

Highlights

Global	<p>Wall Street climbed yesterday as Halliburton's 2Q profit beat analyst estimates, while the 10-year UST bond yield was little changed at 2.05% amid the lack of fresh market catalysts in the form of Fed rhetoric or important US economic data releases as market players are still anticipating the upcoming US corporate earnings and the ECB policy meeting later this week. Meanwhile, BOJ's Kuroda said the Japanese central bank will maintain "powerful" policy easing amid heightened global economy "uncertainties".</p> <p>Asian markets may trade with a slightly firmer tone this morning with US president Trump announcing that a deal to extend the debt ceiling has been struck. This may avert any possibility of another government shutdown or the US Treasury Department running out of cash, albeit the House has to approve the agreement this week and Senate needs to vote by next week. The economic data calendar remains light for today and comprises US' existing home sales, Richmond Fed manufacturing index and FHFA house price, Eurozone's consumer confidence and S'pore's June CPI (our headline CPI forecast is 0.8% yoy (-0.1% mom nsa) and core CPI at 1.4% yoy).</p>
US	<p>The Chicago Fed national activity index came in at -0.02 in June versus -0.03 in May, still suggesting below-trend growth. Meanwhile, Trump's Fed nominee Judy Shelton opined that she would have voted for a 50bp cut at the June meeting, according to the Washington Post.</p>
UK	<p>UK Foreign office Minister Duncan has quit ahead of the expected Conservative Party's announcement that Boris Johnson will be the new leader, whereas the NIESR warned that there's a one in four chance the UK economy is already in a technical recession and the outlook will worsen if there is a no-deal Brexit.</p>
SG	<p>MAS will auction \$2.3b of the 5-year SGS bond maturing 1 September 2024 which is currently yielding 1.77% on 29 July. This is the last of three 5-year SGS bond auctions this year (\$2.9b issued in February and \$2b in April at 2.06% and 1.93% cut-off respectively with bid-cover ratios of 2.08-2.09x), with the exception of an optional mini-auction in September.</p>
CMD	<p>Continued tensions in Iran continue to support crude oil prices, with Brent rising 1.3% to \$63.26/bbl yesterday. Asian crack spreads on fuel oil, gasoline and gasoil remain positive, although crack margins on naphtha continue to dwell in the red, suggesting overall weakness in global manufacturing activity.</p>

Major Markets

- **US:** The S&P 500 index rose 0.3% yesterday, with the 3m/10y UST yield curve slipping deeper into invert at -2bp from a carry of 0.4bp last Thursday. Technology shares led the US stocks higher. Markets are awaiting further corporate earnings and the ECB meeting this week to ascertain its next direction. In the short-term we continue to expect the S&P 500 index to trade sideways between 2,950 – 3,014, and may set fresh highs if corporate earnings surprise on the upside.
- **Singapore:** The STI declined 0.61% to close at 3357.22 yesterday amid the sea of red ink across Asian bourses and may remain sidelined today despite Wall Street's overnight gains. With the UST bond market largely trading water ahead of Thursday's ECB meeting, SGS bonds may follow suit today, albeit the belly of the curve appears to be seeing some pressure ahead of the upcoming 5-year bond auction.
- **Thailand:** Exports fell -2.15% yoy in June, better than the Bloomberg median poll forecast of a -5% contraction. A 314% increase in gold exports yoy helped buffer the export slack from other sectors, such as rice exports which slid -35% yoy due to the strong baht and competition from Chinese crops.
- **Malaysia:** Finance Minister Lim Guan Eng has said that whilst Malaysia can meet the fiscal deficit target of 3.4% of GDP in 2019, it would be difficult for the country to meet the 3.0% of GDP target for 2020 due to trade war uncertainties. Lim Guan Eng also said he was "cautiously confident" about meeting the government's full year growth forecast of 4.3% - 4.8%. Our own forecast for Malaysia's GDP growth in 2019 is at 4.4% yoy.
- **Indonesia:** According to Bloomberg, Bank Indonesia (BI) Governor Perry Warjiyo has noted that low inflation and the need to push growth momentum may provide more space for monetary accommodation. The news portal added that he mentioned that this could come in the form of liquidity easing or further rate cuts. We expect BI to slash the benchmark rate by only another 25bps this year, making it a total easing of 50bps for 2019.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly traded 2-4bps higher, while the longer tenors traded 3-6bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 482bps. 10Y USTs fell 1bps to 2.05%, as dovish central bank policy globally supported demand for government debt. Spread between 3-month treasury bills and 10-year treasury notes ceased to be inverted, with the spread at +5bps.
- **New Issues:** Dalian Deta Holding Co., Ltd has priced a USD300mn 3-year bond at 6.0%, tightening from IPT at 6.25% area. KWG Group Holdings Ltd has priced a USD300mn 4.6NC2.6 bond at 7.45%, tightening from IPT at 7.75% area. Greenko Solar (Mauritius) Ltd (guarantor: Greenko Energy Holdings Ltd) has priced a USD500mn 5.5NC2.5 bond at 5.55% (tightening from IPT at 5.875% area), and a USD450mn 7NC3 bond at 5.95% (tightening from IPT at 6.25% area). China Development Bank Corporation of Hong Kong has priced a USD150mn 3-year FRN at 3-month US LIBOR+54bps, and a USD230mn 5-year FRN at 3-month US LIBOR+64bps. Coastal Emerald Ltd has priced a USD100mn 10NC7 bond at 4.3%. Changde Economic Construction Investment Group Co., Ltd has scheduled investor meetings commencing on 23 July for its potential USD bond issuance. Shandong Hi-Speed Group Co., Ltd has scheduled investor meetings commencing on 22 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.257	0.11%	USD-SGD	1.3609	0.04%
USD-JPY	107.870	0.15%	EUR-SGD	1.5254	-0.07%
EUR-USD	1.1209	-0.11%	JPY-SGD	1.2616	-0.10%
AUD-USD	0.7036	-0.09%	GBP-SGD	1.6978	-0.17%
GBP-USD	1.2476	-0.21%	AUD-SGD	0.9574	-0.06%
USD-MYR	4.1125	-0.01%	NZD-SGD	0.9198	0.02%
USD-CNY	6.8812	-0.01%	CHF-SGD	1.3856	--
USD-IDR	13946	0.06%	SGD-MYR	3.0240	-0.06%
USD-VND	23226	-0.09%	SGD-CNY	5.0583	0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4030	-0.50%	O/N	2.3620	0.14%
2M	-0.3360	0.14%	1M	2.2611	-1.04%
3M	-0.3750	-1.04%	2M	2.2598	-2.01%
6M	-0.3540	-2.01%	3M	2.2594	-1.82%
9M	-0.1940	-1.82%	6M	2.1443	-3.00%
12M	-0.3080	-3.00%	12M	2.1578	-3.44%

