

Highlights

Global	<p>The Fed managed to pull off a hat trick in keeping policy rates unchanged but sounding sufficiently dovish to satisfy market doves. Fed chair Powell opined that “my colleagues and I have one overarching goal, to sustain the economic expansion” and the trade war has “turned to greater uncertainty” with many Fed officials now seeing that “the case for somewhat more accommodative policy has strengthened”. Powell also noted that “the law is clear that I have a four-year term and I fully intend to serve it”. Notably, there was one dissenter Bullard who preferred to cut by 25bps. Wall Street rose while the 10-year UST bond yield rallied to 2.03%, with markets now eyeing the possibility of a 25bp rate cut as early as the July FOMC meeting and discounting between 50-75bps of cuts by year-end. This will set a high dovish bar for the other central banks to follow today, namely the BOJ, BOE, BI and CBC, albeit the BSP is primed to cut 25bps. Asian markets are likely to see a firmer tone this morning. Today’s economic data calendar is relatively light with only US’ initial jobless claims, Philadelphia Fed business index and leading index, UK’s retail sales, and Taiwan’s export orders. RBA’s Lower, ECB’s Rehn and Luis de Guindos and BOE’s Carney are also speaking.</p>
US	<p>The FOMC also removed the “patient” reference from its statement. The median dots plot now showed that 8 of the 17 pencilled in a cut by end-2019, with another 8 opting for no change and one in favour of hike. For 2020, 9 are looking for lower rates versus 5 unchanged and 3 higher. Interestingly, when asked if the Fed could cut rates by up to 50bps, he hedged by saying that “an ounce of prevention is worth a pound of care” which is a “valid way to think about policy in this era” of near-zero rates environment.</p>
CN	<p>PBoC conducted more than expected CNY240 billion medium term lending facility yesterday, supporting the liquidity needs. In addition, China’s State Council said in its regular meeting it will start to revamp the old town to improve the infrastructure facilities. Elsewhere, PBoC also announced to issue 1-month and 6-month PBoC bills in the offshore market to control liquidity, a move to support RMB.</p>
SG	<p>COE premiums slipped to \$26,999 (category A), \$35,906 (category B) and \$39,400 (category E).</p>

Major Markets

- **US:** In light of the dovish FOMC, we expect to see a continued bull run on the Wall Street indices, with resistance for the S&P 500 expected to be at 2950, near the record high for the index. We also expect the compression on UST yields to continue increasing, with 10-year yields down just 2.3bp away from 2.0%.
- **Singapore:** With improved risk appetite, the STI had gained 1.53% yesterday to close up at 3288.17 and may extend its rally today with a more dovish FOMC hinting that US rate cuts are in the pipeline. The STI may test the 3300 handle (last seen on 7 May), with support tipped at 3273. With shorter-tenor UST bond yields leading declines by up to 13bps, SGS bonds may also see gains in the front end of the yield curve today. The longer dated SGS bonds may lag due to the upcoming \$1.9b (with MAS taking \$200m) issue of the new 20-year SGS bond that will be auctioned on 26 June.
- **Malaysia:** Finance Minister Lim Guan Eng called for banks to provide greater access to financing first-time home buyers. He also said, “The financial health of Malaysian households is slowly recovering with household debt as a ratio to gross domestic product (GDP) having fallen to 83.0% in 2018 from 83.8% in 2017.”
- **Hong Kong:** Unemployment rate stayed unchanged at a more than one-year low of 2.8% as of the three months through May 2019. Despite that, the employment situation has weakened across major industries. The jobless rate of trade sector remained static at a nearly one-year high of 2.5% due to the lingering trade war risks. Meanwhile, as retail growth stayed subdued on external headwinds, the unemployment rate of retail sector edged up to 3.9%, the highest level since 3Q 2018. Furthermore, the unemployment rate of financial sector increased to a more than two-year high of 2.4%, probably due to the correction in stock and housing markets. Moving forward, the unemployment rate which is sticky may hold unchanged at 2.8% in the coming months. Nevertheless, given the concerns over uncertain economic outlook and re-escalation of US-China trade war risks, unemployment rate is likely to rise and move towards 2.9% in late 2019.
- **Indonesia:** According to a news report from Reuters, the government has announced that the income tax rate for infrastructure-related securities would be cut to 5% from 15%. Meanwhile, Bank Indonesia (BI) will be releasing its rate decision today following the completion of their monthly policy meeting with our expectations that they will likely keep the benchmark rate on hold.
- **South Korea:** In light of this morning’s FOMC dovish tilt and increasing expectations of a US rate cut, Bank of Korea Governor Lee Ju-Yeol said has said that the South Korean central bank will “respond appropriately to conditions”. Lee also said that the FOMC has appeared more dovish than expected. We now expect the BoK to eventually perform its first rate cut in late Q4, after coming under pressure for its rhetoric of patience through most of the year.

