

Highlights

Global	<p>After a choppy end to the first half of 2018, the under-currents in the global economy remains centered around the US' additional tariffs on US\$34 billion of Chinese imports that may kick in from 6 July. Wall Street closed up on the last trading day of June, with the 10-year UST bond yield at 2.86%, and Brent traded closer to the US\$80 handle. Increasingly, the market concern is that global trade tensions would start to weigh on growth and inflation. Over the weekend, China's manufacturing PMI softened from 51.9 in May to 51.5 in June, but the export order gauge slid back into contraction territory at 49.8 (from 51.2), albeit the services PMI rose from 54.9 to 55.0. This morning's Japanese large manufacturer Tankan came in at 21 in June, below market expectations of 22, as trade tensions dampened corporate sentiments.</p> <p>Asian bourses may attempt to kick-start the week to trade with a firmer tone, but is unlikely to make much headway given the US-Sino trade tensions still overshadowing markets. For the week ahead, watch for RBA rate decision (likely static at 1.5%) tomorrow, US' tariffs on US\$34bn of Chinese imports that kick in on 6 July, and Friday's June FOMC minutes, nonfarm payrolls (market consensus: 195k versus 223k in May) and unemployment rate (likely unchanged at 3.8%). ECB's Praet is also speaking today. The economic data calendar includes US' manufacturing ISM, the slew of manufacturing PMIs from Eurozone and Asia, including S'pore's manufacturing and electronics PMIs, Eurozone's PPI, and Thai and Indonesian CPI.</p>
SI	<p>S'pore bank loans growth eased to 5.5% yoy (0.1% mom) in May, slightly lower than the 5.7% yoy (0.8% mom) seen in April. Overall bank loans growth was 5.1% for the first five months of 2018, which is a moderation from the 5.6% seen in the same period last year, but still healthy.</p>
CN	<p>PBoC fine-tuned its wording in its 2Q monetary policy meeting statement. The central bank said it will keep liquidity "reasonable and ample" from previously "reasonable and stable". The latest fine-tune of wording reinforced market expectation that PBoC has turned more flexible in terms of its monetary policy against the backdrop of slowing economy and looming trade war.</p>
CMD	<p>Growing concerns over US relations with major oil producers like Iran and Venezuela amid dollar weakness are driving oil prices higher, despite recent OPEC agreement to raise production into 2H18. Crude oil futures including Brent and WTI rose into the weekend, although early trading today indicated some profit-taking. While we recognise that oil supplies from Iran and Venezuela could potentially fall further should issues escalates, higher oil supplies out of US, Saudi Arabia and Russia are likely to cushion the shortfall in our view. Note that US President Donald Trump tweeted as well that Saudi's King Salman has agreed to his request to increase oil production "maybe up to 2 million barrels" to offset production from Iran and Venezuela. Uncertainties over how oil supplies may trend to-date have lifted oil prices, though we think that further cues by key oil producers into the trading week ahead will be key in determining how prices could move.</p>

