

Highlights

Global	<p>Wall Street remained in the doldrums amid a tech sell-off, while UST bonds (with the 10-year yield at 2.975%) and the USD were also softer ahead of the BOJ policy meeting today. The trifectas of key event risks are the BOJ today, FOMC tomorrow and BOE on Thursday. For BOJ, we do not anticipate any pre-emptive flexibility in its policy stance, but any hints of a potential shift in any of its policy options (eg. 10-year JGB yield target from the current 0%, an “operation twist” of sorts for its yield curve control policy, ETF and/or corporate bond purchases) will likely evoke a strong market reaction, particularly for the JGB market. Essentially any global reallocation to JGBs may reassert the steepening bias for other DM yield curves. BOJ is also likely to shave its inflation forecast which currently appears overly optimistic. Meanwhile, on the geopolitical front, US president Trump signalled he is willing to meet Iranian president Rouhani with “no preconditions”, but North Korea is supposedly working on new missiles according to the Washington Post. Asian markets may approach this morning’s trading with a cautious tone amid Wall Street’s retreat, the tech stock tumble, and oil’s climb past US\$70 per barrel into the month-end. The economic data calendar will kick off with China’s official manufacturing and non-manufacturing PMI, followed by US’ core PCE deflator, S&P house prices, Chicago PMI, consumer confidence and 2Q employment cost index, Eurozone’s 2Q GDP growth, July CPI and June unemployment rate, Thai trade, and S’pore bank loans.</p>
US	<p>Pending home sales beat market expectations to rise for the first time in three months by 0.9% mom (-4.0% yoy) in June, which suggests some stabilization amid a modest pickup in listings and a healthy labour market.</p>
EU	<p>Eurozone’s consumer confidence retreated from 112.3 to 112.1 in July, the lowest in a year, and was weighed down by industry and retail sector sentiments amid the ongoing global uncertainties.</p>
SG	<p>Bank loans may moderate to around 4.5% yoy in June, down from the 5.5% yoy seen in May, amid the ongoing global trade tensions and the weaker-than-expected 2Q18 GDP growth.</p>
KR	<p>Industrial production in June disappointed at -0.4% y/y (-0.6% momsa). The surprise contraction continue to highlight Korea’s downside risk to overall growth momentum, following the contagion effect from the ongoing US-Sino trade spat.</p>
MA	<p>The government has appointed new members to the board of directors of Khazanah, with Prime Minister Mahathir Mohamad as the new chairman.</p>
CMD	<p>Geopolitical issues lifted oil prices, Iran reiterated its threat to close the Hormuz Strait while investors were fearful over the sustained shipment stoppage out of Saudi Arabia following fighting in the red sea. We note that the risk premiums surrounding oil prices, however, are still regarded to be short-lived. The real fundamental story is the sustained rise in oil supplies seen in 2Q18. The US Energy Information Agency (EIA) reported that US oil production rose to 11.0 million barrels per day (bpd), just second to Russia’s 11.2 million bpd. This compares to the 9.4 million bpd production print seen in the US just a year ago. Unsurprisingly, much of the increase was attributed to higher shale oil production at 7.43 million bpd (+28.2% y/y, accounting for 67.5% of US total oil production) while June’s crude oil exports reached a record high of 2.4 million bpd.</p>

