

Highlights

Global	<p>Global risk appetite wobbled slightly overnight as US president Trump warned of “plan B for China is to take in billions and billions of dollars a month and we’ll do less and less business with them”. This raises the stakes going into the Trump-Xi meeting at the G20 summit this Saturday. S&P500 closed slightly softer while the 10-year UST bond yield rose to 2.05%. Elsewhere, RBNZ and BOT kept their policy rates static yesterday as anticipated, albeit their rhetoric was clearly dovish. Asian markets may trade sideways today, awaiting further market cues from US-China trade front. Today’s economic calendar will kick off with China’s industrial profits data, followed by US’ pending home sales and initial jobless claims, and revised 1Q19 GDP growth, European consumer confidence and German CPI. ECB’s Nowotny is also speaking.</p>
US	<p>Durable goods orders fell a larger than expected 1.3% yoy in May, marking the second straight month of declines, while the April data was revised downwards to -2.8%. The main drag was aircraft orders, as ex-transportation orders saw a modest rebound.</p>
CN	<p>China’s security regulator CSRC allows seven large security brokers to issue financial bond. Previously, financial bonds have been mainly issued by policy banks and commercial banks. Security brokers have never issued such kind of bonds in the interbank market. Now the move taken by the CSRC may help support the funding of the large security brokers which currently play a bridging role to solve structural liquidity problem faced by smaller non-bank financial institution. We expect the spill-over effect of Baoshang incident to the market will be eased gradually.</p>
SG	<p>Industrial production contracted more than expected by 2.4% yoy (-0.7% mom sa) in May. This is a reversal of the April improvement which saw industrial output expand by 0.1% yoy (+2.1% mom sa). Electronics continued to underperform at -10.8% yoy, dragged down by computer peripherals (-17.0% yoy), semiconductors (-11.7% yoy) and data storage (-10.4% yoy). Similarly, precision engineering output also shrank 4.7% yoy in May, weighed down by the machinery & systems segment (-16.6% yoy) due to refrigeration systems, process control equipment and semiconductor-related equipment. This suggests that the electronics industry is not out of the woods yet, and the US-China trade war coupled with Huawei issues may continue to exert a dampening effect on global electronics demand. Biomedical output rose 8.8% yoy, lifted by pharmaceuticals (+15.9%). Excluding biomedical manufacturing, manufacturing output fell 4.9% yoy (-2.6% mom sa) in May. There is potential downside risk to our current 2Q19 GDP growth forecast of 1.4% yoy (2.4% qoq saar), given that manufacturing output has declined for two out of the five months year-to-date and the June 2018 base looks challenging with another on-year contraction in industrial production likely on the cards. The auction of \$1.9b (with MAS taking \$200m) new 20-year SGS bond maturing on 1 July 2039 fetched a cut-off yield of 2.41% with a tail of 6bps and bid-cover of 2.2x (excluding MAS’ \$200m).</p>

Major Markets

- **US:** The S&P 500 index (-0.04%) traded flat on Wednesday, starting the session higher but eventually closing the day marginally down. US equities received an early session boost after Treasury Secretary Steven Mnuchin and Commerce Secretary Wilbur Ross said that a US-China trade deal had previously been about “90% done”. However, Trump’s hawkish insistence that he could still impose “substantial additional tariffs” later in the day sent equities lower. For the rest of the week, we expect the S&P 500 to continue being swayed by headline news from the Trump-Xi meeting, similar to what was observed yesterday.
- **Singapore:** The STI slipped again by 0.09% to close at 3301.25 yesterday and the 3300 support handle appears vulnerable amid lingering US-China trade tensions and mixed morning cues from Nikkei and Kospi. Following a soft 5-year UST bond auction that dragged yields up by up to 7bps in the belly of the curve, SGS bonds may see some modest pressure today to digest the \$1.9b new 20-year SGS bond auction.
- **Malaysia:** May headline inflation came out at 0.2% yoy, unchanged from the prior month. Food prices rose by 1.2% yoy but there were continued price decreases for the transport and communications. Core inflation meanwhile remained benign at 0.4% yoy. We expect headline inflation to pick up sharply above 1.0% yoy in June given the tax holiday during the same month last year and that SST is now in place.
- **Thailand:** The BoT chose to leave rates unchanged at 1.75%, in-line with our and market expectations. Despite the unanimous decision by the MPC to maintain rates, the press release suggests that the BoT is now more open to a rate cut, in our opinion. The phrase “viewed that current accommodative monetary policy stance would remain appropriate” has been dropped from its press release, while a section was dedicated to discussing members’ opinion on the baht appreciation. We still think that a rate cut at this point is a stretch too far, and see the December meeting as the likely schedule for the BoT to conduct its first rate cut – if it materialises.
- **Oil:** Brent and WTI rose +2.2% and +2.7% yesterday, after the US EIA reported a drawdown in domestic crude oil stockpiles by 12.8mil bbl last week. The energy market is expected to remain volatile as we approach the end of the week, with the Trump-Xi meeting due to be held over the weekend and the OPEC+ meeting early next week. We expect Brent to hover between \$65-\$68/bbl in the near-term – likely trading closer to the bottom end of the range – until there is further clarity from the G20 summit and the OPEC+ meeting.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly trading 1-2bps higher, while the longer tenors traded 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 6 bps to 488bps. 10Y UST yields gained 6bps to 2.05%, after US Treasury Secretary Steven Mnuchin was quoted as saying that the trade deal between the US and China is about 90% complete, alleviating concerns about ongoing trade tensions and moderating expectations of the magnitude of rate cuts. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrower at -8bps.
- **New Issues:** Qingdao Jiaozhou Bay Development Group Co., Ltd has priced a USD300mn 3-year bond at 5.8%, tightening from IPT of 6.25% area. Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd has priced a USD300mn 3-year bond at 3.95%, tightening from IPT of 4.35% area. Adani Ports and Special Economic Zone Ltd has priced a USD750mn 10-year bond at T+237.5bps, tightening from IPT of T+265bps area. Weibo Corporation has priced a USD800mn 5-year bond at T+172.5bps, tightening from IPT of T+195bps area. Liuzhou Dongtong Investment & Development Co., Ltd has priced a USD40mn re-tap of its existing LZDTID 7.0%'22s bond at 7.0%, in line with final guidance. New Momentum International Ltd (guarantor: GoHo Asset Management Co., Ltd) has priced a USD100mn 2-year bond at 9.5%, tightening from IPT of 10.0% area. Celestial Miles Ltd (guarantor: NWS Holdings Ltd) has priced a USD1.3bn NC4.5-perpetual bond at 5.75%. Tsinghua Tongfang Co., Ltd has scheduled investor meetings commencing 27 June for its potential USD bond issuance. Korea Western Power Co., Ltd has mandated banks for its potential USD bond issuance.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.214	0.08%	USD-SGD	1.3548	0.02%
USD-JPY	107.790	0.55%	EUR-SGD	1.5402	0.03%
EUR-USD	1.1369	0.02%	JPY-SGD	1.2570	-0.54%
AUD-USD	0.6985	0.34%	GBP-SGD	1.7190	0.02%
GBP-USD	1.2690	0.01%	AUD-SGD	0.9463	0.36%
USD-MYR	4.1480	0.08%	NZD-SGD	0.9051	0.63%
USD-CNY	6.8800	0.00%	CHF-SGD	1.3853	-0.23%
USD-IDR	14178	0.38%	SGD-MYR	3.0624	0.02%
USD-VND	23317	0.08%	SGD-CNY	5.0834	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3890	--	O/N	2.3448	-0.45%
2M	-0.3360	-0.45%	1M	2.4041	0.24%
3M	-0.3450	0.24%	2M	2.3413	-0.82%
6M	-0.3110	-0.82%	3M	2.3113	-2.16%
9M	-0.1940	-2.16%	6M	2.1828	-2.71%
12M	-0.2100	-2.71%	12M	2.1474	-3.14%

