

Highlights

Global	<p>S&P500 closed lower for the second session amid the heightened US-Iran tensions, while the 10-year UST bond yield dipped back to 2.01% and the USD softened ahead of Fed chair Powell's speech to the Council on Foreign Relations on the challenges to the US economy. Note this is his first speech post-FOMC so further clarity of whether the Fed is ready to pull the rate cut trigger in July and is as dovish as what the futures market has priced in (essentially 75bps of cuts by year-end). Overnight, the US administration also announced sanctions on Iranian Supreme Leader and eight senior military commanders, so watch for any retaliatory moves which could keep the heat on US-Iran tensions for the near-term. Meanwhile, US president Trump again criticised Fed for behaving like a "stubborn child when we need rate cuts", even as he faces bipartisan pressure to maintain a hard line on Huawei.</p> <p>Asian markets may tread water today, awaiting further market cues from Powell's speech later today. Today's economic calendar comprises US' new home sales, S&P house prices, Richmond Fed manufacturing index and FHFA house price, HK's trade data for May, and Thailand's manufacturing. MSCI Inc will also announce its 2019 Market Classification Review today, including if Kuwait gets upgraded from frontier to emerging-market status.</p>
US	<p>Throwing a spanner into the current dovish market mood, Fed's Kaplan opined that "adding monetary stimulus at this juncture would contribute to a build-up of excesses and imbalances in the economy which may ultimately prove to be difficult and painful to manage".</p>
CN	<p>US Trade Representative Robert Lighthizer reportedly spoke to Chinese Vice Premier Liu He on Monday, as both sides prepare for their respective country leaders to meet in this week's G20 summit. China's commerce ministry confirmed the call but no other details were made available at time of writing. The Trump-Xi meeting is likely to take place over the weekend, even though no official time has been set for the highly anticipated meeting.</p>
UK	<p>Boris Johnson opined that the Parliament is ready to support a no-deal Brexit.</p>
SG	<p>Singapore's headline inflation unexpectedly picked up to 0.9% yoy (+0.7% mom nsa) in May, marking the highest yoy print since May 2017 (+1.4% yoy) and the fastest on-month pick-up since June 2016 (+0.7% mom nsa). However, core inflation was unchanged at +1.3% yoy for the second month in May and flat on-month. Looking ahead, with the inflation rhetoric is unlikely to deviate significantly going into the October monetary policy meeting, as the pendulum has swung clearer in favour of more monetary policy accommodation. Our 2019 headline and core inflation forecasts are 1.0% and 1.5% yoy respectively. Headline inflation is tipped to rise faster at 1.3% yoy due to higher COE premiums and oil prices. The recent pullback in COE premiums, if sustained, should imply the yoy spike in private road transport costs could start to fade by 4Q19. However, domestic core inflationary pressures remain stable for now, and firm labour market conditions are not spilling over into untoward wage intentions.</p>