Major Markets

- **US:** Wall Street closed lower on Monday as tech stocks experienced sell-offs. The tech-rich Nasdaq composite posted its third consecutive loss of more than 1% for the first time in three years, slipping 1.39% to 7,630.00. The Dow dipped 0.57% to 25,306.83, while the S&P500 slipped 0.58% to close at 2,802.60. The VIX Index rose to 14.26 on Monday, as compared to 13.03 on Friday. On the Treasury front, the 2y yield fell by 0.8bp to 2.661%, while the 10y yield rose 1.9bp to 2.973%.
- **Singapore:** The STI declined 0.54% to close at 3307.15 yesterday and may slip below the 3300 support today amid weak overnight cues from Wall Street and morning slippage by KOSPI. STI could see support and resistance at 3280 and 3320 respectively. With the UST bond yield curve steepening in anticipation of the BOJ policy decision later today, the SGS bond market may reverse the flattening bias seen yesterday.
- **Malaysia:** The government has appointed new members to the board of directors of Khazanah. These include Prime Minister Mahathir Mohamad as the new chairman whilst Minister of Economic Affairs Azmin Ali has been appointed as a director. Other new board members who have been appointed as directors include former deputy governor of Bank Negara Malaysia Dr Sukhdave Singh, Former Petronas President and CEO Hassan Marican and Mr Goh Ching Yin.
- **Indonesia:** The government is seeking to boost coal exports and increase foreign exchange earnings by scraping an obligation on miners to supply domestic power stations, according to Minister for Maritime Affairs Luhut B. Pandjaitan. The proposal will reportedly be discussed in a cabinet meeting on 31st July 2018.
- **Commodities:** Elsewhere in Asia, the news surrounding very hot weather has lifted expectations for an El Niño phenomenon. Agriculture prices are usually very sensitive to such news, although palm oil prices have not reacted as of now, as market-watchers continue to stay cautious over high supplies seen in the first six months amid very slack demand.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors (with the exception of the 7-year and 12-year swap rates trading 5-6bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 465bps. 10Y UST yields rose 3bps to 2.99% in the earlier part of the trading session on the back of growing speculation that the Bank of Japan may adjust its ultra-loose monetary policy this week. Yields subsequently fell 2bps to close at 2.97% as investors sought for safe havens after the equities sell-off yesterday.
- **New Issues:** CMHI Finance BVI Co Ltd has priced a USD1.5bn deal across two tranches (guaranteed by China Merchants Port Holdings Company Limited) with the USD900mn 5-year bond priced at CT5+162.5bps, tightening from its initial price guidance of CT5+195bps area and the USD600mn 10-year bond at CT10+215bps, tightening from its initial price guidance of CT10+250bps area. Woori Bank has priced a USD300mn 10-year bond at CT10+220bps, tightening from its initial price guidance of CT10+240bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.348	-0.34%	USD-SGD	1.3610	-0.04%
USD-JPY	111.040	-0.01%	EUR-SGD	1.5932	0.38%
EUR-USD	1.1706	0.42%	JPY-SGD	1.2258	-0.03%
AUD-USD	0.7407	0.09%	GBP-SGD	1.7875	0.20%
GBP-USD	1.3133	0.21%	AUD-SGD	1.0081	0.03%
USD-MYR	4.0595	-0.07%	NZD-SGD	0.9288	0.47%
USD-CNY	6.8155	0.03%	CHF-SGD	1.3774	0.62%
USD-IDR	14415	-0.01%	SGD-MYR	2.9834	0.03%
USD-VND	23258	0.22%	SGD-CNY	5.0086	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9116	--
2M	-0.3360	--	1M	2.0768	--
3M	-0.3200	--	2M	2.1688	--
6M	-0.2690	--	3M	2.3424	--
9M	-0.2160	--	6M	2.5299	--
12M	-0.1790	--	12M	2.8214	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	18.6%	18.6%	0.0%	0.0%	0.0%
09/26/2018	93.0%	76.0%	17.0%	0.0%	0.0%
11/08/2018	93.4%	72.2%	20.2%	0.9%	0.0%
12/19/2018	98.1%	25.9%	56.9%	14.5%	0.7%
01/30/2019	98.2%	24.0%	54.4%	17.9%	1.8%
03/20/2019	99.2%	11.6%	37.4%	38.4%	10.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.13	2.10%	Coffee (per lb)	1.114	0.86%
Brent (per barrel)	74.97	0.92%	Cotton (per lb)	0.8920	0.97%
Heating Oil (per gallon)	2.1710	0.73%	Sugar (per lb)	0.1082	-0.55%
Gasoline (per gallon)	2.1603	-0.07%	Orange Juice (per lb)	1.6910	3.24%
Natural Gas (per MMBtu)	2.7970	-0.89%	Cocoa (per mt)	2,239	0.27%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,155.3	-0.36%	Wheat (per bushel)	5.4650	3.02%
