year bond at 3.66%. China Aoyuan Property Group Ltd has priced a USD200mn 4-year bond at 7.35%. Agile Group Holdings Ltd has issued a USD100mn re-tap of its NC4.5-perpetual bond at T+625.4bps, bringing the total outstanding amount to USD700mn. Yangzhou Economic and Technological Development Corporation have scheduled investor meetings commencing 17 June for its potential USD bond issuance. Zhangzhou Transportation Development Group Co., Ltd. has scheduled investor meetings commencing 18 June for its potential USD bond issuance. China Railway Construction Corporation Ltd has scheduled investor meetings commencing on 14 June for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.572	0.58%	<b>USD-SGD</b>	1.3716	0.35%
<b>USD-JPY</b>	108.560	0.17%	<b>EUR-SGD</b>	1.5372	-0.27%
<b>EUR-USD</b>	1.1208	-0.60%	<b>JPY-SGD</b>	1.2633	0.18%
<b>AUD-USD</b>	0.6872	-0.62%	<b>GBP-SGD</b>	1.7262	-0.34%
<b>GBP-USD</b>	1.2589	-0.67%	<b>AUD-SGD</b>	0.9424	-0.29%
<b>USD-MYR</b>	4.1658	0.02%	<b>NZD-SGD</b>	0.8903	-0.81%
<b>USD-CNY</b>	6.9255	0.06%	<b>CHF-SGD</b>	1.3730	-0.15%
<b>USD-IDR</b>	14325	0.32%	<b>SGD-MYR</b>	3.0496	0.07%
<b>USD-VND</b>	23324	0.03%	<b>SGD-CNY</b>	5.0435	-0.22%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3780	-0.0030	<b>O/N</b>	2.3466	-0.0039
<b>2M</b>	-0.3360	-0.0039	<b>1M</b>	2.3818	-0.0125
<b>3M</b>	-0.3180	-0.0125	<b>2M</b>	2.3944	-0.0080
<b>6M</b>	-0.2610	-0.0080	<b>3M</b>	2.4020	-0.0082
<b>9M</b>	-0.1940	-0.0082	<b>6M</b>	2.2774	-0.0410
<b>12M</b>	-0.1710	-0.0410	<b>12M</b>	2.2465	-0.0591

#### 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)	52.51	0.4%	Corn (per bushel)	4.5300	2.5%
Brent (per barrel)	62.01	1.1%	Soybean (per bushel)	8.968	1.0%
Heating Oil (per gallon)	1.8294	1.3%	Wheat (per bushel)	5.3850	0.6%
Gasoline (per gallon)	1.7325	0.7%	Crude Palm Oil (MYR/MT)	2,000.0	0.6%
Natural Gas (per MMBtu)	2.3870	2.7%	Rubber (JPY/KG)	235.6	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,822	-0.6%	Gold (per oz)	1,340.1	0.1%
Nickel (per mt)	11,864	0.2%	Silver (per oz)	14.803	-0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,089.61	-17.16
<b>S&amp;P</b>	2,886.98	-4.66
<b>Nasdaq</b>	7,796.66	-40.47
<b>Nikkei 225</b>	21,116.89	84.89
<b>STI</b>	3,222.63	1.97
<b>KLCI</b>	1,638.63	-5.11
<b>JCI</b>	6,250.27	-22.82
<b>Baltic Dry</b>	1,085.00	23.00
<b>VIX</b>	15.28	-0.54

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.72 (-0.01)	1.84 (-)
<b>5Y</b>	1.75 (-0.02)	1.83 (-0.01)
<b>10Y</b>	1.94 (-0.01)	2.08 (-0.01)
<b>15Y</b>	2.17 (-0.01)	--
<b>20Y</b>	2.24 (-0.01)	--
<b>30Y</b>	2.45 (-)	2.59 (-0.01)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.20	0.20
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.35
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
06/17/2019 08:30	SI Non-oil Domestic Exports YoY	May	-17.30%	--	-10.00%	93.1034
06/17/2019 20:30	US Empire Manufacturing	Jun	11	--	17.8	82.6772
06/17/2019	PH Overseas Remittances YoY	Apr	4.50%	--	6.60%	80.9524
06/17/2019 15:00	TU Unemployment Rate	Mar	14.10%	--	14.70%	77.4194
06/17/2019 06/22	BZ Formal Job Creation Total	May	69500	--	129601	75.8621
06/17/2019 15:00	CZ PPI Industrial YoY	May	3.50%	--	4.30%	70.8333
06/17/2019 06/18	BZ Trade Balance Weekly	Jun-17	--	--	\$1085m	68.9655
06/17/2019	PH Overseas Workers Remittances	Apr	\$2428m	--	\$2514m	66.6667
06/17/2019 07:01	UK Rightmove House Prices MoM	Jun	--	0.30%	0.90%	58.6207
06/17/2019 08:30	SI Non-oil Domestic Exports SA MoM	May	5.50%	--	-0.60%	58.6207

Source: Bloomberg

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