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%	17.0%	83.0%
09/18/2019	0.0%	100.0%	11.9%	63.3%	24.7%
10/30/2019	0.0%	100.0%	38.0%	43.7%	12.2%
11/12/2019	0.0%	100.0%	40.5%	30.1%	6.9%
01/29/2020	0.0%	100.0%	37.3%	23.0%	4.8%
03/18/2020	0.0%	100.0%	33.7%	18.4%	3.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.22	1.1%	Corn (per bushel)	4.2225	-2.0%
Brent (per barrel)	63.26	1.3%	Soybean (per bushel)	8.883	-1.5%
Heating Oil (per gallon)	1.8995	0.5%	Wheat (per bushel)	4.8725	-3.0%
Gasoline (per gallon)	1.8279	-0.7%	Crude Palm Oil (MYR/MT)	1,920.0	0.8%
Natural Gas (per MMBtu)	2.3120	2.7%	Rubber (JPY/KG)	229.2	-0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,018	-0.8%	Gold (per oz)	1,426.9	0.0%
Nickel (per mt)	14,300	-2.9%	Silver (per oz)	16.340	1.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,171.90	17.70
S&P	2,985.03	8.42
Nasdaq	8,204.14	57.65
Nikkei 225	21,416.79	-50.20
STI	3,357.22	-20.74
KLCI	1,655.40	-2.79
JCI	6,433.55	-22.99
Baltic Dry	2,170.00	--
VIX	13.53	-0.92

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.71 (+0.02)	1.81 (-0.01)
5Y	1.76 (+0.01)	1.80 (-0.01)
10Y	1.95 (-)	2.05 (-0.01)
15Y	2.17 (-)	--
20Y	2.25 (-)	--
30Y	2.44 (-)	2.57 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.07	-0.73
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
07/23/2019 13:00	SI CPI YoY	Jun 0.80%	--	0.90%	--	96.5517
07/24/2019 15:15	FR Markit France Manufacturing PMI	Jul P 51.7	--	51.9	--	97.1429
07/24/2019 19:00	US MBA Mortgage Applications	19-Jul --	--	-1.10%	--	92.3077
07/24/2019 22:00	US New Home Sales	Jun 659k	--	626k	--	90.5512
07/25/2019 07:00	SK GDP YoY	2Q P 1.90%	--	1.70%	--	94.1176
07/25/2019 15:00	AS Industrial Prod. WDA YoY	May --	--	4.50%	--	90.9091
07/25/2019 20:30	US Initial Jobless Claims	20-Jul 219k	--	216k	--	98.4252
07/25/2019 20:30	US Durable Goods Orders	Jun P 0.80%	--	-1.30%	--	92.9134
07/26/2019 16:00	IT Manufacturing Confidence	Jul 100.6	--	100.8	--	97.2973
07/26/2019 20:30	US GDP Annualized QoQ	2Q A 1.80%	--	3.10%	--	96.8504
07/29/2019 15:00	SP CPI YoY	Jul P --	--	0.40%	--	96.5517
07/29/2019 15:00	SP CPI EU Harmonised YoY	Jul P --	--	0.60%	--	93.1034
07/30/2019 09:30	AU Building Approvals MoM	Jun --	--	0.70%	--	92.6471
07/30/2019 22:00	US Conf. Board Consumer Confidence	Jul 124.4	--	121.5	--	93.7008

Source: Bloomberg

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