

Highlights

Global	<p>Wall Street closed higher on Friday, despite the first US\$34b of US tariffs on Chinese imports kicking in last Friday, possibly as market players “sold the rumour, but bought the fact”. Both UST bond yields and the USD also ended lower. Meanwhile, nonfarm payrolls surprised higher at 213k (consensus forecast: 195k), as manufacturing added 36k, and coupled with a net +37k revision to the previous two months data. However, the unemployment rate unexpectedly rose from 3.8% to 4.0% (forecast: 3.8%), as labour participation jumped from 62.7% to 62.9%, and average hourly earnings remained tepid at 0.2% mom (forecast: 0.3% mom) in June. The US’ trade deficit also narrowed more than expected from US\$46.1b to US\$43.1b (lowest since Aug 17), which may lend further fuel to President Trump’s trade rhetoric.</p> <p>Asian bourses are likely to trade with a potentially softer tone today as investors digest the US-Sino trade war implications and also US’ labour market data. Today’s economic data calendar is relatively light with only German and Taiwan’s trade data and Japan’s Eco Watchers Survey for Jun. Speakers include BOJ’s Kuroda, BOE’s Broadbent and ECB’s Nowotny as well as Draghi who is addressing the European Parliament. For this week, watch for the UK’s first monthly GDP estimate (on Tue), US’ CPI, ECB’s June minutes (which may lend some hints as to the interest rate trajectory in 2H19), BNM (likely static at 3.25% on Wed as market speculation of potential dovishness is starting to emerge) and BOK (likely static at 1.5% on Thu), as well as China’s trade data (on Fri) and S’pore’s flash 2Q18 GDP growth.</p>
SI	<p>Friday’s 2Q18 GDP growth is tipped at 4.0% yoy (0.9% qoq saar), versus 1Q18’s 4.4% yoy (1.7% qoq saar). Manufacturing growth likely moderated from 1Q18 to around 7.8% yoy, together with services (seen at 3.6% yoy versus 4.1% yoy in 1Q18), whilst construction growth likely lagged again at -2.2% yoy (1Q18: -5.0% yoy).</p>
EZ	<p>On the trade war, ECB’s Coeure opined that “so far what we’ve seen doesn’t have potential to derail the recovery” and the June decision “already takes the risks into account” so there’s currently “no reason to change policy expectations” and “it’s absolutely necessary to resist the temptation of euro pessimism”. He noted that “the backdrop is very strong, resilient growth in the euro zone” and also denied any ECB discussion of an “Operation Twist”. Elsewhere, BOE’s Carney said he was “serene” about the monthly GDP change and when asked if the central bank would have sufficient information for the August MPC meeting, he opined that the “short answer is yes”.</p>
CN	<p>Tariffs on US\$34 billion US imports automatically kicked in at 12:01pm on 6 July. China defended its position that it was forced to retaliate. China’s security regulator announced plans to seek public opinion on proposed measures to further open China’s stock market to foreigners. Two categories of foreigners, including foreigners working in China and foreigners working for China listed companies’ offshore subsidiaries with access to stock options, will be allowed to set up security accounts in the onshore market. China’s commitment to further financial reform and openness has not been disrupted by the recent trade war and RMB depreciation.</p>
CMD	<p>Growth-related commodities including base metals and energy are being embroiled in the latest US-Sino trade tariff move, with Brent and copper falling 0.36% and 0.07%, respectively.</p>