Major Markets

- **US:** Wall Street edged higher on Friday led by rising oil prices. The Dow added 0.23% to close up at 24,271.41. The S&P500 rose 0.08% while the Nasdaq composite gained 0.09%. The VIX Index fell to 16.09 on Friday, as compared to 16.85 on Thursday. On the Treasury front, the 2y yield rose to 2.528% (by 1.8bp), while the 10y yield edged up to 2.860% (by 2.3bp) following strong private consumption data released by the US Commerce Department.
- The core PCE deflator picked up speed from 2.0% yoy (0.2% mom) in April to 2.3% yoy (0.2% mom) in May, the fastest pace in six years, but the University of Michigan consumer index pointed to Americans are starting to worry about trade tensions' impact on growth and inflation, and the expectations gauge fell to a five month low. Personal income rose 0.4% as expected in May, but spending moderated from a revised 0.5% in April to 0.2% in May. However, the Chicago PMI improved from 62.7 to 64.1 in June.
- **China:** China unveiled the shortened negative list for foreign investment, effective from 28 July. Total number of items in the negative list will be cut from 63 to 48. China's commitment to further open its domestic sectors to foreign investors has not be disrupted by the recent elevating US-China trade tension. China's official PMI fell slightly to 51.5 in June from 51.9 in May, but still well above the threshold line of 50.
- **Singapore:** Business loans moderated slightly from 6.1% yoy (1.2% mom) in April to 5.8% yoy (0.1% mom) in May, as loans to general commerce decelerated from 5.4% yoy to 1.1% yoy and transport, storage and communications which sank back into contraction territory at -0.8% yoy in May (April: +1.0% yoy) amid growing business concerns about the escalating US-Sino trade rhetoric which could increasingly drag on regional trade and logistics activity in the coming months. The saving grace is that other business loan segments remained healthy. Consumer loans remain relatively steady, expanding by 5.0% yoy (0.1% mom) in May vis-à-vis the 5.1% yoy (0.3% mom) pace in April. Notably, housing and bridging loans picked up speed slightly to 4.8% yoy in May (the fastest since September 2015) and could remain a key pillar for consumer loans if property sentiments continue to hold up in the near-term.
- If the global trade tensions continue to build, the negative spillover into business and consumer confidence may start to materialise in a clearer fashion in the economic data going ahead. As such, bank loans growth may be somewhat restrained in the short-term until there is some clarity on the trade front. Still, latest MAS professional forecasters survey had tipped bank loans to grow by 6.0% for 2018, up from 4.8% at the March survey.
- The STI added 0.34% to close up at 3268.70 on Friday. Despite Friday's positive close by Wall Street, Nikkei and Kospi are opening softer this morning, so the STI may trade between 3250-3300 in the interim. Longer-dated SGS bonds are likely to remain supported in the interim.
- **Hong Kong:** The growth of total loans and advances grew slowed down to 12% yoy in May from 17.1% yoy in April. Zooming in, loans for use in Hong Kong (excluding trade finance), which account for 64% of total loans and advances, expanded by 12.8% yoy. The growth is much slower than the 19.3% yoy gain in the previous month. Apart from the waned effect of April's large IPO, higher financing costs might also have weighed down local loans demand. Moving forward, we expect commercial banks to raise prime rate at least once by 25bps this year. Though the rate hike pace could be gradual, prime rate would continue on its uptrend along with Fed's fund rate. Any further increase in financing costs combined with muted corporate sentiments amid trade war

concerns may continue to dent local loans demand. In terms of loans for use outside of Hong Kong, their growth also moderated from April's 13.2% to May's 10.4%. As the PBOC is shifting to an easing bias and striving to alleviate funding stress for SMEs, we expect Mainland companies' offshore loans demand to shrink moderately. Also, China's curb on irrational overseas investment as well as higher funding costs in the offshore market might have deterred some loans demand from Mainland companies. All in all, we expect total loans and advances to grow albeit at a slow pace in 2H18.

- **Korea:** Further signs of a slowing economy are seen over the weekend, with exports printing a disappointing contraction of 0.1% in June. This marks a sharp slowdown from a double-digit 13.5% y/y growth in the previous month. Elsewhere, manufacturing optimism as measured by the PMI index still reflected a pessimistic print of 49.8.
- **Malaysia:** The Malaysian monarch is set to inaugurate the remaining members of the cabinet today. Meanwhile, the PMI rose to a three-month high of 49.5 although it remains in contraction territory. Output declined further in June but at a slower pace as panellists commented on unfavourable economic conditions. Cost pressures eased to the weakest since March 2015. However, Malaysian manufacturing firms retained positive forecasts for output in the next 12 months.
- **Indonesia:** In a surprise move, BI hiked the benchmark rate by a total of 50bps to 5.25%. In its policy statement, BI said that the policy move was the central bank's decision to be "pre-emptive, front-loading, and ahead of the curve". The central bank also said, "uncertainty could feed through to broad USD appreciation and trigger a capital reversal from developing economies, thereby prompting broad currency depreciation, including the Rupiah. Such condition requires proper policy response to keep financial market yield in emerging countries interesting to investors". Meanwhile, the PMI weakened to 50.3 but remained in expansion territory. Manufacturing output rose for the fifth month running although the June rate of expansion was only marginal and the weakest since March. Business confidence did drop to the lowest since October 2012.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was lower last Friday, with swap rates for the shorter tenors trading around 2bps lower while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 146bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 523bps. 10Y UST yields rose 2bps to 2.86% in the earlier part of the trading session but subsequently fell 3bps on the back of continuing trade war concerns as well as US consumer spending data which came in weaker-than-expected. 10Y UST yields rebounded in the later part of the trading session to close at 2.86% last Friday.
- **New Issues:** There were no new issuances over 29 June 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.470	-0.88%	USD-SGD	1.3624	-0.39%
USD-JPY	110.760	0.24%	EUR-SGD	1.5923	0.63%
EUR-USD	1.1684	0.99%	JPY-SGD	1.2308	-0.56%
AUD-USD	0.7405	0.72%	GBP-SGD	1.8003	0.65%
GBP-USD	1.3207	0.99%	AUD-SGD	1.0089	0.34%
USD-MYR	4.0385	-0.10%	NZD-SGD	0.9222	-0.21%
USD-CNY	6.6210	-0.09%	CHF-SGD	1.3758	0.35%
USD-IDR	14330	-0.44%	SGD-MYR	2.9624	0.23%
USD-VND	22938	--	SGD-CNY	4.8575	0.19%

