

Highlights

Global	<p>Risk sentiment improved overnight, after NY Fed President John Williams said that the Fed should act promptly if the US economy should stumble. Equities inched higher while the 3m-10y UST curve flipped back into carry at 0.38bp, after having spent 40 consecutive sessions in inversion territory. US Treasury Secretary Steven Mnuchin and Trade Representative Robert Lighthizer also denied that Huawei was a sticking point in US-China talks and are scheduled to have a call with Chinese trade counterparts on Thursday night (US time). The improved risk sentiment, however, was likely dampened by the US shooting down an Iranian drone that had approached too close to the USS Boxer along the Strait of Hormuz. US initial jobless claims came in at 216k to match expectations, although last week's print was revised -1k lower to 208k.</p> <p>In Japan, core inflation fell to a two-year low of 0.6%, once again racking up pressure on the BoJ to further increase stimulus to jumpstart inflationary pressures.</p> <p>Asian markets are likely to trade with a slight risk-on sentiment today, following Williams' dovish rhetoric and the overnight performance of US equities. Today, watch for Bullard's speech, US consumer sentiment (U. of Mich.) and Germany PPI data.</p>
US	<p>The US markets closed higher on Thursday, with the S&P 500 index up 0.4%. Seemingly dovish comments from Fed's Williams and Clarida drove increased rate cut bets, with the implied probability of a 50bps rate cut now at about 44% from 35% the prior session. The 3m-10y UST yield curve also flipped back into carry last night at 0.38bp, after having spent 40 consecutive sessions in inversion. The curve's move from an inversion as deep as 25.3bp to its flat level yesterday is probably a reflection of building expectations of a US rate cut, given that the move was mostly a bull steepener with the 3m yields falling from 2.32% in early June to 2.02% yesterday. The dollar also weakened, with the DXY closing down 0.4%. Expect the markets to be listening to Bullard's speech tonight for further hints on how the July FOMC will turn out, and be reactive to any comments by Fed members on policy in the 2 weeks leading up to the July FOMC.</p>
UK	<p>Retail sales ex auto fuel rose 0.9% MoM yesterday, beating expectations of a -0.2% contraction. Including auto fuel, retail sales rose +1.0% against a contraction expectation of -0.3%. GBPUSD jumped higher yesterday, closing +0.9% higher to 1.2549.</p>
CMD	<p>Crude oil prices continue their recent downward trend, with Brent clocking a loss of -2.7% to fall below and key support level of \$62.50/bbl and close at \$61.93/bbl. Brent's recent high was \$67.01/bbl at 10 July, but in the space of 1 ½ weeks have given up -7.6% of that level as growth concerns continue to mount. Brent has also become relatively more expensive to WTI, with a spread of \$6.63/bbl from about \$6/bbl at the start of the month.</p>

Major Markets

- **Singapore:** The STI fell -0.1% yesterday, as gains by the banking sector was unable to stem losses from other index members. Today we expect the STI to trade flat with a slight upward bias, as positive risk sentiment from overnight gains in the US markets may likely be negated by profit-taking at the end of the week.
- **Malaysia:** According to Bloomberg, based on a person familiar with the matter, India is considering a plan that may increase import duties on refined palm oil from Malaysia to the same level as that of Indonesia. The news portal also reported that the proposal is looking to raise the duty to 50% from 45%.
- **Indonesia:** Bank Indonesia (BI) cut the benchmark rate by 25bps yesterday as expected. The central bank cited that this was consistent with low inflation expectations and the need to build economic growth momentum. Going forward, we still see that BI may probably still cut one more time this year by another 25bps, to make it 50bps of easing overall for 2019. We think it unlikely that they would go so far as to unwind the entire 175bps hike of 2018 given that the current account deficit is wider than it was compared to 2016/2017, when they last engaged in an easing cycle.
- **Hong Kong:** Unemployment rate remained unchanged at a more than one-year low of 2.8% during 2Q19.
Despite that, the employment situation of the major industries remained mixed. The jobless rate of financial sector fell from 2.4% to 2.2%, probably due to the stock market's rebound in June on hopes of US-China trade war de-escalation. On the flip side, the unemployment rate of trade sector increased to 2.6%, a level unseen since Feb-Apr 2018. The trade war escalation in May has weighed heavily on the trade sector where imports and exports continued to show negative growth. Besides, retail sector's unemployment rate was unchanged at 3.9%, the highest level since 3Q18. This was mainly attributed to the sluggish retail sales on cautious consumption.
In fact, it normally takes six months to one year for the overall jobless rate (a lagging indicator) to reflect the economic condition. As of May 2019, HK's exports and retail sales have respectively dropped for seven and four consecutive months. As such, the possibility of slight increase in overall unemployment rate cannot be ruled out in the coming months. We hold onto our view that overall jobless rate will move towards 2.9% in late 2019.
- **South Korea:** The Bank of Korea cut its benchmark interest rate yesterday by 25bp to 1.50%, against the market's and our consensus of a rate hold. Japan-South Korea trade tensions looked to have been the straw that broke the camel's back. With the benefit of hindsight, the addition of the Japan-South Korea trade tensions into the mix was perhaps the final straw that tipped the BoK over into calling for a rate cut, against a market consensus of a 15/10 hold/cut. The topic of Japan's export restrictions was mentioned twice in the press release, with the BoK partially attributing the recent financial market volatility and moderating economic growth to the export curbs. In the press conference, Governor Lee Juyeol also said that the impact of Japan's exports curbs cannot be described as small but it is difficult to gauge the actual impact at the moment. If the Japan-South Korea trade relations do not improve or even deteriorates significantly from here, it is likely to add to the odds of further rate cuts from the central bank.

