

Highlights

Global	<p>The June FOMC minutes cited a “very strong” US economy and “labor market conditions strengthened further over the intermeeting period”. While “most participants noted that uncertainty and risks associated with trade policy had intensified”, nevertheless “it would likely be appropriate to continue gradually raising the target range for the federal funds rate to a setting that was at or somewhat above their estimates of its longer-run level by 2019 or 2020”. Wall Street closed higher overnight, while US Treasury bonds and the USD edged lower, with the 2-10 year yield curve flattening further to 28bps (narrowest since 2007). The focus today will be the 25% tariffs on US\$34b of Chinese imports that will kick in from 12.01am in Washington, especially with President Trump suggesting that the final amount could eventually reach US\$550 billion (which exceeds China’s total exports to the US).</p> <p>Asian bourses are likely to trade with a nervous tone today as investors steel themselves for US-Sino trade war (especially awaiting China’s possible retaliation) and the surprise S’pore property cooling measures. Today’s economic data calendar comprises US’ nonfarm payrolls (forecast: 195k), unemployment rate (forecast: 3.8%), average hourly earnings (forecast: 0.3% mom), German industrial production, and foreign reserves data for a number of Asian economies. ECB’s Nouy is also speaking.</p>
US	<p>More on the FOMC minutes: “a number” said it was “premature to conclude that the committee had achieved” its 2% inflation target, albeit some were concerned that “a prolonged period in which the economy operated beyond potential could give rise to heightened inflationary pressures or to financial imbalances that could lead eventually to a significant economic downturn”. On the flattening yield curve, “several participants cautioned that yield curve movements should be interpreted within the broader context of financial conditions and the outlook, and would be only one among many considerations in forming an assessment of appropriate policy”. On forward guidance, “participants discussed how the Committee’s communications might evolve over coming meetings if the economy progressed about as anticipated; in particular, a number of them noted that it might soon be appropriate to modify the language in the post-meeting statement indicating that “the stance of monetary policy remains accommodative.”</p>
SG	<p>The Singapore government announced higher ABSD (+5% points for S’pore citizens and PRs buying second and subsequent properties and +10% points for all entities, plus additional 5% for developers that is non-remittable) and lower LTV (tightened by 5% points for all housing loans granted by financial institutions) limits on residential property purchases, to cool the property market and keep price increases in line with economic fundamentals.</p>
CMD	<p>More US-Sino tariff-related rhetoric was seen overnight, with US President Trump citing an additional \$500 billion of tariffs against China should the Chinese follow through on its plan to retaliate against the initial \$50bn tariffs. Growth-related commodities including energy and base metals dipped overnight, while market-watchers shrugged off Iran’s threat to block oil trade in the Strait of Hormuz and focused on how increasing oil supplies and trade war could dampen bull calls.</p>

Major Markets

- **US:** Wall Street closed higher on Thursday. The Nasdaq composite edged up by 1.12% to 7586.43. The Dow (+0.75%) and the S&P500 (+0.86%) shifted in a similar direction to hit 24356.74 and 2736.61, respectively. The VIX Index fell to 14.97, as compared to 16.14 on Tuesday. On the Treasury front, the 2y yield increased to 2.5507% (+2.6bp) while the 10y yield declined to 2.8291% (-0.2bp).
- On the data front, the non-manufacturing ISM improved from 58.6 to 59.1 in June, while initial jobless claims rose 3k to 231k and companies added fewer jobs than expected by 177k according to ADP.
- **Singapore:** The STI added 0.36% to close up at 3256.71 yesterday, but the surprise property cooling measures may cap gains today, especially for bank and property stocks, despite positive overnight cues from Wall Street and morning gains in Nikkei and Kospi. STI's trading range remains between 3220-3280. With the sustained UST curve flattening, SGS bonds, which rallied by up to 4bps led by the belly of the curve yesterday, may face some flattening bias as well.
- **China:** China's Customs said its tariffs on US imports will automatically kick in immediately after the US imposes the tariffs on the first set of goods worth US\$34 billion. As President Trump confirmed yesterday that the initial tariffs will go forward and the subsequent tariffs on the second set US\$16 billion will follow in two weeks, it is almost inevitable for China to avoid a trade war. On liquidity, China's interbank liquidity was extremely flush yesterday as the RRR cut officially took effect yesterday.
- **Malaysia:** The Finance Ministry has issued a suspension notice through MoF. Inc. for all contracts related to the Multi-Product Pipeline (MPP), the Trans-Sabah Gas Pipeline (TSGP), and East Coast Rail Link (ECRL) projects. Finance Minister Lim Guan Eng has said that the suspension notice has taken effect immediately after it was issued. He further elaborated by saying, "The decisions are solely directed towards the related contractors relating to the provisions mentioned in the agreements, and not at any particular country". Meanwhile, both export and import growth in May 2018 significantly slowed to 3.4% yoy (April 2018: 14.0% yoy) and 0.1% yoy (April 2018: 9.1% yoy) respectively. The ruling coalition Pakatan Harapan is also expected to hold a press conference at noon, after a meeting of its presidential council.
- **Commodities:** Note that the US reported higher oil inventories (+1.25 million barrels) while imports rose into the last week. Moreover, further signs of lower oil prices can be seen especially if market-watchers digest Saudi Arabia's move to cut oil pricing for most of its oil grades.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was lower yesterday, with swap rates for the shorter tenors trading 2-3bps lower while the longer tenors traded 2bps lower (with the exception of the 12-year swap rates trading 3bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 19bps to 551bps. 10Y UST yields rose 2bps to 2.86% as the release of the Fed's minutes hinted at the probability of raising short-term interest rates twice more in 2018. Yields subsequently tumbled 4bps to 2.82% as the ADP National Employment Report came in weaker than expected.