Equity and Commodity

Index	Value	Net change
DJIA	24,271.41	55.36
S&P	2,718.37	2.06
Nasdaq	7,510.30	6.62
Nikkei 225	22,304.51	34.12
STI	3,268.70	11.13
KLCI	1,691.50	25.82
JCI	5,799.24	131.92
Baltic Dry	1,385.00	56.00
VIX	16.09	-0.76

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	0.0010	O/N	1.9354	0.0021
2M	-0.3370	0.0020	1M	2.0903	-0.0019
3M	-0.3210	0.0030	2M	2.1691	-0.0038
6M	-0.2700	--	3M	2.3358	-0.0016
9M	-0.2140	--	6M	2.5013	--
12M	-0.1810	--	12M	2.7641	0.0009

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-)	2.53 (+0.02)
5Y	2.28 (-0.01)	2.74 (+0.02)
10Y	2.53 (-0.02)	2.86 (+0.02)
15Y	2.77 (-0.01)	--
20Y	2.80 (-0.02)	--
30Y	2.89 (-0.01)	2.99 (+0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	20.7%	20.7%	0.0%	0.0%	0.0%
09/26/2018	77.3%	62.5%	14.7%	0.0%	0.0%
11/08/2018	77.9%	61.4%	16.0%	0.4%	0.0%
12/19/2018	90.1%	39.7%	41.1%	9.0%	0.2%
01/30/2019	91.1%	36.7%	41.0%	12.3%	1.1%
03/20/2019	95.2%	23.9%	39.0%	25.5%	6.2%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	39.53	0.39
EURIBOR-OIS	3.65	0.25
TED	42.35	-0.39

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	74.15	0.95%	Copper (per mt)	6,538.9	-0.19%
Brent (per barrel)	79.44	2.04%	Nickel (per mt)	14,835.5	0.77%
Heating Oil (per gallon)	2.2093	1.43%	Aluminium (per mt)	2,164.0	-0.79%
Gasoline (per gallon)	2.1791	2.17%			
Natural Gas (per MMBtu)	2.9240	-0.54%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,326.0	-0.73%
			Rubber (JPY/KG)	176.3	0.63%
Precious Metals	Futures	% chg			
Gold (per oz)	1,254.5	0.28%			
Silver (per oz)	16.198	0.98%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 26 Jun 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	670,399	627,844	42,555	Corn	72,946	120,280	-47,334
Sugar	29,695	12,665	17,030	Soybean	-29,954	-1,886	-28,068
Cocoa	42,092	40,264	1,828	Copper	32,990	54,940	-21,950
Live Cattle	30,675	29,729	946	Gold	64,991	83,750	-18,759
Platinum	-5,533	-4,816	-717	Natural Gas	-67,001	-50,199	-16,802
Coffee	-56,152	-54,899	-1,253	Cotton	100,252	107,150	-6,898
RBOB Gasoline	96,490	98,633	-2,143	Silver	33,647	39,170	-5,523
Palladium	8,568	11,029	-2,461	Heating Oil	46,127	50,140	-4,013
Lean Hogs	-3,743	-1,189	-2,554	Wheat	-3,851	-1,257	-2,594