Major Markets

- **US:** The S&P 500 index closed -0.2% lower on Monday, as investors struggled between pricing in easier monetary policy and a slowing economy. The G20 meeting between Trump and Xi is likely to set the near-term direction of US equities; in the meantime, we expect equities to drift sideways for the rest of the week. The yield curve slid further into inversion yesterday at 9.0bp from 4.6bp the day before, as Fed Clarida's caution on monetary loosening sent a spanner into rate cut expectations.
- **Singapore:** The STI declined 0.30% to close at 3311.53 yesterday and may continue to consolidate today as market awaits Fed chair Powell and watch ongoing US-Iran tensions. With flattish morning cues from Kospi, the 3300 support will be a key to watch for the STI. With UST bond yields falling by up to 4bps lower and the yield curve bull-steepening in a quiet trading session, SGS bonds are likely to also rally today and unwind yesterday's sell-off. For tomorrow's auction of \$1.9b (with MAS taking \$200m) new 20-year SGS bond, note that this will be the last long-dated scheduled SGS bond issue this year, so demand from lifers should be decent.
- **Indonesia:** The country reported a trade surplus of US\$0.2bn for May after having seen a deficit of US\$2.3bn in the prior month. The turnaround was driven by a substantial fall in imports at 17.71% yoy as oil and gas imports in particular fell by 26.89% yoy. Meanwhile, the decline in exports decelerated to 8.99% yoy. Given the volatile nature of the monthly trade data and the weak global economic situation, we remain wary on whether the coming months will consistently see a trade surplus and we still expect the current account deficit to come out in the range of 2.5% - 3.0% of GDP for 2019. Regardless, in our view, we see that the May trade surplus does help to further strengthen the opportunity for Bank Indonesia (BI) to cut the benchmark rate soon in 3Q 2019 possibly by 25bps.
- **South Korea:** Bank of Korea Governor Lee Ju-Yeol is set to meet with reporters today, according to Bloomberg. During the central bank's 69th anniversary conference, Lee said that the BoK will respond "appropriately" to the current economic challenges, including but not limited to the slump in electronic exports as well as persistently low inflation below the BoK's target. We continue to believe that there is an increasing chance the BoK may ease rates once before the end of 2019, but is likely to leave it late in Q4 and may reverse that decision if there is a global economic turnaround.
- **Thailand:** Foreign funds continue to pour into Thailand's fixed income space, with total net inflows MTD in June at \$2.41bn – the highest since Sep 2017 at \$2.50bn. Equities have also received a higher than normal net inflows at \$1.02bn MTD, the most since July 2016 at \$1.27bn. The strong performance of the baht vis-à-vis regional peers may have resulted in foreign demand for the currency, expressed via holding Thai assets such as equities and bonds. Bonds have received stronger inflows as the Bank of Thailand is likely still seen as the least dovish among regional peers and may not ease rates as aggressively as other central banks, if at all.
- **Oil:** The US has slapped sanctions on leaders of Iran, denying them access to financial resources. Iran's supreme leader, Ayatollah Ali Khameni, and eight other senior military commanders, were handed the US sanctions yesterday. WTI was drifting downwards for much of the day but rallied during mid-day US trading as energy players responded to the news. The sanctions are not expected to materially impact Iran's economy, but are seen as a symbolic reprimand for Iran's top ranks. We believe that after 7 weeks of

liquidation, bulls have a reasonable degree of space to add back their longs and that may send prices higher in the short-term.

- **Gold:** The precious metal finally closed above \$1,400/oz yesterday, a level not seen since 3 Sep 2013 – a near 6-year record. The breaking above this key resistance level is likely to trigger fresh buying from speculators and algorithm traders, supported by the fundamentals of low bond yields, a weakening dollar and geopolitical/trade tensions. If there is no turnaround in the global economic situation – especially if the Trump-Xi meeting heads south this week – it may send gold to \$1,500/oz possibly before the end of the year, if not Q3.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly trading 1bps higher, while the longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 494bps. 10Y UST yields fell 4bps to 2.02%, as escalating tensions between the US and Iran boosted safe-haven buying of US treasuries. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread at -5bps.
- **New Issues:** Kaisa Group Holdings Ltd has priced a USD200mn re-tap of its existing KAISAG 11.25%'22s at 10.0% (tightening from IPT of 10.25% area), and a USD300mn re-tap of its existing KAISAG 11.5%'23s at 11.375% (tightening from IPT of 11.625% area). CGNPC International Ltd (guarantor: China General Nuclear Power Corporation) has priced a USD600mn 5-year bond at T+105bps, tightening from IPT of T+135bps area. Fortune Star (BVI) Ltd (guarantor: Fosun International Ltd) has priced a USD700mn 4NC3 bond at 6.75%, tightening from IPT of 7.125% area. The Democratic Socialist Republic of Sri Lanka has priced a USD500mn 5-year bond at 6.35% (tightening from IPT of 6.6% area), and a USD1.5bn 10-year bond at 7.55% (tightening from IPT of 7.8% area). Shinhan Financial Group Co., Ltd has scheduled investor meetings commencing on 26 June for its potential USD bond issuance. Chongqing Hechuan City Construction Investment (Group) Co., Ltd has scheduled investor roadshows commencing on 25 June for its potential USD bond issuance. Sumitomo Corporation has scheduled investor meetings commencing on 26 June for its potential USD bond issuance.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.980	-0.25%	USD-SGD	1.3535	-0.13%
USD-JPY	107.300	-0.02%	EUR-SGD	1.5427	0.13%
EUR-USD	1.1399	0.26%	JPY-SGD	1.2614	-0.11%
AUD-USD	0.6963	0.53%	GBP-SGD	1.7246	-0.19%
GBP-USD	1.2743	0.05%	AUD-SGD	0.9425	0.42%
USD-MYR	4.1403	-0.21%	NZD-SGD	0.8958	0.31%
USD-CNY	6.8770	0.12%	CHF-SGD	1.3925	0.33%
USD-IDR	14144	-0.10%	SGD-MYR	3.0602	0.01%
USD-VND	23287	-0.08%	SGD-CNY	5.0804	0.49%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3980	--	O/N	2.3475	--
2M	-0.3360	--	1M	2.4044	--
3M	-0.3440	--	2M	2.3766	--
6M	-0.3080	--	3M	2.3493	--
9M	-0.1940	--	6M	2.2201	--
12M	-0.2120	--	12M	2.2021	--

