

Highlights

Global	<p>Wall Street ended mixed overnight, with a rally led by chipmakers and as Facebook beat sales estimates, whereas Caterpillar and Boeing's earnings disappointed and Tesla slumped on a worse-than-expected loss. Meanwhile the UST bond market bull-flattened with the rally led by the longer tenors after the manufacturing PMI saw its lowest print since 2009, which pushed the 10-year UST bond yield down to 2.05%. Note former Fed chief Greenspan has endorsed the Fed easing rates for insurance. Across in the Eurozone, sovereign bonds rallied ahead of the ECB meeting due later today in widespread anticipation that Draghi will pave the way for stimulus at the September meeting in the form of an interest rate cut and possibly more asset purchases.</p> <p>Asian markets may tread water this morning as investors await the ECB policy decision and Draghi's press conference. Today's economic data calendar comprises US' durable goods orders, initial jobless claims and wholesale inventories, Hong Kong's June trade data, and German IFO business climate for July. RBA's Lowe is also speaking and may potentially add fuel to market speculation for another rate cut, possibly in October or before the year-end.</p>
US	The Markit manufacturing PMI fell from 50.6 to 50 (forecast: 51), whereas the services PMI improved from 51.5 to 52.2 in July. Meanwhile, new home sales rose less than forecast by 7% to an annual pace of 646k in June and the May print was also revised downwards.
EU	Eurozone PMIs suggesting stalling economic momentum, with the composite PMI declining from 52.2 to 51.5, weighed down by the manufacturing PMI contracting for the sixth month to 46.4 (down from 47.6) whilst the services PMI also slipped to 53.3. Similarly, German composite PMI also fell from 52.6 to 51.4 (lowest in seven years), dragged down by manufacturing at 43.1 (weakest since July 2012) whilst services also softened to 55.4.
UK	Former UK home secretary Sajid Javid was named chancellor of the exchequer by new PM Boris Johnson.
CN	In its regular meeting, China's State Council said it will continue to lower the real interest rate to support the development of small banks and lower the funding costs for smaller companies via the combination of policy tools. China's central bank skipped the open market operation on Wednesday resulting in the net withdrawal of CNY100 billion liquidity from the system.
CMD	The US EIA reported that domestic crude oil stock levels fell 10.8mil barrels last week, largely due to a halt in production along parts of the Gulf due to Hurricane Barry. Prices failed to rally, however, with both Brent and WTI falling 65c/bbl and 89c/bbl respectively to clock losses of -1.0% and -1.6%. Prices appear range bound at the moment and we expect it to continue drifting sideways until clearer signs of economic health emerges.

Major Markets

- **Singapore:** The STI lost 0.141% to close at 3368.44 yesterday and may see further consolidation amid soft morning cues from Kospi. With UST bonds rallying overnight, SGS bonds may also follow suit today.
- **Malaysia:** June headline inflation rose to 1.5% yoy (May 2019: 0.2% yoy) whilst core inflation was at 1.9% yoy for the month. Base effects caused the sharp increase given the tax holiday during the same period last year. Regardless of the rise, we still revise our 2019 headline inflation forecast downwards from 1.3% yoy to 0.8% yoy due to the delay in the implementation of the targeted fuel subsidy mechanism.
- **Indonesia:** According to Bloomberg, Finance Minister Sri Mulyani has said that President Jokowi will sign policies in the coming week that may provide tax and other incentives to the automotive industry. The news portal also noted that she had additionally said that fiscal incentives for electric vehicles, including revisions on the luxury tax on vehicles and possibly other tax perks to encourage the construction of charging states and battery-swap facilities may also be provided.
- **Hong Kong:** After marking a record quarterly investment return in 1Q19, Hong Kong's exchange funds gained much less in 2Q19. The investment return shrank by 72% qoq to HK\$37.2 billion as foreign exchange loss and the lower return from stock investments offset the strong gain from bond investments. Moving forward, we expect the exchange funds to exhibit moderate gain in 3Q19. Specifically, global stock market may rebound with the hunt for yield, the renewed trade truce between US and China and the speculation on global monetary easing. Besides, we believe that HKD has already peaked in 2Q and will come off in 3Q with the abating short-term factors. This signals that there could be decent stock investment return and foreign exchange gain in 3Q. However, the upside of the bond market may be capped as the valuation has become less attractive and the market has been scaling back Fed rate cut bets. This may result in weaker return from bond investments and thereby offset some gains from other assets. On a positive note, as we expect exchange funds to show stronger return this year, it would support the HKMA to well defend the currency peg.
- **South Korea:** Q2 GDP rose 2.1% YoY vs our estimate of 1.7% yoy. Qoq, South Korea GDP grew 1.1%, meaning that the economy has averted a technical recession for now, until at least Q4 2019. The export-oriented country is not entirely out of the woods, given that a larger than average fiscal spending helped prop up the Q2 growth numbers. Q2 growth figures have also failed to factor in the Japan-South Korea trade war.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly unchanged, while the longer tenors traded 0-1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 478bps. 10Y USTs fell 3bps to 2.05%, in line with European government bonds after the Euro zone released weaker than expected economic data, bolstering expectations for easing of monetary policy by the ECB. Spread between 3-month treasury bills and 10-year treasury notes has inverted as of yesterday, with the spread at -4bps.
- **New Issues:** China Great Wall International Holdings IV Ltd (Guarantor: China Great Wall AMC (International) Holdings Co., Ltd) has priced a USD400mn NC5-Perpetual bond at 3.95% (tightening from IPT at 4.2% area), and a USD200mn 5-year bond at T+132.5bps (tightening from IPT at T+155bps area). Bright Scholar Education Holdings Ltd has priced a USD300mn 3-year bond at 7.45%, tightening from IPT at 7.875% area. Unican Ltd (Guarantor: Haitong UT Capital Group Co Ltd) has priced a USD150mn 3-year bond at 3.8%. GCL Intelligent Energy Co., Ltd has scheduled investor roadshows commencing on 25 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.729	0.02%	USD-SGD	1.3646	-0.07%
USD-JPY	108.190	-0.04%	EUR-SGD	1.5201	-0.18%
EUR-USD	1.1140	-0.11%	JPY-SGD	1.2613	-0.04%
AUD-USD	0.6977	-0.40%	GBP-SGD	1.7034	0.26%
GBP-USD	1.2484	0.35%	AUD-SGD	0.9525	-0.43%
USD-MYR	4.1167	-0.04%	NZD-SGD	0.9150	-0.04%
USD-CNY	6.8719	-0.11%	CHF-SGD	1.3856	-0.01%
USD-IDR	13997	0.09%	SGD-MYR	3.0176	-0.06%
USD-VND	23211	-0.01%	SGD-CNY	5.0385	-0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4070	-0.40%	O/N	2.3538	-0.59%
2M	-0.3360	-0.59%	1M	2.2660	-0.31%
3M	-0.3730	-0.31%	2M	2.2860	-0.76%
6M	-0.3620	-0.76%	3M	2.2755	-0.72%
9M	-0.1940	-0.72%	6M	2.1849	0.41%
12M	-0.3110	0.41%	12M	2.1913	0.29%