- **Gold:** Prices of the precious metal were lifted yesterday by NY Fed President John Williams dovish comments. Gold closed at \$1,446.10/oz yesterday to reflect the dovishness surrounding global markets. We maintain our view that \$1,500/oz is not an unrealistic assumption for gold to possibly test in the short-term.

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 3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 483bps. 10Y USTs fell 2bps to 2.02%, after dovish comments by New York Fed President, John Williams, pushing the case for more rate cuts. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread narrowing to -2bps.
- **New Issues:** FWD Group Ltd has priced a USD250mn re-tap of its existing FWDGRP 5.75%'24s at 5.5%, in line with IPT. Jingrui Holdings Ltd has priced a USD260mn 3-year bond at 12.0%, in line with final guidance. Xingsheng (BVI) Company Ltd (guarantor: JIC Leasing Company Ltd) has priced a USD500mn 3-year bond at T+160bps, tightening from IPT of T+185bps area. China Oil and Gas Group Ltd has priced a USD320mn 3.5NC2 bond at 5.7%, tightening from IPT of 6.0% area. REC Ltd has priced a USD650mn 5-year bond at T+167.5bps, tightening from IPT of T+195bps area. Eastern Creation II Investment Holdings Ltd (guarantor: Beijing Infrastructure Investment (Hong Kong) Ltd) has priced a USD100mn re-tap of its existing BEIJHK 2.8%'22s at 2.8%. Korea Expressway Corporation has priced a USD150mn 3-year FRN at 3-month US LIBOR+64bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.794	-0.44%	USD-SGD	1.3567	-0.31%
USD-JPY	107.300	-0.60%	EUR-SGD	1.5300	0.16%
EUR-USD	1.1277	0.47%	JPY-SGD	1.2645	0.30%
AUD-USD	0.7075	0.93%	GBP-SGD	1.7024	0.61%
GBP-USD	1.2549	0.93%	AUD-SGD	0.9599	0.62%
USD-MYR	4.1137	-0.02%	NZD-SGD	0.9202	0.44%
USD-CNY	6.8800	0.09%	CHF-SGD	1.3824	0.31%
USD-IDR	13960	-0.16%	SGD-MYR	3.0253	0.06%
USD-VND	23217	0.06%	SGD-CNY	5.0558	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3970	-1.20%	O/N	2.3628	0.61%
2M	-0.3360	0.61%	1M	2.2979	-0.25%
3M	-0.3690	-0.25%	2M	2.2954	-0.65%
6M	-0.3570	-0.65%	3M	2.3025	0.29%
9M	-0.1940	0.29%	6M	2.1988	-0.82%
12M	-0.2980	-0.82%	12M	2.2170	0.61%

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%	43.5%	56.5%
09/18/2019	0.0%	100.0%	40.7%	52.2%	18.7%
10/30/2019	0.0%	100.0%	38.4%	35.4%	9.3%
12/11/2019	0.0%	100.0%	34.4%	24.3%	5.4%
01/29/2020	0.0%	100.0%	30.9%	18.9%	3.8%
03/18/2020	0.0%	100.0%	28.4%	15.5%	3.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.30	-2.6%	Corn (per bushel)	4.2450	-2.6%
Brent (per barrel)	61.93	-2.7%	Soybean (per bushel)	8.813	-0.1%
Heating Oil (per gallon)	1.8625	-1.6%	Wheat (per bushel)	4.9350	-2.4%
Gasoline (per gallon)	1.8342	-2.4%	Crude Palm Oil (MYR/MT)	1,916.0	-0.3%
Natural Gas (per MMBtu)	2.2870	-0.7%	Rubber (JPY/KG)	226.2	-1.6%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,983	0.1%	Gold (per oz)	1,428.1	0.3%
Nickel (per mt)	14,860	2.8%	Silver (per oz)	16.120	1.4%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,222.97	3.12
S&P	2,995.11	10.69
Nasdaq	8,207.24	22.04
Nikkei 225	21,046.24	-422.94
STI	3,361.05	-3.82
KLCI	1,648.93	-8.60
JCI	6,403.29	8.68
Baltic Dry	2,064.00	--
VIX	13.53	-0.44

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.69 (--)	1.76 (-0.06)
5Y	1.75 (-0.01)	1.77 (-0.05)
10Y	1.95 (-0.01)	2.02 (-0.02)
15Y	2.16 (-0.01)	--
20Y	2.25 (-0.02)	--
30Y	2.44 (-0.01)	2.56 (+0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	8.40	2.18
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/19/2019	PH BoP Overall	Jun	--	--	\$928m
07/19/2019 02:15	US Fed's Williams Speaks on Monetary Policy				
07/19/2019 05:00	SK PPI YoY	Jun	--	0.10%	0.40%
07/19/2019 07:30	JN Natl CPI YoY	Jun	0.70%	0.70%	0.70%
07/19/2019 07:30	JN Natl CPI Ex Fresh Food YoY	Jun	0.60%	0.60%	0.80%
07/19/2019 07:50	JN Japan Buying Foreign Bonds	Jul-12	--	--	¥297.1b
07/19/2019 12:30	JN All Industry Activity Index MoM	May	0.30%	--	0.90%
07/19/2019 15:30	TH Foreign Reserves	Jul-12	--	--	\$214.9b
07/19/2019 16:30	UK PSNB ex Banking Groups	Jun	3.9b	--	5.1b
07/19/2019 20:30	CA Retail Sales MoM	May	0.30%	--	0.10%
07/19/2019 22:00	US U. of Mich. Sentiment	Jul P	98.8	--	98.2
07/19/2019 23:10	US Fed's Bullard Speaks at Central Bank Research Event				

Source: Bloomberg

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