

Highlights

Global	<p>With US president Trump again threatening China with more tariffs “if we want” amid his ongoing disappointment at the extent of Chinese purchases of agricultural goods, this contributed to a wobble in risk appetite and also Wall Street, whilst UST bonds also recovered slightly after Fed’s Kaplan opined that a “tactical adjustment” in rates was possible, with the 10-year UST bond yield at 2.11%, even though US economic data releases came in above expectations. Meanwhile, China’s UST bond holdings fell further for the third straight month by US\$2.8b to US\$1.11 trillion in May, the lowest since May 2017. Separately, Fed rhetoric did nothing to shake market conviction that at least a 25bp rate cut is imminent at the July FOMC – Fed chair Powell noted that the central bank will act as appropriate as “uncertainties about this outlook have increased...particularly regarding trade developments and global growth” and heightened concerns about a “more prolonged shortfall in inflation below our 2% target”, while Evans also discussed the merits of a 50bp cut.</p> <p>Asian markets may trade with a softer tone today as investors contemplate the US threat of more Chinese tariffs again. Today’s economic data calendar also comprises US’ housing starts, building permits and MBA mortgage applications, Eurozone’s CPI, UK’ CPI/PPI/RPI, and Singapore’s COE premium tender results. Fed’s George is speaking, and the Fed’s Beige Book report is also due.</p>
US	<p>June core retail sales rose 0.7% mom, which coupled with the upward revisions to previous months brought the quarter’s gains to its strongest since 2005 and indicating that consumption growth remained strong in 2Q19. However, again this should not deter the Fed from delivering its highly anticipated rate cut at the month-end FOMC meeting. Meanwhile, industrial production also surprised on the upside. The NAHB housing index rose slightly from 64 to 65 in July amid lower mortgage rates, but import prices fell more than expected by 0.9% mom (-2.0% yoy), marking its first and largest decline since December, and suggesting that inflationary pressure should remain tame ahead. Separately, JPMorgan cut its full-year outlook for net interest income by US\$500m and warned that lending income will fall in the second half.</p>
EU	<p>Eurozone’s ZEW survey expectations gauge was little changed at -20.3 (previously -20.2), but its German counterpart deteriorated from -21.1 to -24.5 (lowest since 2012) as persistent trade tensions continued to weigh on manufacturing sentiments. Notably, its current conditions gauge also fell below zero for the first time since 2010.</p>
SG	<p>June NODX slumped more than expected by 17.3% yoy (-7.6% mom sa), as electronics exports plunged 31.9% yoy. Note the May NODX data was also revised lower to a 16.3% yoy contraction (+5.8% mom sa), dragged by electronics again (-31.6% yoy). In particular, 9 of the top 10 NODX market saw NODX contract in June, with the key exception of the US at +1.5% yoy (the 5th straight month of expansion). Notably, NODX to China declined by double-digits at -15.8% yoy, joining others like HK (-38.2%), Taiwan (-28.3%), Japan (-23.2%), South Korea (-22.7%) and Malaysia (-18.4%). The ongoing global trade tensions, global/China and electronics slowdown will likely continue to take a toll.</p>