Major Markets

- **US:** Wall Street closed higher on Friday on strong job growth data. The Dow added 0.41% to close up at 24456.48. The S&P500 rose 0.85% while the Nasdaq composite gained 1.34%. The VIX Index fell to 13.37 on Friday, as compared to 14.97 on Thursday. The 2y yield fell to 2.537% (+1.4bp), while the 10y yield dropped to 2.822%.
- **Singapore:** The STI retreated 1.99% to close down at 3191.82 (breaking the 3200 support and now at its lowest since May17) on Friday as both bank and property stocks took a hit post-additional ABSD and LTV cooling measures the day before. Despite a higher close for Wall Street on Friday, weak morning cues from Kospi could mean a soft start for the STI this week as well. STI's support is at 3175 and resistance at 3220. With the sustained UST curve flattening, SGS bond yields also fell on Friday, led by the longer-dated tenors, which saw the 2-10 year curve also flattening to 53bps.
- **Malaysia:** Foreign holdings of Malaysian government and corporate bonds and bills dropped by 3.5% in June 2018 from the previous month, the lowest since April 2017, according to central bank data. Finance Minister Lim Guan Eng has said that Malaysia "will keep to our (Malaysia) end of the bargain" regarding the Singapore-Malaysia water deal. He also said that the HSR between Singapore and Malaysia can go ahead if the cost was significantly reduced from the current estimate of RM110bn. Lim said that he has given his ministry 100 days up to the middle of August to clear through questionable deals agreed by the previous government. On other items, the country's foreign reserves fell to US\$104.7bn as of 29th June 2018 (14th June 2018: US\$107.9bn) as the ringgit continues to be under pressure. Meanwhile, sovereign wealth fund Khazanah will also seek further clarification from the government on its investment mandate after Prime Minister Mahathir Mohamad said that Khazanah "should go back to its original purpose" of helping Bumiputeras.
- **Indonesia:** Foreign reserves continued to fall in June to US\$119.8bn (May 2018: US\$122.9bn) as the rupiah continues to be under pressure and ended last week at 14,370 against the US dollar.
- **Commodities:** Despite China's proposed move to restrict soybean imports from the US, soybean futures recovered strongly (+4.5%) as prices have gotten so cheap that US-led soybean exports saw increased buying from other countries. Increases were reported for Netherlands, Pakistan, Bangladesh, Germany and Japan, which collectively surged 57% from the previous week as of 22-28 June, and 78% from the prior 4-week average. Palm oil prices however, continue to decline likely as global grain importers preferred cheaper soybeans instead seen from the latest soybean import data.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened last Friday, with swap rates for the shorter tenors trading 3-4bps lower while the longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 18bps to 569bps. 10Y UST yields fell 4bps to 2.81%, its lowest in 5.5 weeks after the US Average Hourly Earnings data came in weaker than expected. Yields subsequently recovered 1bps towards the end of the trading session to close at 2.82%.
- **New Issues:** There were no new issuances over 6 July 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.963	-0.46%	USD-SGD	1.3580	-0.51%
USD-JPY	110.470	-0.15%	EUR-SGD	1.5953	-0.01%
EUR-USD	1.1746	0.47%	JPY-SGD	1.2293	-0.33%
AUD-USD	0.7430	0.58%	GBP-SGD	1.8041	-0.03%
GBP-USD	1.3283	0.46%	AUD-SGD	1.0091	0.08%
USD-MYR	4.0400	-0.07%	NZD-SGD	0.9276	0.13%
USD-CNY	6.6427	0.09%	CHF-SGD	1.3724	-0.13%
USD-IDR	14375	-0.13%	SGD-MYR	2.9685	0.13%
USD-VND	23035	-0.04%	SGD-CNY	4.8912	0.56%

Equity and Commodity

Index	Value	Net change
DJIA	24,456.48	99.74
S&P	2,759.82	23.21
Nasdaq	7,688.39	101.96
Nikkei 225	21,788.14	241.15
STI	3,191.82	-64.89
KLCI	1,663.86	-26.79
JCI	5,694.91	-44.42
Baltic Dry	1,622.00	10.00
VIX	13.37	-1.60

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	0.0010	O/N	1.9256	-0.0025
2M	-0.3360	0.0010	1M	2.0863	-0.0109
3M	-0.3210	--	2M	2.1694	-0.0082
6M	-0.2700	-0.0010	3M	2.3314	-0.0072
9M	-0.2180	--	6M	2.5081	-0.0121
12M	-18.1%	--	12M	277.4%	-1.0%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (-0.04)	2.54 (-0.01)
5Y	2.15 (-0.06)	2.72 (-0.01)
10Y	2.41 (-0.05)	2.82 (-0.01)
15Y	2.65 (-0.06)	--
20Y	2.67 (-0.07)	--
30Y	2.76 (-0.07)	2.93 (-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	18.6%	18.6%	0.0%	0.0%	0.0%
09/26/2018	81.6%	67.2%	14.4%	0.0%	0.0%
11/08/2018	82.6%	64.5%	17.3%	0.8%	0.0%
12/19/2018	92.4%	37.9%	44.0%	10.1%	0.4%
01/30/2019	93.2%	34.9%	43.4%	13.5%	1.4%
03/20/2019	96.2%	22.5%	39.6%	26.7%	6.7%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.06	0.11
EURIBOR-OIS	3.81	0.03
TED	39.10	0.99