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/29/2018 07:01	UK GfK Consumer Confidence	Jun	-7	-9	-7	--
06/29/2018 07:30	JN Jobless Rate	May	2.50%	2.20%	2.50%	--
06/29/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jun	0.60%	0.70%	0.50%	--
06/29/2018 07:50	JN Industrial Production MoM	May P	-1.00%	-0.20%	0.50%	--
06/29/2018 09:30	AU Private Sector Credit MoM	May	0.40%	0.20%	0.40%	--
06/29/2018 10:00	VN CPI YoY	Jun	4.35%	4.67%	3.86%	--
06/29/2018 10:00	VN Exports YTD YoY	Jun	15.70%	16.00%	15.80%	--
06/29/2018 10:00	VN GDP YTD YoY	2Q	6.95%	7.08%	7.38%	--
06/29/2018 13:00	JN Housing Starts YoY	May	-5.70%	1.30%	0.30%	--
06/29/2018 14:45	FR PPI YoY	May	--	2.90%	2.30%	--
06/29/2018 14:45	FR CPI YoY	Jun P	2.10%	2.10%	2.00%	--
06/29/2018 15:21	ID Bank Indonesia 7D Reverse Repo	Jun-29	5.00%	5.25%	4.75%	--
06/29/2018 15:30	TH Foreign Reserves	Jun-22	--	\$209.7b	\$211.5b	--
06/29/2018 15:30	TH Exports YoY	May	--	13.10%	14.60%	--
06/29/2018 15:30	TH Imports YoY	May	--	12.70%	22.70%	--
06/29/2018 15:30	TH Trade Balance	May	--	\$2695m	\$234m	--
06/29/2018 15:30	TH BoP Current Account Balance	May	\$1500m	\$958m	\$1364m	--
06/29/2018 15:55	GE Unemployment Change (000's)	Jun	-8k	-15k	-11k	-12k
06/29/2018 16:19	PH Bank Lending YoY	May	--	17.70%	19.90%	--
06/29/2018 16:30	UK Mortgage Approvals	May	62.3k	64.5k	62.5k	62.9k
06/29/2018 16:30	UK GDP QoQ	1Q F	0.10%	0.20%	0.10%	--
06/29/2018 17:00	EC CPI Estimate YoY	Jun	2.00%	2.00%	1.90%	--
06/29/2018 20:30	CA Industrial Product Price MoM	May	0.90%	1.00%	0.50%	0.40%
06/29/2018 20:30	CA Raw Materials Price Index MoM	May	2.70%	3.80%	0.70%	0.80%
06/29/2018 20:30	US Personal Income	May	0.40%	0.40%	0.30%	0.20%
06/29/2018 20:30	CA GDP MoM	Apr	0.00%	0.10%	0.30%	--
06/29/2018 20:30	US Personal Spending	May	0.40%	0.20%	0.60%	0.50%
06/29/2018 20:30	US PCE Core MoM	May	0.20%	0.20%	0.20%	--
06/29/2018 21:45	US Chicago Purchasing Manager	Jun	60	64.1	62.7	--
06/29/2018 22:00	US U. of Mich. Sentiment	Jun F	99	98.2	99.3	--
06/30/2018 09:00	CH Non-manufacturing PMI	Jun	54.8	55	54.9	--
06/30/2018 09:00	CH Manufacturing PMI	Jun	51.6	51.5	51.9	--
07/01/2018 08:00	SK Exports YoY	Jun	2.20%	-0.10%	13.50%	--
07/02/2018 07:50	JN Tankan Large Mfg Index	2Q	22	21	24	--
07/02/2018 07:50	JN Tankan Large Non-Mfg Index	2Q	23	24	23	--
07/02/2018 08:30	JN Nikkei Japan PMI Mfg	Jun F	--	53	53.1	--
07/02/2018 09:00	AU Melbourne Institute Inflation MoM	Jun	--	0.00%	0.00%	--
07/02/2018 09:30	AU ANZ Job Advertisements MoM	Jun	--	--	1.50%	--
07/02/2018 09:45	CH Caixin China PMI Mfg	Jun	51.1	--	51.1	--
07/02/2018 11:00	TH CPI YoY	Jun	1.53%	--	1.49%	--
07/02/2018 12:00	ID CPI YoY	Jun	3.00%	--	3.23%	--
07/02/2018 13:00	IN Nikkei India PMI Mfg	Jun	--	--	51.2	--
07/02/2018 13:00	JN Vehicle Sales YoY	Jun	--	--	-0.60%	--
07/02/2018 14:30	AU Commodity Index SDR YoY	Jun	--	--	3.60%	--
07/02/2018 15:45	IT Italy Manufacturing PMI	Jun	52.5	--	52.7	--
07/02/2018 15:50	FR Markit France Manufacturing PMI	Jun F	53.1	--	53.1	--
07/02/2018 15:55	GE Germany Manufacturing PMI	Jun F	55.9	--	55.9	--
07/02/2018 16:30	UK Markit UK PMI Manufacturing SA	Jun	54	--	54.4	--
07/02/2018 17:00	EC Unemployment Rate	May	8.50%	--	8.50%	--
07/02/2018 21:00	SI Purchasing Managers Index	Jun	52.5	--	52.7	--
07/02/2018 21:45	US Markit US Manufacturing PMI	Jun F	54.7	--	54.6	--
07/02/2018 22:00	US Construction Spending MoM	May	0.50%	--	1.80%	--

Source: Bloomberg

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