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%	22.0%	78.0%
09/18/2019	0.0%	100.0%	16.7%	64.5%	18.8%
10/30/2019	0.0%	100.0%	33.5%	48.5%	12.2%
12/11/2019	0.0%	100.0%	40.8%	30.9%	6.3%
01/29/2020	0.0%	100.0%	37.6%	23.1%	4.3%
03/18/2020	0.0%	100.0%	34.3%	18.8%	3.3%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.38	2.7%	Corn (per bushel)	4.4325	-0.9%
Brent (per barrel)	66.49	2.2%	Soybean (per bushel)	8.943	-1.0%
Heating Oil (per gallon)	1.9713	2.5%	Wheat (per bushel)	5.4375	1.5%
Gasoline (per gallon)	1.9704	5.0%	Crude Palm Oil (MYR/MT)	1,916.0	-1.6%
Natural Gas (per MMBtu)	2.2910	-0.7%	Rubber (JPY/KG)	233.9	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,988	-0.9%	Gold (per oz)	1,411.6	-0.2%
Nickel (per mt)	12,490	1.5%	Silver (per oz)	15.294	0.0%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,536.82	-11.40
S&P	2,913.78	-3.60
Nasdaq	7,909.97	25.25
Nikkei 225	21,086.59	-107.22
STI	3,301.25	-3.02
KLCI	1,674.49	-2.12
JCI	6,310.49	-9.96
Baltic Dry	1,280.00	--
VIX	16.21	-0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.64 (-0.03)	1.77 (+0.04)
5Y	1.75 (-0.03)	1.80 (+0.07)
10Y	2.00 (-0.02)	2.05 (+0.06)
15Y	2.27 (-0.02)	--
20Y	2.36 (-0.02)	--
30Y	2.58 (-0.01)	2.57 (+0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.43	-0.12
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/27/2019 20:30	US Initial Jobless Claims	Jun-22	220k	--	216k
06/27/2019 20:30	US GDP Annualized QoQ	1Q T	3.20%	--	3.10%
06/27/2019	MU Unemployment Rate	May	--	--	1.70%
06/27/2019 20:00	GE CPI MoM	Jun P	0.20%	--	0.20%
06/27/2019 19:00	BZ FGV Inflation IGPM MoM	Jun	0.70%	--	0.45%
06/27/2019 09:00	NZ ANZ Business Confidence	Jun	--	--	-32
06/27/2019 20:00	GE CPI EU Harmonized YoY	Jun P	1.30%	--	1.30%
06/27/2019 17:00	EC Consumer Confidence	Jun F	-7.2	--	-7.2
06/27/2019 07:50	JN Retail Sales YoY	May	1.20%	1.20%	0.50%
06/27/2019 20:30	US Core PCE QoQ	1Q T	1.00%	--	1.00%
06/27/2019 21:45	US Bloomberg Consumer Comfort	Jun-23	--	--	61.8
06/27/2019 05:00	SK Business Survey Manufacturing	Jul	--	75	75

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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