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%	21.5%	78.5%
09/18/2019	0.0%	100.0%	14.8%	60.8%	24.3%
10/30/2019	0.0%	100.0%	36.9%	43.3%	12.7%
11/12/2019	0.0%	100.0%	39.5%	30.8%	7.5%
01/29/2020	0.0%	100.0%	37.0%	24.0%	5.3%
03/18/2020	0.0%	100.0%	33.7%	19.3%	4.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.88	-1.6%	Corn (per bushel)	4.2400	-0.4%
Brent (per barrel)	63.18	-1.0%	Soybean (per bushel)	8.910	0.6%
Heating Oil (per gallon)	1.9087	-0.7%	Wheat (per bushel)	4.9775	2.2%
Gasoline (per gallon)	1.8551	-0.3%	Crude Palm Oil (MYR/MT)	1,947.0	0.8%
Natural Gas (per MMBtu)	2.2200	-3.5%	Rubber (JPY/KG)	229.9	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,999	0.5%	Gold (per oz)	1,423.6	0.1%
Nickel (per mt)	14,550	2.7%	Silver (per oz)	16.554	0.9%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,269.97	-79.22
S&P	3,019.56	14.09
Nasdaq	8,321.50	70.10
Nikkei 225	21,709.57	88.69
STI	3,368.44	-4.69
KLCI	1,652.41	-3.26
JCI	6,384.99	-18.82
Baltic Dry	2,165.00	--
VIX	12.07	-0.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.69 (-0.01)	1.82 (-0.02)
5Y	1.76 (-)	1.81 (-0.02)
10Y	1.94 (-0.01)	2.04 (-0.04)
15Y	2.17 (-)	--
20Y	2.26 (-)	--
30Y	2.45 (-)	2.57 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.12	0.62
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.40
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Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised	Relevance
07/25/2019 20:30	US	Initial Jobless Claims	20-Jul	218k	--	216k	--	98.4252
07/25/2019 20:30	US	Durable Goods Orders	Jun P	0.70%	--	-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	0.30%	--	0.70%	--	92.6471
07/30/2019 22:00	US	Conf. Board Consumer Confidence	Jul	124.4	--	121.5	--	93.7008
07/31/2019 14:45	FR	CPI YoY	Jul P	--	--	1.20%	--	94.2857
07/31/2019 17:00	IT	CPI EU Harmonized YoY	Jul P	--	--	0.80%	--	94.5946
08/01/2019 02:00	US	FOMC Rate Decision (Upper Bound)	31-Jul	2.25%	--	2.50%	--	97.6378
08/01/2019 09:45	CH	Caixin China PMI Mfg	Jul	49.7	--	49.4	--	92.6829
08/01/2019 15:50	FR	Markit France Manufacturing PMI	Jul F	--	--	50	--	97.1429
08/01/2019 16:30	HK	Retail Sales Value YoY	Jun	--	--	-1.30%	--	95.4545
08/01/2019 19:00	UK	Bank of England Bank Rate	1-Aug	0.75%	--	0.75%	--	98.8506
08/01/2019 20:30	US	Initial Jobless Claims	27-Jul	--	--	--	--	98.4252
08/01/2019 22:00	US	ISM Manufacturing	Jul	52.1	--	51.7	--	95.2756
08/01/2019 14:30	SW	Swedbank/Silf PMI Manufacturing	Jul	--	--	52	--	92.5

Source: Bloomberg

OCBC Treasury Research	
Macro Research Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Terence Wu TerenceWu@ocbc.com Howie Lee HowieLee@ocbc.com Alan Lau AlanLau@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com Seow Zhi Qi ZhiQiSeow@ocbc.com

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