

Highlights

Global	<p>Global risk sentiments remained handicapped by swirling US-Sino trade tensions, especially after US President Trump directed the USTR to identify US\$200 billion worth of Chinese goods for additional 10% tariffs as China “has no intention of changing its unfair practices related to the acquisition of American intellectual property and technology”. US Secretary of State Pompeo also called Chinese appeals for greater trade openness and globalization “a joke” and its IP theft “an unprecedented level of larceny”. With the threat of another trade skirmish, The Dow Jones closed lower for its fifth session, albeit UST bond yields drifted higher overnight.</p> <p>With Chinese and Hong Kong markets re-opening today, Asian bourses may continue to trade on a slight risk-off tone today amid the ratcheting higher of trade tensions, but hopefully see some stabilisation soon. Another relatively light economic data calendar today with only US’ housing starts and building permits and HK unemployment rate on tap, so keep an eye on RBA’s June meeting minutes and speeches from ECB’s Draghi, Praet, Lane (for any elaboration of its recent decision to end asset purchases by year-end but only initiate rate hikes in summer of 2019) as well as Fed’s Bullard (on the recent shift to four median rate hikes for the dots plot).</p>
US	<p>Fed’s Bostic opined that “I began the year with a decided upside tilt to my risk profile for growth, reflecting business optimism following the passage of tax reform” but “that optimism has almost completely faded”. Meanwhile, Williams sounded more upbeat, saying that “the US economy is in great shape” and “we are in the second-longest expansion in our history”.</p>
EU	<p>Over in the UK, PM May lost the House of Lords vote on her key Brexit legislation by 354-235 yesterday, which sets up a battle with the House of Commons later this week.</p>
SI	<p>Private residential home sales reached 1,121 units in May, up from a revised 732 in April, according to URA.</p>
CN	<p>RMB weakened in the offshore market with the USDCNH rose to above 6.4600. The sharp depreciation of RMB in the past few trading days is in line with script that RMB may weaken should China react strongly to the trade tension.</p>
CMD	<p>Oil prices recovered from its decline yesterday likely on short-covering behaviour. Both WTI (+1.2%) and Brent (+2.6%) rose, while gasoline climbed in tandem as well. Still, the declines seen in base metals overnight do suggest that market sentiment remains in a risk adverse mode, given intensified trade tensions. Moreover, anonymous sources report that OPEC members are discussing a compromise agreement that could see oil production rise between 300k to 600k barrels per day over the next few months. Importantly, even if oil production does rise by 600k bpd into year end, it only makes up roughly 0.6% of global oil production, and is significantly lower versus Russia’s proposal of raising production by as much as 1.5 million bpd. Into Asia, note that crude palm oil futures continue to decline to MYR2,307/MT yesterday, despite US-Sino trade tensions that could potentially raise Chinese demand for palm. The fall in palm oil prices suggest that (1) market-watchers continue to stay cautious over the relatively weak demand seen in early June, and (2) the end of Ramadan which effectively removes the initial seasonal uptick in import demand.</p>

Major Market

- **Wall Street:** Equities closed mostly down as looming trade tensions continue to make headlines. More so, with Chinese markets reopening for the first time since trade tensions with the US escalated, markets are likely to trade more cautiously into the day ahead. The Dow Jones lost 0.41% while the S&P 500 declined 0.21%. Meanwhile, the Nasdaq composite was relatively flat (+0.01%). VIX ticked higher to 12.31, compared with Friday's 11.98. On the US Treasuries front, the 2y yield was unchanged at 2.549%. Meanwhile, the 10y yield edged down to settle slightly slower at 2.917% on Monday.
- **Singapore:** The STI declined 0.97% to close at 3324.04 yesterday, amid the sea of red ink across Asian bourses, and it may continue to drift lower today amid lingering trade anxieties, given mixed leads from Wall Street which closed lower overnight, albeit KOSPI is opening firmer this morning. SGS bonds may remain supported today amid the trade stand-off between US and China, as investors await tomorrow's size announcement for the 20-year SGS bond re-opening on 2 July, with the auction scheduled for 27 June.
- **China:** President Trump's threat this morning to ask the US Trade Representative to identify US\$200 billion imports from China subject to additional tariffs of 10% shows that the road ahead remains bumpy. To make things worse, the US Senate passed a US\$716 billion defence bill, which may put ZTE back in coma again. Market will continue to monitor the development of US-China trade relationship.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 453bps. While 10Y UST yields traded little changed at 2.92%, intra-day movements were volatile. In the earlier part of the trading session, 10Y UST yields fell by 2bps to 2.90% due to concerns over the escalating trade war between China and the United States. However, yields subsequently rose by 2bps to close at 2.92% towards the latter part of the trading session as Wall Street shares trimmed losses, after a hectic week when the Federal Reserve struck an upbeat tone on the US economy.
- **New Issues:** There were no new issues over 18 June 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.756	-0.03%	USD-SGD	1.3514	0.03%
USD-JPY	110.550	-0.10%	EUR-SGD	1.5708	0.10%
EUR-USD	1.1623	0.11%	JPY-SGD	1.2228	0.22%
AUD-USD	0.7423	-0.26%	GBP-SGD	1.7899	-0.20%
GBP-USD	1.3245	-0.25%	AUD-SGD	1.0032	-0.22%
USD-MYR	3.9978	0.33%	NZD-SGD	0.9378	-0.07%
USD-CNY	6.4387	--	CHF-SGD	1.3578	0.22%
USD-IDR	13932	--	SGD-MYR	2.9574	-0.03%
USD-VND	22828	0.06%	SGD-CNY	4.7647	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9256	--
2M	-0.3390	--	1M	2.0849	--
3M	-0.3210	--	2M	2.1518	--
6M	-0.2680	--	3M	2.3259	--
9M	-0.2140	--	6M	2.5038	--
12M	-0.1830	--	12M	2.7722	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	16.5%	16.5%	0.0%	0.0%	0.0%
09/26/2018	84.5%	71.1%	13.5%	0.0%	0.0%
11/08/2018	85.4%	68.0%	16.6%	0.7%	0.0%
12/19/2018	93.9%	36.8%	46.7%	10.0%	0.4%
01/30/2019	94.5%	33.7%	45.7%	13.7%	1.4%
03/20/2019	97.4%	19.0%	39.5%	30.3%	7.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.85	1.21%	Copper (per mt)	6,929.1	-0.05%
Brent (per barrel)	75.34	2.59%	Nickel (per mt)	14,891.5	-1.43%
Heating Oil (per gallon)	2.1316	2.14%	Aluminium (per mt)	2,221.0	0.68%
Gasoline (per gallon)	2.0546	1.55%			
Natural Gas (per MMBtu)	2.9510	-2.35%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,307.0	-1.16%
			Rubber (JPY/KG)	176.8	-1.78%
Precious Metals	Futures	% chg			
Gold (per oz)	1,280.1	0.13%			
Silver (per oz)	16.440	-0.24%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,987.47	-103.01
S&P	2,773.75	-5.91
Nasdaq	7,747.03	0.65
Nikkei 225	22,680.33	-171.42
STI	3,324.04	-32.69
KLCI	1,743.43	-18.35
JCI	5,993.63	--
Baltic Dry	1,445.00	--
VIX	12.31	0.33