10Y UST yields recovered 1bps towards the end of the trading session to close at 2.83%.

- **New Issues:** CCBL Cayman 1 Corp Ltd has priced a USD400mn 5-year bond (guaranteed by CCB Leasing International Corp Designated Activity Co Ltd, keepwell provider: CCB Financial Leasing Corp Ltd) at 3mL+125bps, tightening from its initial price guidance of 3mL+145bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.395	-0.14%	USD-SGD	1.3649	-0.01%
USD-JPY	110.640	0.14%	EUR-SGD	1.5955	0.26%
EUR-USD	1.1691	0.29%	JPY-SGD	1.2334	-0.17%
AUD-USD	0.7387	0.01%	GBP-SGD	1.8047	-0.08%
GBP-USD	1.3222	-0.06%	AUD-SGD	1.0083	-0.01%
USD-MYR	4.0430	-0.09%	NZD-SGD	0.9264	0.37%
USD-CNY	6.6370	0.07%	CHF-SGD	1.3742	-0.04%
USD-IDR	14394	0.22%	SGD-MYR	2.9647	0.00%
USD-VND	23045	0.04%	SGD-CNY	4.8641	0.12%

Equity and Commodity

Index	Value	Net change
DJIA	24,356.74	181.92
S&P	2,736.61	23.39
Nasdaq	7,586.43	83.75
Nikkei 225	21,546.99	-170.05
STI	3,256.71	11.82
KLCI	1,690.65	2.20
JCI	5,739.33	5.69
Baltic Dry	1,567.00	--
VIX	14.97	-1.17

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.9281	--
2M	-0.3370	--	1M	2.0873	--
3M	-0.3210	--	2M	2.1715	--
6M	-0.2690	--	3M	2.3373	--
9M	-0.2180	--	6M	2.5059	--
12M	-18.1%	--	12M	277.3%	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (--)	2.55 (+0.03)
5Y	2.21 (-0.02)	2.73 (+0.01)
10Y	2.46 (-0.02)	2.83 (--)
15Y	2.70 (-0.01)	--
20Y	2.74 (--)	--
30Y	2.83 (--)	2.94 (-0.01)

