

Highlights

Global	<p>Oops he did it again – US president Trump said he was “not thrilled” at the Fed hiking rates “but at the same time I’m letting them do what they feel is best”, which took the USD lower amid market concerns for the independence of the central bank, albeit the White House later issued a statement saying that the president respects the Fed’s independence. Global risk sentiments may also be hampered by news of proposed strengthening of the US Committee on Foreign Investments (CFIUS) to tighten scrutiny of foreign investments on national security grounds, and Trump’s invitation to Russia’s Putin for a second summit in Washington during fall. Copper also dipped below US\$6,000 a metric ton for the first time this year amid China trade war concerns. Wall Street slipped overnight while UST bonds gained. Asian markets may trade with a somewhat cautious tone today. Today’s economic data calendar includes Taiwan’s export orders, Malaysian and Thai foreign reserves, and German PPI. Fed’s Bullard is also speaking.</p>
US	<p>Initial jobless claims fell 8k to 207k, the lowest since the Vietnam War, but may be distorted by auto assembly disruptions due to supply-chains realignments and retooling seasonality. Continuing claims edged slightly higher from 1739k to 1751k. The Philadelphia Fed business index also rose from 19.9 in June to 25.7 in July, but the business expectations gauge slipped for the fourth straight month from 34.8 to 29 (lowest since March 2016), which could be partly due to the trade war concerns. The ongoing US earnings season saw Microsoft reporting 4Q revenue that beat estimates, but Amex fell after profit failed to keep pace with revenue and Alcoa’s downward guidance due to Section 232 tariffs on aluminium imports into the US.</p>
CH	<p>China’s Commerce Ministry spokesman said in its regular weekly briefing that China will be forced to react to additional tariffs on US\$200 billion worth of Chinese goods, though he did not give details. We doubt China will continue the tit-for-tat retaliation strategy against the backdrop of increasing domestic pressure as a result of rising default risks and slowing growth momentum. As such, we reiterate our previous call that risk of escalation of trade war may diminish in the near term. In addition, the SAFE spokesperson said in its press conference that China will use counter cyclical measures to iron out the short term volatility in the currency market to safeguard the financial system and maintain a balanced BoP.</p>
CMD	<p>Market expectations over oil supplies appear to dominate price movements for now. News that Saudi Arabia aims to reduce oil production by 100k barrels per day (bpd) in August lifted oil prices overnight, amid a clear signal by Saudi officials that future oil production will not increase any further than 10.5 million bpd for now. Elsewhere, US EIA projects that oil production in the Permian region is slated to grow more slowly by 514k bpd from 2018 to 2019 as well. Gold prices have remained relatively weak, with prices around at its \$1,230/oz handle. The yellow metal has since seen much selling in the recent weeks given further expectations of FOMC rate hikes, optimistic US economic growth verdicts especially by Fed Chairman Powell and a dearer greenback. Note that we have published our OCBC Commodities Outlook – July 2018 yesterday.</p>

Major Market

- **US:** Wall Street closed lower on Thursday amidst a Congress deal to tighten foreign investment reviews. The Dow declined 0.53% to close down at 25,064.50. The S&P500 dipped 0.40% to 2,804.49, while the Nasdaq composite fell to 7,825.30 (-0.37%). The VIX Index rose to 12.87 on Thursday, as compared to 12.10 on Wednesday. On the Treasury front, the 2y yield fell to 2.591% (-1.9bp), and the 10y yield declined 3.1bp to 2.838%.
- **Singapore:** The STI rose 1.14% to close at 3277.58 yesterday, but may come under some selling pressure today and may tread a softer 3220-3280 range amid weak cues from Wall Street overnight and Kospi and Nikkei slippage this morning. With UST bonds rallying overnight and yields lower by up to 3bps led by the belly of the curve, SGS bonds may reverse the curve steepening bias seen yesterday.
- **Thailand:** Finance Minister Apisak Tantivorawong reaffirmed Thailand's sound economic fundamentals, adding that Thailand is not expected to "encounter problems" from the ongoing global trade protectionism. He added that there are not much concerns over capital outflows as well, as the pace of outflows is expected to slow.
- **Hong Kong:** Jobless rate stayed unchanged at an over twenty-year low of 2.8% in 2Q18. The unemployment rate of tourism-related sector decreased further from 4% to 3.9%, amid the sustained revival of the tourism sector. As the exact impact of US-China trade conflicts on the real economy remains uncertain, the unemployment rate of trade sector reduced to 2.2% (lowest since 1998) from 2.3%. Elsewhere, with some signs of stabilization in the financial market, the jobless rate of financial sector decreased from 2.3% to 2.2%. Any further improvement in inbound tourism and benign economic growth will likely help to sustain the tight labor market. However, we are wary that possible slowdown in trading and financial activities will dent the hiring sentiments in the relevant sectors. Therefore, we hold onto our view that the unemployment rate may creep up slightly towards 3% in the second half of this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading around 1-2bps higher while the longer tenor traded 2-4bps higher (with the exception of the 30-year swap rates trading 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 145bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 16bps to 530bps. 10Y UST yields rose 2bps in the earlier part of the trading session as US jobless claims data hit its lowest level in 48.5 years and the Philly Fed's business index came in higher-than-expected. However, yields subsequently fell 4bps to close at 2.84% after US president Donald Trump made remarks that he was "not thrilled" about the rate hikes along with lingering concerns over trade tension among investors.
- **New Issues:** Agile Group Holdings Ltd has priced a USD400mn re-tap of its AGILE 8.50%'21s (guaranteed by certain of the Issuer's restricted subsidiaries incorporated outside of the PRC) at 100, in line with its initial price guidance. SF Holding Investment Ltd has priced a USD500mn 5-year bond at CT5+140bps, tightening from its initial price guidance of CT5+160bps. Export-Import Bank of China has priced a USD200mn 3-year bond at 3mL+60bps. China Mengniu Dairy Company Ltd has scheduled for investor meetings from 23 July for its potential bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.164	0.08%	USD-SGD	1.3708	0.41%
USD-JPY	112.470	-0.35%	EUR-SGD	1.5956	0.43%
EUR-USD	1.1642	0.03%	JPY-SGD	1.2187	0.74%
AUD-USD	0.7361	-0.50%	GBP-SGD	1.7839	-0.01%
GBP-USD	1.3014	-0.42%	AUD-SGD	1.0088	-0.11%
USD-MYR	4.0640	0.13%	NZD-SGD	0.9242	-0.35%
USD-CNY	6.7751	0.84%	CHF-SGD	1.3722	0.42%
USD-IDR	14442	0.19%	SGD-MYR	2.9666	-0.05%
USD-VND	23053	-0.01%	SGD-CNY	4.9335	0.29%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9133	--
2M	-0.3360	--	1M	2.0863	--
3M	-0.3210	--	2M	2.1790	--
6M	-0.2690	--	3M	2.3475	--
9M	-0.2160	--	6M	2.5266	--
12M	-17.9%	--	12M	280.1%	--

