

Highlights

Global	<p>Although the IMF again slashed its global growth forecast by 0.1% point each to 3.2% for 2019 (the weakest since 2009) and 3.5% in 2020 citing policy “missteps” on trade and Brexit, nevertheless market attention appears to be focused on news that US trade negotiators including Trade Representative Lighthizer will head to Beijing next week for face-to-face talks for the first time since negotiations stalled in May. That said, US Commerce Secretary Ross downplayed expectations saying that “it is impossible to judge how long it will take...to get a proper deal or go ahead with tariffs”. As global risk sentiments improved overnight, Wall Street gained amid better than expected earnings from Coca-Cola to United Technologies, Hasbro and Texas Instruments, albeit some tech stocks slipped in post-market trading after the Justice Department opened a broad antitrust review. Meanwhile, UST bonds sold off with the 10-year yield at 2.08%. Elsewhere, Boris Johnson was officially named by the UK Conservative Party as May’s replacement, but the GDP remained handicapped by potential Brexit and Borisnomics implications.</p> <p>Asian markets may trade with a slightly firmer tone this morning on renewed hopes of US-China trade talks restarting in person next week. Today’s economic data calendar comprises PMIs from US and Europe, US’ new home sales, and Malaysia’s June CPI.</p>
US	Existing home sales plunged more than expected by 1.7% mom to 5.27m annual rate amid limited supply which saw the median price rise 4.3% yoy to a record US\$285.7k in June.
IMF	The IMF also trimmed its global trade forecast by 0.9% points to 2.5% for 2019, but tips a rebound to 3.7% in 2020. By country, the IMF cut China’s growth forecast to 6.2% (2019) and 6% (2020) but raised the US forecast by 0.3% points to 2.6% (2019) and kept 2020 at 1.9%. Eurozone growth forecast was static at 1.3%, but Japan was reduced by 0.1% point to 0.9%.
SG	Headline inflation moderated to 0.6% yoy (-0.2% mom nsa) in June, down from 0.9% yoy in May. Core inflation also softening to 1.2% yoy (slowest since March 2017) in June, versus 1.3% in May. As long as core inflation continues to stay above the 1% yoy handle, this could dampen near-term market speculation of an immediate (or off-cycle) monetary policy easing. In fact, MAS rhetoric has not deviated from the previous view that core inflation is expected to come in near the mid-point of the 1-2% forecast range in 2019. The path of least resistance is for a flattening of the S\$NEER slope at the October MAS policy meeting. The S\$NEER has recently retreated closer to 1% on the stronger end of its parity band, but is still some distance from testing the weaker side of the parity band (as was the case in 2015).
CMD	Oil prices rose after the API reported its expectations of a 11mil bbl drop in stock levels for the US inventory report tomorrow. Optimism from a restart in US-China talks also lifted energy prices. Brent and WTI were up 57c/bbl and 55c/bbl to close the day higher.