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	82.0%	66.0%	16.0%	0.0%	0.0%
11/08/2018	83.0%	63.4%	18.7%	0.9%	0.0%
12/19/2018	93.0%	36.2%	44.9%	11.3%	0.5%
01/30/2019	93.5%	33.9%	44.2%	14.0%	1.4%
03/20/2019	96.5%	21.3%	39.5%	27.9%	7.2%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.64	-0.14
EURIBOR-OIS	3.78	-0.07
TED	38.11	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	72.94	-1.62%	Copper (per mt)	6,230.3	-3.12%
Brent (per barrel)	77.39	-1.09%	Nickel (per mt)	14,114.5	0.33%
Heating Oil (per gallon)	2.1787	0.67%	Aluminium (per mt)	2,105.0	-0.61%
Gasoline (per gallon)	2.1293	0.55%			
Natural Gas (per MMBtu)	2.8370	-1.15%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,284.0	-0.61%
			Rubber (JPY/KG)	169.5	-0.94%
Precious Metals	Futures	% chg			
Gold (per oz)	1,258.8	0.42%			
Silver (per oz)	16.097	0.34%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/05/2018 07:50	JN Japan Buying Foreign Bonds	Jun-29	--	¥293.4b	¥27.4b	¥30.2b
07/05/2018 07:50	JN Japan Buying Foreign Stocks	Jun-29	--	¥984.9b	¥97.5b	--
07/05/2018 07:50	JN Foreign Buying Japan Bonds	Jun-29	--	¥951.2b	¥862.1b	--
07/05/2018 07:50	JN Foreign Buying Japan Stocks	Jun-29	--	¥299.8b	¥483.5b	¥485.9b
07/05/2018 08:30	HK Nikkei Hong Kong PMI	Jun	--	47.7	47.8	--
07/05/2018 09:00	PH CPI YoY 2012=100	Jun	4.80%	5.20%	4.60%	--
07/05/2018 11:00	TH Consumer Confidence Economic	Jun	--	67.9	66.9	--
07/05/2018 12:00	MA Trade Balance MYR	May	10.50b	8.12b	13.07b	13.02b
07/05/2018 12:00	MA Imports YoY	May	0.20%	0.10%	9.10%	9.20%
07/05/2018 12:00	MA Exports YoY	May	6.40%	3.40%	14.00%	--
07/05/2018 14:00	GE Factory Orders MoM	May	1.10%	2.60%	-2.50%	-1.60%
07/05/2018 15:30	GE Markit Germany Construction PMI	Jun	--	53	53.9	--
07/05/2018 16:00	UK New Car Registrations YoY	Jun	--	-3.50%	3.40%	--
07/05/2018 16:00	TA CPI YoY	Jun	1.54%	1.31%	1.64%	--
07/05/2018 16:00	TA WPI YoY	Jun	--	6.65%	5.61%	--
07/05/2018 16:10	IT Markit Italy Retail PMI	Jun	--	48.5	47.3	--
07/05/2018 16:10	FR Markit France Retail PMI	Jun	--	48.1	50.7	--
07/05/2018 16:10	GE Markit Germany Retail PMI	Jun	--	57.1	55.5	--
07/05/2018 16:20	TA Foreign Reserves	Jun	--	\$457.12b	\$457.28b	--
07/05/2018 19:30	US Challenger Job Cuts YoY	Jun	--	19.60%	-4.80%	--
07/05/2018 20:15	US ADP Employment Change	Jun	190k	177k	178k	189k
07/05/2018 20:30	US Initial Jobless Claims	Jun-30	225k	231k	227k	228k
07/05/2018 20:30	US Continuing Claims	Jun-23	1718k	1739k	1705k	1707k
07/05/2018 21:45	US Bloomberg Consumer Comfort	Jul-01	--	57.6	57.3	--
07/05/2018 21:45	US Markit US Services PMI	Jun F	56.5	56.5	56.5	--
07/05/2018 21:45	US Markit US Composite PMI	Jun F	--	56.2	56	--
07/05/2018 22:00	US ISM Non-Manf. Composite	Jun	58.3	59.1	58.6	--
07/06/2018 06:30	AU AiG Perf of Construction Index	Jun	--	50.6	54	--
07/06/2018 07:30	JN Household Spending YoY	May	-1.50%	-3.90%	-1.30%	--
07/06/2018 07:50	JN Official Reserve Assets	Jun	--	--	\$1254.5b	--
07/06/2018 08:00	JN Labor Cash Earnings YoY	May	0.90%	--	0.80%	0.60%
07/06/2018 13:00	JN Leading Index CI	May P	106.6	--	106.2	--
07/06/2018 13:00	JN Coincident Index	May P	116.1	--	117.5	--
07/06/2018 14:00	GE Industrial Production SA MoM	May	0.30%	--	-1.00%	--
07/06/2018 14:30	AU Foreign Reserves	Jun	--	--	A\$82.5b	--
07/06/2018 14:45	FR Trade Balance	May	-5050m	--	-4954m	--
07/06/2018 15:00	MA Foreign Reserves	Jun-29	--	--	\$107.9b	--
07/06/2018 15:30	UK Halifax House Prices MoM	Jun	0.20%	--	1.50%	--
07/06/2018 15:30	TH Foreign Reserves	Jun-29	--	--	\$209.7b	--
07/06/2018 16:00	IT Retail Sales MoM	May	0.50%	--	-0.70%	--
07/06/2018 20:30	CA Int'l Merchandise Trade	May	-2.20b	--	-1.90b	--
07/06/2018 20:30	US Trade Balance	May	-\$43.7b	--	-\$46.2b	--
07/06/2018 20:30	CA Net Change in Employment	Jun	20.0k	--	-7.5k	--
07/06/2018 20:30	US Change in Nonfarm Payrolls	Jun	195k	--	223k	--
07/06/2018 20:30	CA Unemployment Rate	Jun	5.80%	--	5.80%	--
07/06/2018 20:30	CA Full Time Employment Change	Jun	30	--	-31	--
07/06/2018 20:30	US Change in Manufact. Payrolls	Jun	15k	--	18k	--
07/06/2018 20:30	CA Part Time Employment Change	Jun	-10	--	23.6	--
07/06/2018 20:30	US Unemployment Rate	Jun	3.80%	--	3.80%	--
07/06/2018	HK Foreign Reserves	Jun	--	--	\$432.1b	--
07/06/2018	ID Foreign Reserves	Jun	--	--	\$122.90b	--
07/06/2018	PH Foreign Reserves	Jun	--	--	\$79.0b	\$79.2b
07/06/2018 07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	2.50%	--

Source: Bloomberg

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