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	90.0%	71.9%	18.0%	0.0%	0.0%
11/08/2018	90.5%	68.5%	21.0%	1.0%	0.0%
12/19/2018	96.1%	34.0%	48.8%	12.7%	0.6%
01/30/2019	96.4%	31.6%	47.6%	15.6%	1.5%
03/20/2019	98.3%	17.0%	39.3%	32.2%	8.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.46	1.02%	Coffee (per lb)	1.088	0.60%
Brent (per barrel)	72.58	-0.44%	Cotton (per lb)	0.8755	-0.60%
Heating Oil (per gallon)	2.0901	-0.01%	Sugar (per lb)	0.1097	-0.99%
Gasoline (per gallon)	2.0435	-0.04%	Orange Juice (per lb)	1.6995	0.21%
Natural Gas (per MMBtu)	2.7690	1.76%	Cocoa (per mt)	2,292	-1.93%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,942.6	-2.34%	Wheat (per bushel)	5.0425	1.97%
Nickel (per mt)	13,277.0	-2.01%	Soybean (per bushel)	8.615	0.44%
Aluminium (per mt)	1,986.8	-1.24%	Corn (per bushel)	3.6500	1.11%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,224.0	-0.32%	Crude Palm Oil (MYR/MT)	2,193.0	-0.81%
Silver (per oz)	15.402	-1.10%	Rubber (JPY/KG)	173.2	-0.69%

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

Equity and Commodity

Index	Value	Net change
DJIA	25,064.50	-134.79
S&P	2,804.49	-11.13
Nasdaq	7,825.30	-29.15
Nikkei 225	22,764.68	-29.51
STI	3,277.58	37.08
KLCI	1,759.24	6.17
JCI	5,871.08	-19.65
Baltic Dry	1,688.00	--
VIX	12.87	0.77