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (-)	2.55 (-)
5Y	2.27 (-0.02)	2.79 (-0.01)
10Y	2.57 (-0.03)	2.92 (-)
15Y	2.83 (-0.03)	--
20Y	2.87 (-0.03)	--
30Y	2.93 (-0.03)	3.05 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.89	-0.88
EURIBOR-OIS	2.88	-0.64
TED	40.85	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/18/2018 06:30	NZ Performance Services Index	May	--	57.3	56.4
06/18/2018 07:01	UK Rightmove House Prices MoM	Jun	--	0.40%	--
06/18/2018 07:50	JN Trade Balance	May	¥205.2b	¥578.3b	¥624.6b
06/18/2018 07:50	JN Trade Balance Adjusted	May	¥144.1b	¥296.8b	¥453.9b
06/18/2018 07:50	JN Exports YoY	May	7.50%	8.10%	--
06/18/2018 07:50	JN Imports YoY	May	8.00%	14.00%	--
06/18/2018 08:30	SI Non-oil Domestic Exports SA MoM	May	--	10.30%	--
06/18/2018 08:30	SI Electronic Exports YoY	May	--	-7.80%	--
06/18/2018 08:30	SI Non-oil Domestic Exports YoY	May	3.00%	15.50%	11.80%
06/18/2018 12:07	PH Overseas Workers Remittances	Apr	\$2280m	\$2347m	\$2360m
06/18/2018 12:07	PH Overseas Remittances YoY	Apr	10.60%	12.70%	-9.80%
06/18/2018 16:00	IT Trade Balance Total	Apr	--	2938m	4531m
06/18/2018 22:00	CA Bloomberg Nanos Confidence	Jun-15	--	57.1	57.3
06/18/2018 22:00	US NAHB Housing Market Index	Jun	70	68	70
06/19/2018 05:00	SK Import Price Index YoY	May	--	8.10%	4.00%
06/19/2018 05:00	SK Export Price Index YoY	May	--	0.10%	-2.00%
06/19/2018 09:30	AU House Price Index QoQ	1Q	-1.00%	--	--
06/19/2018 16:00	EC ECB Current Account SA	Apr	--	--	32.0b
06/19/2018 16:00	EC Current Account NSA	Apr	--	--	40.6b
06/19/2018 16:00	IT Current Account Balance	Apr	--	--	3408m
06/19/2018 16:30	HK Unemployment Rate SA	May	2.80%	--	2.80%
06/19/2018 17:00	EC Construction Output MoM	Apr	--	--	-0.30%
06/19/2018 20:30	US Housing Starts	May	1311k	--	1287k
06/19/2018 20:30	US Housing Starts MoM	May	1.90%	--	-3.70%
06/19/2018 20:30	US Building Permits	May	1350k	--	1352k
06/19/2018 20:30	US Building Permits MoM	May	-1.00%	--	-1.80%
06/19/2018	PH BoP Overall	May	--	--	-\$270m
06/18/2018 06/25	ID Motorcycle Sales	May	--	--	580921
06/18/2018 06/25	ID Local Auto Sales	May	--	--	102256
06/19/2018 06/24	TH Car Sales	May	--	--	79206

Source: Bloomberg

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