Nickel (per mt)	13,781.0	-0.03%	Soybean (per bushel)	8.910	0.65%
Aluminium (per mt)	2,080.5	1.07%	Corn (per bushel)	3.8125	1.33%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,231.5	-0.10%	Crude Palm Oil (MYR/MT)	2,192.0	0.27%
Silver (per oz)	15.537	0.28%	Rubber (JPY/KG)	169.6	0.95%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,306.83	-144.23
S&P	2,802.60	-16.22
Nasdaq	7,630.00	-107.42
Nikkei 225	22,544.84	-167.91
STI	3,307.15	-17.83
KLCI	1,770.26	1.12
JCI	6,027.94	38.80
Baltic Dry	1,676.00	--
VIX	14.26	1.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (+0.02)	2.66 (-0.01)
5Y	2.18 (+0.01)	2.85 (+0.01)
10Y	2.45 (-)	2.97 (+0.02)
15Y	2.75 (+0.01)	--
20Y	2.77 (+0.01)	--
30Y	2.87 (+0.01)	3.10 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.69	0.67
EURIBOR-OIS	4.02	1.02
TED	36.11	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/30/2018 07:50	JN Retail Sales MoM	Jun 1.50%	1.50%	-1.70%	--
07/30/2018 07:50	JN Retail Trade YoY	Jun 1.70%	1.80%	0.60%	--
07/30/2018 10:00	SK Department Store Sales YoY	Jun --	5.40%	1.80%	--
07/30/2018 11:47	MU Hotel Occupancy Rate	Jun --	88	87	--
07/30/2018 16:30	UK Mortgage Approvals	Jun 65.5k	65.6k	64.5k	64.7k
07/30/2018 16:30	UK Money Supply M4 MoM	Jun --	-0.30%	0.40%	--
07/30/2018 16:30	UK M4 Money Supply YoY	Jun --	1.70%	1.80%	1.90%
07/30/2018 17:00	EC Economic Confidence	Jul 112	112.1	112.3	--
07/30/2018 17:00	EC Consumer Confidence	Jul F -0.6	-0.6	-0.6	--
07/30/2018 20:00	GE CPI MoM	Jul P 0.40%	0.30%	0.10%	--
07/30/2018 20:00	GE CPI YoY	Jul P 2.10%	2.00%	2.10%	--
07/30/2018 20:00	GE CPI EU Harmonized MoM	Jul P 0.40%	0.40%	0.10%	--
07/30/2018 20:00	GE CPI EU Harmonized YoY	Jul P 2.10%	2.10%	2.10%	--
07/30/2018 22:00	US Pending Home Sales MoM	Jun 0.10%	0.90%	-0.50%	--
07/30/2018 22:30	US Dallas Fed Manf. Activity	Jul 31	32.3	36.5	--
07/31/2018 05:00	SK Business Survey Manufacturing	Aug --	73	80	--
07/31/2018 06:45	NZ Building Permits MoM	Jun --	-7.60%	7.10%	6.90%
07/31/2018 07:00	SK Industrial Production SA MoM	Jun -0.90%	-0.60%	1.10%	1.20%
07/31/2018 07:00	SK Industrial Production YoY	Jun 0.70%	-0.40%	0.90%	1.20%
07/31/2018 07:01	UK GfK Consumer Confidence	Jul -9	-10	-9	--
07/31/2018 07:30	JN Job-To-Applicant Ratio	Jun 1.6	1.62	1.6	--
07/31/2018 07:30	JN Jobless Rate	Jun 2.30%	2.40%	2.20%	--
07/31/2018 07:50	JN Industrial Production MoM	Jun P -0.30%	--	-0.20%	--
07/31/2018 09:00	NZ ANZ Business Confidence	Jul --	--	-39	--
07/31/2018 09:00	CH Non-manufacturing PMI	Jul 54.9	--	55	--
07/31/2018 09:00	CH Manufacturing PMI	Jul 51.3	--	51.5	--
07/31/2018 09:30	AU Building Approvals MoM	Jun 1.00%	--	-3.20%	--
07/31/2018 09:30	AU Private Sector Credit MoM	Jun 0.30%	--	0.20%	--
07/31/2018 09:30	AU Private Sector Credit YoY	Jun 4.50%	--	4.80%	--
07/31/2018 13:00	JN Housing Starts YoY	Jun -2.50%	--	1.30%	--
07/31/2018 14:45	FR CPI EU Harmonized YoY	Jul P 2.40%	--	2.30%	--
07/31/2018 14:45	FR CPI YoY	Jul P 2.20%	--	2.00%	--
07/31/2018 15:30	TH Exports YoY	Jun --	--	13.10%	--
07/31/2018 15:30	TH Imports YoY	Jun --	--	12.70%	--
07/31/2018 15:30	TH Trade Balance	Jun --	--	\$2695m	--
07/31/2018 15:30	TH BoP Current Account Balance	Jun \$3958m	--	\$958m	--
07/31/2018 15:55	GE Unemployment Change (000's)	Jul -10k	--	-15k	--
07/31/2018 15:55	GE Unemployment Claims Rate SA	Jul 5.20%	--	5.20%	--
07/31/2018 16:00	TA GDP YoY	2Q P 2.85%	--	3.02%	--
07/31/2018 17:00	EC Unemployment Rate	Jun 8.30%	--	8.40%	--
07/31/2018 17:00	EC CPI Core YoY	Jul A 1.00%	--	0.90%	--
07/31/2018 17:00	EC CPI Estimate YoY	Jul 2.00%	--	2.00%	--
07/31/2018 17:00	EC GDP SA QoQ	2Q A 0.40%	--	0.40%	--
07/31/2018 17:00	EC GDP SA YoY	2Q A 2.20%	--	2.50%	--
07/31/2018 20:30	CA Industrial Product Price MoM	Jun 0.30%	--	1.00%	--
07/31/2018 20:30	CA Raw Materials Price Index MoM	Jun --	--	3.80%	--
07/31/2018 20:30	US Personal Income	Jun 0.40%	--	0.40%	--
07/31/2018 20:30	CA GDP MoM	May 0.30%	--	0.10%	--
07/31/2018 20:30	US Personal Spending	Jun 0.40%	--	0.20%	--
07/31/2018 20:30	US PCE Core MoM	Jun 0.10%	--	0.20%	--
07/31/2018 20:30	US Employment Cost Index	2Q 0.70%	--	0.80%	--
07/31/2018 21:45	US Chicago Purchasing Manager Conf. Board Consumer	Jul 62	--	64.1	--
07/31/2018 22:00	US Confidence	Jul 126	--	126.4	--

Source: Bloomberg

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