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%	38.0%	62.0%
09/18/2019	0.0%	100.0%	30.5%	57.3%	12.2%
10/30/2019	0.0%	100.0%	41.4%	39.0%	7.2%
12/11/2019	0.0%	100.0%	40.2%	23.6%	3.7%
01/29/2020	0.0%	100.0%	34.6%	16.9%	2.5%
03/18/2020	0.0%	100.0%	30.7%	13.7%	1.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.90	0.8%	Corn (per bushel)	4.4675	1.0%
Brent (per barrel)	64.86	-0.5%	Soybean (per bushel)	9.090	0.7%
Heating Oil (per gallon)	1.9089	-0.4%	Wheat (per bushel)	5.3800	2.3%
Gasoline (per gallon)	1.8549	-0.1%	Crude Palm Oil (MYR/MT)	1,967.0	-1.6%
Natural Gas (per MMBtu)	2.3030	5.4%	Rubber (JPY/KG)	233.4	-2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,960	-0.2%	Gold (per oz)	1,414.3	1.3%
Nickel (per mt)	12,140	0.4%	Silver (per oz)	15.377	0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,727.54	8.41
S&P	2,945.35	-5.11
Nasdaq	8,005.70	-26.01
Nikkei 225	21,285.99	27.35
STI	3,311.53	-9.87
KLCI	1,676.13	-6.10
JCI	6,288.47	-26.97
Baltic Dry	1,239.00	--
VIX	15.26	-0.14

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (+0.01)	1.73 (-0.04)
5Y	1.79 (+0.02)	1.75 (-0.04)
10Y	2.01 (+0.04)	2.01 (-0.04)
15Y	2.28 (+0.03)	--
20Y	2.37 (+0.02)	--
30Y	2.57 (+0.03)	2.54 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.53	0.43
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.37
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/25/2019	PH Budget Balance PHP	May	--	--	86.9b
06/25/2019 06/30	VN CPI YoY	Jun	2.60%	--	2.88%
06/25/2019 06/30	VN Retail Sales YTD YoY	Jun	--	--	11.60%
06/25/2019 07:50	JN BOJ Minutes of April Policy Meeting				
06/25/2019 14:45	FR Manufacturing Confidence	Jun	104	--	104
06/25/2019 16:30	HK Exports YoY	May	-4.50%	--	-2.60%
06/25/2019 20:00	HU Central Bank Rate Decision	Jun-25	0.90%	--	0.90%
06/25/2019 20:00	BZ IBGE Inflation IPCA-15 MoM	Jun	0.07%	--	0.35%
06/25/2019 21:00	US FHFA House Price Index MoM	Apr	0.20%	--	0.10%
06/25/2019 22:00	US Conf. Board Consumer Confidence	Jun	131	--	134.1
06/25/2019 22:00	US New Home Sales	May	684k	--	673k
06/25/2019 22:00	US Richmond Fed Manufact. Index	Jun	2	--	5

Source: Bloomberg

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