- **Crude Oil:** OPEC+ has finally agreed to hold its meeting on 1-2 July, ending a month-long speculation and uncertainty on the gathering of key oil producers. Members are expected to continue their production curbs into 2H, as Saudi Arabia has publicly spoke of their intention more than once in the past month. WTI is trading above \$54/bbl at time of writing this morning despite closing -0.3% yesterday at \$53.76/bbl; Brent is expected to follow higher when trading opens. A separate US DOE report also shows inventories in the US – crude oil, gasoline and petroleum – continue to fall, although they still remain on relatively high levels.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened over yesterday, with the shorter tenors and belly trading 0-2bps higher, while the longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 507bps. 10Y UST yields fell 4bps to 2.02%, after the Federal Reserve members signalled their willingness to cut rates by as much as half a percentage point by the end of 2019. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrower at -14bps.
- **New Issues:** Yangzhou Economic & Technological Development Zone Development Corp. has priced a USD300mn 3-year bond at 5.5%, tightening from IPT of 5.9% area. Zhangzhou Transportation Development Group Co., Ltd has priced a USD500mn 3-year bond at 6.5%, tightening from IPT of high 6% area. Nuoxi Capital Ltd (guarantor: Peking University Founder Group Co., Ltd) has priced a USD250mn 2-year bond at 7.875%, tightening from IPT of 8.375% area. Kunming Dianchi Investment Co., Ltd has priced a USD300mn 3-year bond at 6.7%, tightening from IPT of 7.1% area. Xiangyu Investment (BVI) Co., Ltd (guarantors: Huai'an Development Holdings Co., Ltd and Hong Kong Xiangyu Investment Group Co., Ltd) has priced a USD300mn 3-year bond at 6.9%, tightening from IPT of 7.35% area. City Developments Ltd has priced a SGD200mn 4-year bond at 2.8%. Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd has scheduled investor meetings commencing from 20 June for its potential USD bond issuance. CMB Financial Leasing Co., Ltd has scheduled investor meetings commencing from 21 June for its potential USD bond issuance. China General Nuclear Power Corporation has scheduled investor meetings commencing from 20 June for its potential USD bond issuance. SriLankan Airlines Ltd has mandated banks for its potential USD175mn bond issuance.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.117	-0.54%	USD-SGD	1.3630	-0.29%
USD-JPY	108.100	-0.32%	EUR-SGD	1.5301	-0.01%
EUR-USD	1.1226	0.29%	JPY-SGD	1.2608	0.04%
AUD-USD	0.6881	0.06%	GBP-SGD	1.7229	0.37%
GBP-USD	1.2639	0.65%	AUD-SGD	0.9379	-0.21%
USD-MYR	4.1725	-0.23%	NZD-SGD	0.8913	-0.15%
USD-CNY	6.9036	0.01%	CHF-SGD	1.3709	0.32%
USD-IDR	14270	-0.39%	SGD-MYR	3.0533	0.13%
USD-VND	23313	-0.12%	SGD-CNY	5.0468	0.30%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3880	--	O/N	2.3495	--
2M	-0.3360	--	1M	2.3829	--
3M	-0.3220	--	2M	2.3984	--
6M	-0.2760	--	3M	2.3866	--
9M	-0.1940	--	6M	2.2980	--
12M	-0.1840	--	12M	2.2644	--

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)	53.76	-0.3%	Corn (per bushel)	4.4100	-1.9%
Brent (per barrel)	61.82	-0.5%	Soybean (per bushel)	9.033	-1.1%
Heating Oil (per gallon)	1.8294	0.1%	Wheat (per bushel)	5.2225	-1.7%
Gasoline (per gallon)	1.7355	0.8%	Crude Palm Oil (MYR/MT)	2,026.0	1.0%
Natural Gas (per MMBtu)	2.2760	-2.2%	Rubber (JPY/KG)	240.1	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,918	-0.5%	Gold (per oz)	1,344.6	-0.1%
Nickel (per mt)	12,090	1.2%	Silver (per oz)	14.958	-0.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,504.00	38.46
S&P	2,926.46	8.71
Nasdaq	7,987.32	33.44
Nikkei 225	21,333.87	361.16
STI	3,288.17	49.44
KLCI	1,666.54	13.78
JCI	6,339.26	81.93
Baltic Dry	1,135.00	--
VIX	14.33	-0.82

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.73 (-0.01)	1.74 (-0.13)
5Y	1.80 (--)	1.76 (-0.07)
10Y	1.98 (--)	2.02 (-0.04)
15Y	2.24 (+0.02)	--
20Y	2.32 (+0.02)	--
30Y	2.53 (+0.02)	2.54 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.70	-0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.39
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/20/2019 19:00	UK Bank of England Bank Rate	Jun-20	0.75%	--	0.75%
06/20/2019 02:00	US FOMC Rate Decision (Upper Bound)	Jun-19	2.50%	2.50%	--
06/20/2019 16:00	PH BSP Overnight Borrowing Rate	Jun-20	4.25%	--	4.50%
06/20/2019 16:00	TA CBC Benchmark Interest Rate	Jun-20	1.38%	--	1.38%
06/20/2019	ID Bank Indonesia 7D Reverse Repo	Jun-20	6.00%	--	6.00%
06/20/2019 13:30	JN All Industry Activity Index MoM	Apr	0.70%	--	-0.40%
06/20/2019 22:00	US Leading Index	May	0.10%	--	0.20%
06/20/2019 16:00	TA Export Orders YoY	May	-6.00%	--	-3.70%
06/20/2019 22:00	EC Consumer Confidence	Jun A	-6.5	--	-6.5
06/20/2019	JN BOJ Policy Balance Rate	Jun-20	-0.10%	--	-0.10%
06/20/2019 16:00	PH BSP Standing Overnight Deposit Facility Rate	Jun-20	3.75%	--	4.00%

Source: Bloomberg

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