Major Markets

- **US:** The S&P 500 index retreated 0.3% yesterday, halting a 5-day rally. Trump's declaration that the US could impose additional tariffs on China "any time he wants" served as a reminder to investors that the trade spat is not yet over. 10y UST yields climbed on strong retail sales data but pared its gains after Powell's reiteration of his dovish rhetoric. In the short term we expect the S&P 500 index to continue trading sideways about the 3000-3025 range.
- **Singapore:** The STI added 0.36% to close at 3360.03 yesterday, but looks set to reverse direction today amid a weak overnight close by Wall Street and morning slippages by Kospi and Nikkei. STI support is tipped at 3330. Although UST bond yields traded higher across the curve overnight, the SGS bonds may see some support on the global tilt towards risk-off on the potential return of more US tariffs on China. Note the 3- and 6-month SOR, which slumped to recent lows of 1.63870% and 1.60823% on 11 July, have also recovered slightly to 1.76224% and 1.66251%, but remains inverted and suggesting that interest rate expectations remain in a state of flux ahead of the FOMC meeting at end-July.
- **Malaysia:** The Council of Palm Oil Producing Countries has mentioned that Malaysia and Indonesia are re-examining their relationship with the EU and that the countries are committed to challenging the bloc's biofuel law through the World Trade Organization (WTO) or via other means.
- **Indonesia:** Finance Minister Sri Mulyani has said that the country's economy is estimated to have grown by 5.1% yoy in the first six months of the year. She also expects that the full year 2019 growth rate to be at 5.2% yoy whilst the budget deficit for 2019 may be at 1.93% of GDP. We similarly also expect growth in the first half to be at 5.1% yoy whilst the entire 2019 growth to come out at 5.2% yoy.
- **Oil:** Crude oil prices fell yesterday, with Brent falling -3.2% and WTI down -3.3%. Trump's barb talks on trade towards China further lowered risk sentiment in the energy markets. Separately, US Secretary of State Mike Pompeo said that Iran may be open to talks, offering markets a glimpse of diplomatic solutions between the two countries. In the medium term, we remain mildly bullish on energy prices due to a mismatch of demand and supply.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors and belly traded 2-3bps lower, while the longer tenors traded 4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2 bps to 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 466bps. 10Y USTs rose 1bps to 2.10%, after the US released data that showed stronger than expected retail sales. This was partially offset by Fed Chairman Jerome Powell's reiteration of the Fed's willingness to sustain the US economic expansion. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread at -4bps.
- **New Issues:** Powerlong Real Estate Holdings Ltd has priced a USD170mn 4NC2 bond at 7.25%, in line with guidance. Ronshine China Holdings Ltd has priced a USD300mn 3.5NC2.5 bond at 8.95%, tightening from IPT of 9.25% area. Franshion Brilliant Ltd (guarantor: China Jinmao Holdings Group Ltd) has priced a USD500mn 10-year bond at T+220bps, tightening from IPT of T+250bps area. Korea Water Resources Corp has priced a USD100mn 3-year FRN at 3-month US LIBOR+65bps, in line with final guidance. Adani Ports and Special Economic Zone Ltd has priced a USD650mn 5-year bond at T+150bps, tightening from IPT of T+175bps area. Kaisa Group Holdings Ltd has priced a USD300mn 4NC2 bond at 11.0%, tightening from IPT of 11.375% area. The Hong Kong Mortgage Corp Ltd has priced a SGD15mn 1-year FRN at SORF3M-4bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.395	0.48%	USD-SGD	1.3585	0.17%
USD-JPY	108.240	0.31%	EUR-SGD	1.5230	-0.25%
EUR-USD	1.1211	-0.42%	JPY-SGD	1.2551	-0.14%
AUD-USD	0.7012	-0.38%	GBP-SGD	1.6855	-0.70%
GBP-USD	1.2407	-0.87%	AUD-SGD	0.9527	-0.20%
USD-MYR	4.1115	0.07%	NZD-SGD	0.9106	-0.07%
USD-CNY	6.8763	-0.02%	CHF-SGD	1.3752	-0.17%
USD-IDR	13935	0.11%	SGD-MYR	3.0293	-0.02%
USD-VND	23201	--	SGD-CNY	5.0633	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3930	-0.70%	O/N	2.3571	-0.20%
2M	-0.3360	-0.20%	1M	2.3141	-1.79%
3M	-0.3630	-1.79%	2M	2.3084	-2.54%
6M	-0.3430	-2.54%	3M	2.3033	-1.90%
9M	-0.1940	-1.90%	6M	2.2171	-1.21%
12M	-0.2870	-1.21%	12M	2.2105	-2.06%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.5-1.75%	1.75-2%	2-2.25%
07/31/2019	0.0%	100.0%	0.0%	27.5%	72.5%
09/18/2019	0.0%	100.0%	18.1%	57.1%	24.8%
10/30/2019	0.0%	100.0%	34.6%	43.5%	14.3%
12/11/2019	0.0%	100.0%	37.7%	33.2%	9.3%
01/29/2020	0.0%	100.0%	36.6%	27.3%	7.0%
03/18/2020	0.0%	100.0%	34.9%	23.6%	5.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.62	-3.3%	Corn (per bushel)	4.3525	-1.3%
Brent (per barrel)	64.35	-3.2%	Soybean (per bushel)	8.878	-1.6%
Heating Oil (per gallon)	1.9049	-2.4%	Wheat (per bushel)	5.0750	0.0%
Gasoline (per gallon)	1.8918	-2.0%	Crude Palm Oil (MYR/MT)	1,918.0	0.9%
Natural Gas (per MMBtu)	2.3060	-4.2%	Rubber (JPY/KG)	230.5	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,012	0.5%	Gold (per oz)	1,411.2	-0.2%
Nickel (per mt)	14,070	3.0%	Silver (per oz)	15.600	2.0%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,335.63	-23.53
S&P	3,004.04	-10.26
Nasdaq	8,222.80	-35.39
Nikkei 225	21,535.25	-150.65
STI	3,360.03	12.08
KLCI	1,668.94	-3.43
JCI	6,401.88	-16.35
Baltic Dry	1,928.00	--
VIX	12.86	0.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (-0.01)	1.85 (+0.02)
5Y	1.75 (-0.03)	1.87 (+0.02)
10Y	1.96 (-0.03)	2.10 (+0.01)
15Y	2.18 (-0.03)	--
20Y	2.27 (-0.03)	--
30Y	2.46 (-0.04)	2.61 (-)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.10	0.23
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/17/2019 08:30	SI Non-oil Domestic Exports YoY	Jun	-9.60%	--	-15.90%
07/17/2019 08:30	AU Westpac Leading Index MoM	Jun	--	--	-0.08%
07/17/2019 16:30	UK CPI YoY	Jun	2.00%	--	2.00%
07/17/2019 16:30	UK CPI MoM	Jun	0.00%	--	0.30%
07/17/2019 16:30	UK CPI Core YoY	Jun	1.80%	--	1.70%
07/17/2019 16:30	UK PPI Output NSA MoM	Jun	0.10%	--	0.30%
07/17/2019 16:30	UK PPI Output NSA YoY	Jun	1.70%	--	1.80%
07/17/2019 16:30	UK RPI MoM	Jun	0.10%	--	0.30%
07/17/2019 17:00	EC CPI YoY	Jun F	1.20%	--	1.20%
07/17/2019 17:00	EC CPI MoM	Jun	0.10%	--	0.10%
07/17/2019 19:00	US MBA Mortgage Applications	Jul-12	--	--	-2.40%
07/17/2019 20:30	CA CPI YoY	Jun	2.00%	--	2.40%
07/17/2019 20:30	US Housing Starts	Jun	1260k	--	1269k

Source: Bloomberg

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