Major Markets

- **US:** US equities rose back above the 3,000 level yesterday, as a likely resumption of trade talks between the US and China lifted risk sentiments. The US yield curve also flipped back into carry of 4bp – the highest since end of May. Given the all-important FOMC meeting due middle of next week, it is unlikely prices of both equities and Treasuries will deviate very much from current levels, as investors keep a cautious outlook.
- **UK:** BOE's Haldane said "I would be very cautious about considering a monetary policy loosening, barring some sharp economic downturn".
- **Singapore:** The STI added 0.47% to close at 3373.13 yesterday and may attempt to extend gains today, but the 3400 resistance handle remains formidable. With the UST bond curve bear-steepening overnight, SGS bonds may also face some selling pressure today. For the upcoming \$2.3b 5-year SGS bond auction on 29 July, we expect good support as asset-swap values look relatively attractive around LIBOR+30bps. While the 3-month SIBOR remains anchored around 2%, the 3-month SOR has been more volatile and has bounced off the 1.6387% low seen on 11 July to around 1.7973% as market speculation of a monetary policy easing has grown with each soft economic data print.
- **China:** China rolled over most of the maturing CNY502 billion medium term liquidity via the combination of CNY297.7 billion TMLF and CNY200 billion MLF. The interest rates for both operations have been kept unchanged. The use of TMLF at slightly cheaper costs is designed to support the funding demand from the SMEs. In addition, Commerce Minister Zhong Shan has been confirmed to attend the trade talk with the US delegation next week.
- **Malaysia:** June headline inflation data is due later today with our forecast being that it may have sharply risen to 1.4% yoy as the lingering effects of the tax regime change wears off. Food prices are expected to continue to increase amid the festive season whilst the fuel price cap probably help tempered the overall inflation level.
- **Indonesia:** Finance Minister Sri Mulyani Indrawati has said that the government will reduce spending in the coming months as revenue growth was slow in the first half of 2019. The central government full-year spending is now reportedly projected to reach 93.4 percent of the total budget or Rp1.53 quadrillion. Subsidies are also reportedly projected to total Rp212.4 trillion this year, lower than initial allocation at Rp224.3 trillion.
- **South Korea:** news that South Korean warplanes fired hundreds of warning shots at a Russian reconnaissance plane allegedly violating its airspace will likely add to market jittery in Seoul today. China and Russia performed a joint air patrol with nuclear-capable bombers, prompting South Korean and Japanese governments to issue protests. These tensions arrive just as US National Security Adviser John Bolton is due to visit allies in the region.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly traded 1-2bps higher, while the longer tenors traded 0-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 479bps. 10Y USTs gained 3bps to 2.08%, as reports of face-to-face trade meetings between the US and China reduced demand for safe-haven treasuries. Spread between 3-month treasury bills and 10-year treasury notes is at +4bps.
- **New Issues:** PT Pertamina Persero has priced a USD750mn 10-year bond at 3.65% (tightening from IPT at 4.0% area), and a USD750mn 30-year bond at 4.7% (tightening from IPT at 5.05% area). Hanwha Energy USA Holdings Corporation (Guarantor: Korea Development Bank) has priced a USD300mn 3-year bond at T+70bps, tightening from IPT at T+95bps area. Agricultural Bank of China Ltd Hong Kong Branch has priced a USD1.0bn 3-year FRN at 3-month US LIBOR+68bps, tightening from IPT at 3-month US LIBOR+95bps area. Frasers Property Treasury Pte. Ltd (Guarantor: Frasers Property Ltd) has priced a SGD200mn re-tap of its existing FPLSP 4.98%-PERP at 4.85%, tightening from initial guidance of 4.9% area. Export-Import Bank of India has mandated banks for its potential USD1.0bn 10-year bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.705	0.46%	USD-SGD	1.3655	0.34%
USD-JPY	108.230	0.33%	EUR-SGD	1.5228	-0.17%
EUR-USD	1.1152	-0.51%	JPY-SGD	1.2618	0.02%
AUD-USD	0.7005	-0.44%	GBP-SGD	1.6990	0.07%
GBP-USD	1.2440	-0.29%	AUD-SGD	0.9566	-0.08%
USD-MYR	4.1185	0.15%	NZD-SGD	0.9154	-0.48%
USD-CNY	6.8792	-0.03%	CHF-SGD	1.3858	0.01%
USD-IDR	13985	0.28%	SGD-MYR	3.0195	-0.15%
USD-VND	23214	-0.05%	SGD-CNY	5.0400	-0.36%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4060	0.10%	O/N	2.3596	-0.24%
2M	-0.3360	-0.24%	1M	2.2691	0.80%
3M	-0.3740	0.80%	2M	2.2936	3.39%
6M	-0.3610	3.39%	3M	2.2828	2.34%
9M	-0.1940	2.34%	6M	2.1808	3.65%
12M	-0.3070	3.65%	12M	2.1884	3.06%

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%	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)	56.77	1.0%	Corn (per bushel)	4.2550	0.8%
Brent (per barrel)	63.83	0.9%	Soybean (per bushel)	8.858	-0.3%
Heating Oil (per gallon)	1.9217	1.2%	Wheat (per bushel)	4.8725	--
Gasoline (per gallon)	1.8605	1.8%	Crude Palm Oil (MYR/MT)	1,932.0	0.6%
Natural Gas (per MMBtu)	2.3000	-0.5%	Rubber (JPY/KG)	229.2	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,968	-0.8%	Gold (per oz)	1,421.7	-0.4%
Nickel (per mt)	14,170	-0.9%	Silver (per oz)	16.405	0.4%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,349.19	177.29
S&P	3,005.47	20.44
Nasdaq	8,251.40	47.26
Nikkei 225	21,620.88	204.09
STI	3,373.13	15.91
KLCI	1,655.67	0.27
JCI	6,403.81	-29.74
Baltic Dry	2,191.00	--
VIX	12.61	-0.92

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.71 (-)	1.84 (+0.03)
5Y	1.76 (-)	1.83 (+0.03)
10Y	1.95 (-)	2.08 (+0.03)
15Y	2.18 (-)	--
20Y	2.26 (+0.01)	--
30Y	2.45 (-)	2.62 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.40	0.23
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.40
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Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised	Relevance
07/24/2019 15:15	FR	Markit France Manufacturing PMI	Jul P	51.6	--	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	658k	--	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 19:45	EC	ECB Main Refinancing Rate	25-Jul	0.00%	--	0.00%	97.5
07/25/2019 20:30	US	Initial Jobless Claims	20-Jul	218k	--	216k	98.4252
07/25/2019 20:30	US	Durable Goods Orders	Jun P	0.80%	--	-1.30%	92.9134
07/26/2019 20:30	US	GDP Annualized QoQ	2Q A	1.80%	--	3.10%	96.8504
07/30/2019 09:30	AU	Building Approvals MoM	Jun	--	--	0.70%	92.6471
07/30/2019 18:00	IR	Unemployment Rate	Jul	--	--	4.50%	96.1538
07/30/2019 22:00	US	Conf. Board Consumer Confidence	Jul	124.4	--	121.5	93.7008
07/31/2019 09:00	CH	Manufacturing PMI	Jul	49.7	--	49.4	90.2439
07/31/2019 16:30	HK	GDP YoY	2Q A	--	--	0.60%	90.9091
07/31/2019 17:00	EC	GDP SA QoQ	2Q A	--	--	0.40%	92.5
07/31/2019 19:00	US	MBA Mortgage Applications	26-Jul	--	--	--	92.3077

Source: Bloomberg

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