

Highlights

Global	<p>Global risk appetite remained sidelined ahead of tomorrow's Trump-Xi meeting on the sidelines of the G20 summit in Osaka, Japan starting today. A WSJ report suggested that China had prepared a list of conditions which included lifting the Huawei ban as part of a trade deal, but White House advisor Kudlow opined that there should be no preconditions on both sides and the US may move ahead with further tariffs on Chinese exports after the G20 summit if there is no deal. Note that Trump is also meeting with Japanese PM Abe (with auto trade likely to be in the limelight) and Korean president Moon. The S&P500 snapped a four-day losing streak to close higher, as US bank stocks rose after announcing share buybacks post-Fed stress test results, while the 10-year UST bond yield edged back to 2.01% and oil is headed to its biggest monthly gain since January ahead of next week's OPEC meeting.</p> <p>Watch for potential month-end and half-year end positioning flows today. Asian markets may range trade, albeit with muted optimism going into the US-China trade talks. Today's economic calendar comprises US' personal income and spending, core PCE deflator and University of Michigan sentiments, Eurozone's CPI, UK's final 1Q19 GDP growth, Thai trade data, and Singapore's bank loans growth for May.</p>
US	<p>Pending home sales rebounded 1.1% in May from a 1.5% mom decline in April as mortgage rates fell, while initial jobless claims rose 10k to 227k. On the possibility of Fed rate cuts and whether it should be 25bps or 50bps, Fed's Daly (non-voter) opined that "it is too early, from my perspective, to know whether we should use the tool at all and what magnitude of the tool we should apply".</p>
CN	<p>Industrial profit growth rebounded to 1.1% yoy in May from -3.7% yoy in April. The recent rebound in PPI growth might have helped to revive industrial profit growth. However, with US-China trade war escalating in May and PBoC's monetary policy shifting to neutral from April, the manufacturing sector showed signs of renewed weakness with Manufacturing PMI falling below 50 once again. The fall in purchasing price index also signaled that PPI might have peaked. As such, we doubt the sustainability of the rebound in industrial profit in the coming months.</p>
UK	<p>Boris Johnson has refused to rule out suspending Parliament to force a no-deal Brexit.</p>
SG	<p>In its annual report release, MAS said the official 2019 growth forecast of 1.5-2.5% will be reviewed and 2Q growth could be lower than 1Q19. MAS also noted it has been in active dialogue with the US Treasury regarding the role of FX intervention operations within Singapore's monetary policy framework, but opined that Singapore's inclusion in the US Treasury Report has no direct consequences for the economy or the conduct of MAS' monetary policy</p>

Major Markets

- **US:** The S&P 500 index (+0.4%) traded up yesterday on reports that US and China may have reached a temporary truce on additional tariffs, according to the South China Morning Post. Markets will have their eyes firmly on the outcome of the G20 summit over the weekend for possible market gyrations when trading resumes on Monday. We expect global equities, including the US, to trade flat today – with headline news expected to be the main driver of sentiment.
- **Singapore:** The STI rebounded 0.83% to close up at 3328.60 yesterday as investors felt hopeful about the upcoming Trump-Xi meeting. However, mixed morning cues from Nikkei and Kospi suggest no strong conviction today, so STI may continue to tread a 3300-3050 range for now. UST bonds bull flattened overnight ahead of the month-end as supply pressures eased and there was decent demand for the 7-year note auction (awarded 1.889% with 2.44x bid-cover ratio). SGS bond yield may track lower as well today.
- **Malaysia:** Finance Minister Lim Guan Eng has announced that the 2020 budget will be tabled on 11th October 2019. According to The Star, he also mentioned that the government is on track to reduce the deficit to below 3.0% by 2021.
- **Indonesia:** An Indonesian court has upheld President Joko Widodo's re-election victory and rejected a petition by his challenger Prabowo Subianto.
- **South Korea:** Industrial production in May fell -0.2%, better than the expected decline of -1.0% but adds to the miserable run of 4 out of 5 contractions since the start of the year. Poor electronics demand has been a recurring soft spot for the South Korean economy this year and is one of the key reasons for the BoK's recent dovish tilt.
- **Macau:** Unemployment rate was unchanged at a more than four-year low of 1.7% during the three months through May 2019. Despite that, the employment of different industries varied largely. The employed population of gaming industry increased by 1.1% mom to the highest level since early-2015. The casino operators probably added jobs to support the expected growth of mass market segment on resilient inbound tourism. During the same period, strong inbound tourism also encouraged the hotel, restaurants and similar activities sector to expand its employed population by 1.3% mom. On the flip side, the employed population of construction sector dropped for the fourth three-month period by 4.4% mom, due to the successive completion of large projects. Also, the employed population of retail sector decreased by 2.3% mom as the sector's growth has been curbed by cautious consumption sentiments. Moving into the coming months, total unemployment rate may be sticky at 1.7%, mainly supported by the flourishing tourism. In the medium term, however, we are concerned that the labor market would weaken should external headwinds cloud the outlook of Macau's gaming and tourism-related sectors.