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.85 (+0.01)	2.59 (-0.02)
5Y	2.15 (+0.02)	2.73 (-0.03)
10Y	2.45 (+0.02)	2.84 (-0.03)
15Y	2.73 (+0.03)	--
20Y	2.77 (+0.03)	--
30Y	2.83 (+0.02)	2.96 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.70	0.24
EURIBOR-OIS	3.88	0.98
TED	35.81	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/19/2018 02:00	US U.S. Federal Reserve Beige Book					
07/19/2018 07:50	JN Trade Balance	Jun	¥531.2b	¥721.4b	-¥578.3b	-¥580.5b
07/19/2018 07:50	JN Trade Balance Adjusted	Jun	¥155.0b	¥66.2b	-¥296.8b	-¥300.2b
07/19/2018 07:50	JN Exports YoY	Jun	7.00%	6.70%	8.10%	--
07/19/2018 09:30	AU NAB Business Confidence	2Q	--	7	7	8
07/19/2018 09:30	AU Employment Change	Jun	16.5k	50.9k	12.0k	13.4k
07/19/2018 09:30	AU Unemployment Rate	Jun	5.40%	5.40%	5.40%	--
07/19/2018 09:30	AU Full Time Employment Change	Jun	--	41.2k	-20.6k	-19.9k
07/19/2018 09:30	AU Part Time Employment Change	Jun	--	9.7k	32.6k	33.4k
07/19/2018 09:30	AU Participation Rate	Jun	65.50%	65.70%	65.50%	--
07/19/2018 09:30	AU RBA FX Transactions Market	Jun	--	A\$1752m	A\$556m	--
07/19/2018 14:00	JN Machine Tool Orders YoY	Jun F	--	11.40%	11.40%	--
07/19/2018 15:16	ID Bank Indonesia 7D Reverse Repo	Jul-19	5.25%	5.25%	5.25%	--
07/19/2018 15:33	PH BoP Overall	Jun	--	-\$1177m	-\$583m	--
07/19/2018 16:30	UK Retail Sales Ex Auto Fuel MoM	Jun	0.10%	-0.60%	1.30%	1.40%
07/19/2018 16:30	UK Retail Sales Ex Auto Fuel YoY	Jun	3.70%	3.00%	4.40%	4.50%
07/19/2018 16:30	UK Retail Sales Inc Auto Fuel MoM	Jun	0.20%	-0.50%	1.30%	1.40%
07/19/2018 16:30	UK Retail Sales Inc Auto Fuel YoY	Jun	3.50%	2.90%	3.90%	4.10%
07/19/2018 16:30	HK Composite Interest Rate	Jun	--	0.62%	0.46%	--
07/19/2018 16:30	HK Unemployment Rate SA	Jun	2.80%	2.80%	2.80%	--
07/19/2018 20:30	US Initial Jobless Claims	Jul-14	220k	207k	214k	215k
07/19/2018 20:30	US Continuing Claims	Jul-07	1729k	1751k	1739k	1743k
07/19/2018 20:30	US Philadelphia Fed Business Outlook	Jul	21.5	25.7	19.9	--
07/19/2018 21:45	US Bloomberg Economic Expectations	Jul	--	53.5	56	--
07/19/2018 21:45	US Bloomberg Consumer Comfort	Jul-15	--	58.8	58	--
07/19/2018 22:00	US Leading Index	Jun	0.40%	0.50%	0.20%	0.00%
07/20/2018 05:00	SK PPI YoY	Jun	--	2.60%	2.20%	--
07/20/2018 07:30	JN Natl CPI YoY	Jun	0.80%	0.70%	0.70%	--
07/20/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Jun	0.80%	0.80%	0.70%	--
07/20/2018 07:50	JN Japan Buying Foreign Bonds	Jul-13	--	--	¥817.9b	--
07/20/2018 07:50	JN Japan Buying Foreign Stocks	Jul-13	--	--	¥370.9b	--
07/20/2018 07:50	JN Foreign Buying Japan Stocks	Jul-13	--	--	¥74.3b	--
07/20/2018 07:50	JN Foreign Buying Japan Bonds	Jul-13	--	--	¥230.6b	--
07/20/2018 11:00	NZ Credit Card Spending YoY	Jun	--	--	3.70%	--
07/20/2018 12:30	JN All Industry Activity Index MoM	May	0.00%	--	1.00%	--
07/20/2018 14:00	GE PPI YoY	Jun	3.00%	--	2.70%	--
07/20/2018 14:00	GE PPI MoM	Jun	0.30%	--	0.50%	--
07/20/2018 15:00	MA Foreign Reserves	Jul-13	--	--	\$104.7b	--
07/20/2018 15:00	JN Convenience Store Sales YoY	Jun	--	--	-1.20%	--
07/20/2018 15:30	TH Foreign Reserves	Jul-13	--	--	\$207.3b	--
07/20/2018 16:00	EC ECB Current Account SA	May	--	--	28.4b	--
07/20/2018 16:00	TA Export Orders YoY	Jun	7.40%	--	11.70%	--
07/20/2018 16:00	IT Current Account Balance	May	--	--	3009m	--
07/20/2018 16:30	UK Public Finances (PSNCR)	Jun	--	--	4.5b	--
07/20/2018 16:30	UK Public Sector Net Borrowing	Jun	3.6b	--	3.4b	--
07/20/2018 16:30	UK PSNB ex Banking Groups	Jun	5.0b	--	5.0b	--
07/20/2018 20:30	CA Retail Sales MoM	May	1.00%	--	-1.20%	--
07/20/2018 20:30	CA Retail Sales Ex Auto MoM	May	0.50%	--	-0.10%	--
07/20/2018 20:30	CA CPI NSA MoM	Jun	0.00%	--	0.10%	--
07/20/2018 20:30	CA CPI YoY	Jun	2.30%	--	2.20%	--
07/20/2018	TH Customs Trade Balance	Jun	\$1300m	--	\$1204m	--
07/20/2018	TH Customs Exports YoY	Jun	9.50%	--	11.40%	--
07/20/2018	TH Customs Imports YoY	Jun	14.90%	--	11.70%	--
07/20/2018	MU CPI Composite YoY	Jun	--	--	2.97%	--

Source: Bloomberg

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