- **Oil:** Crude oil prices, as we have expected, have been trading range-bound since the end of last week, as the energy markets await further developments from the Trump-Xi meeting and the G20 summit. Since closing at \$65.20/bbl last Friday, Brent has traded within a narrow range of \$64.86/bbl to \$66.55/bbl. We believe the upside risks are higher than downside risks at this stage, given that long liquidation has seemingly concluded and bulls may have more space than bears to wager their bets on. No further tariffs on the remaining Chinese goods and a decision by OPEC+ to rollover the current production cuts into 2H is our baseline scenario for the upcoming two events.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with the shorter tenors and belly trading 3-4bps higher, while the longer tenors traded 4-5bps 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 was unchanged at 488bps. 10Y UST yields fell 3bps to 2.02%, as concerns regarding the US and China trade tensions were renewed after White House economic adviser Larry Kudlow said that Washington may move ahead with additional tariffs on Chinese products, boosting demand for safe-haven debt. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread widening to -10bps.
- **New Issues:** Sunshine 100 China Holdings Ltd has priced a USD200mn 2-year bond at 12.5%, in line with IPT. Mitsubishi Corporation has priced a USD500mn 5-year bond at T+84bps, tightening from IPT of T+105bps area. ESR Cayman Ltd has priced a USD175mn re-tap of its existing ESR CAY 7.875%'22s at 7.25%, tightening from IPT of 7.375% area. Shandong Guohui Investment Co., Ltd has mandated banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.174	-0.04%	USD-SGD	1.3534	-0.10%
USD-JPY	107.790	--	EUR-SGD	1.5387	-0.10%
EUR-USD	1.1369	--	JPY-SGD	1.2553	-0.14%
AUD-USD	0.7009	0.34%	GBP-SGD	1.7152	-0.22%
GBP-USD	1.2674	-0.13%	AUD-SGD	0.9485	0.23%
USD-MYR	4.1435	-0.11%	NZD-SGD	0.9067	0.18%
USD-CNY	6.8771	-0.04%	CHF-SGD	1.3858	0.04%
USD-IDR	14142	-0.25%	SGD-MYR	3.0594	-0.10%
USD-VND	23322	0.02%	SGD-CNY	5.0814	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3880	-0.10%	O/N	2.3540	0.93%
2M	-0.3360	0.93%	1M	2.4024	-0.17%
3M	-0.3430	-0.17%	2M	2.3454	0.41%
6M	-0.3110	0.41%	3M	2.3299	1.86%
9M	-0.1940	1.86%	6M	2.1998	1.70%
12M	-0.2110	1.70%	12M	2.1833	3.59%

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)	59.43	0.1%	Corn (per bushel)	4.4000	-0.7%
Brent (per barrel)	66.55	0.1%	Soybean (per bushel)	8.878	-0.7%
Heating Oil (per gallon)	1.9525	-1.0%	Wheat (per bushel)	5.4750	0.7%
Gasoline (per gallon)	1.9466	-1.2%	Crude Palm Oil (MYR/MT)	1,880.0	-1.9%
Natural Gas (per MMBtu)	2.3240	1.4%	Rubber (JPY/KG)	234.5	0.3%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,989	0.0%	Gold (per oz)	1,412.0	0.0%
Nickel (per mt)	12,710	1.8%	Silver (per oz)	15.205	-0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,526.58	-10.24
S&P	2,924.92	11.14
Nasdaq	7,967.76	57.79
Nikkei 225	21,338.17	251.58
STI	3,328.60	27.35
KLCI	1,672.70	-1.79
JCI	6,352.71	42.22
Baltic Dry	1,317.00	--
VIX	15.82	-0.39

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (+0.01)	1.74 (-0.02)
5Y	1.78 (+0.03)	1.77 (-0.03)
10Y	2.02 (+0.02)	2.01 (-0.03)
15Y	2.29 (+0.02)	--
20Y	2.38 (+0.02)	--
30Y	2.59 (+0.01)	2.53 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.45	-0.18
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/28/2019 07:00	SK Industrial Production YoY	May	-1.00%	-0.20%	-0.10%	0.20%
06/28/2019 07:30	JN Jobless Rate	May	2.40%	2.40%	2.40%	--
06/28/2019 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jun	0.90%	0.90%	1.10%	--
06/28/2019 07:50	JN Industrial Production MoM	May P	0.70%	2.30%	0.60%	--
06/28/2019 10:00	VN CPI YoY	Jun	2.60%	--	2.88%	--
06/28/2019 15:30	TH BoP Current Account Balance	May	\$1000m	--	\$1784m	--
06/28/2019 15:30	TH Foreign Reserves	Jun-21	--	--	\$212.2b	--
06/28/2019 16:30	UK GDP QoQ	1Q F	0.50%	--	0.50%	--
06/28/2019 16:30	UK GDP YoY	1Q F	1.80%	--	1.80%	--
06/28/2019 17:00	EC CPI Core YoY	Jun A	1.00%	--	0.80%	--
06/28/2019 20:30	US Personal Income	May	0.30%	--	0.50%	--
06/28/2019 22:00	US U. of Mich. Sentiment	Jun F	97.9	--	97.9	--

Source: Bloomberg

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