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.80	1.18%	Coffee (per lb)	1.141	4.54%
Brent (per barrel)	77.11	-0.36%	Cotton (per lb)	0.8445	3.04%
Heating Oil (per gallon)	2.1684	-0.47%	Sugar (per lb)	0.1151	0.26%
Gasoline (per gallon)	2.1085	-0.98%	Orange Juice (per lb)	1.6875	-0.21%
Natural Gas (per MMBtu)	2.8580	0.74%	Cocoa (per mt)	2,465	-0.68%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,225.8	-0.07%	Wheat (per bushel)	5.1525	1.93%
Nickel (per mt)	13,860.5	-1.80%	Soybean (per bushel)	8.945	4.53%
Aluminium (per mt)	2,111.3	0.30%	Corn (per bushel)	3.6025	2.27%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,255.8	-0.24%	Crude Palm Oil (MYR/MT)	2,266.0	-0.79%
Silver (per oz)	16.069	-0.17%	Rubber (JPY/KG)	171.4	1.12%

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	
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	--	\$1258.7b	\$1254.5b	--
07/06/2018 08:00	JN Labor Cash Earnings YoY	May	0.90%	2.10%	0.80%	0.60%
07/06/2018 13:00	JN Leading Index CI	May P	106.6	106.9	106.2	--
07/06/2018 13:00	JN Coincident Index	May P	116.1	116.1	117.5	--
07/06/2018 13:32	PH Foreign Reserves	Jun	--	\$77.7b	\$79.0b	\$79.2b
07/06/2018 14:00	GE Industrial Production SA MoM	May	0.30%	2.60%	-1.00%	-1.30%
07/06/2018 14:30	AU Foreign Reserves	Jun	--	A\$75.8b	A\$82.5b	--
07/06/2018 14:45	FR Trade Balance	May	-5050m	-6005m	-4954m	-5210m
07/06/2018 15:00	MA Foreign Reserves	Jun-29	--	\$104.7b	\$107.9b	--
07/06/2018 15:30	UK Halifax House Prices MoM	Jun	0.20%	0.30%	1.50%	1.70%
07/06/2018 15:30	TH Foreign Reserves	Jun-29	--	\$206.8b	\$209.7b	--
07/06/2018 16:00	IT Retail Sales MoM	May	0.50%	0.80%	-0.70%	-0.60%
07/06/2018 16:00	IT Retail Sales YoY	May	--	0.40%	-4.60%	--
07/06/2018 16:30	HK Foreign Reserves	Jun	--	\$431.9b	\$432.1b	--
07/06/2018 18:24	ID Foreign Reserves	Jun	--	\$119.80b	\$122.90b	--
07/06/2018 20:30	CA Int'l Merchandise Trade	May	-2.20b	-2.77b	-1.90b	-1.86b
07/06/2018 20:30	US Trade Balance	May	-\$43.6b	-\$43.1b	-\$46.2b	-\$46.1b
07/06/2018 20:30	CA Net Change in Employment	Jun	20.0k	31.8k	-7.5k	--
07/06/2018 20:30	US Change in Nonfarm Payrolls	Jun	195k	213k	223k	244k
07/06/2018 20:30	CA Unemployment Rate	Jun	5.80%	6.00%	5.80%	--
07/06/2018 20:30	CA Full Time Employment Change	Jun	30	9.1	-31	--
07/06/2018 20:30	US Change in Manufact. Payrolls	Jun	15k	36k	18k	19k
07/06/2018 20:30	CA Part Time Employment Change	Jun	-10	22.7	23.6	--
07/06/2018 20:30	US Unemployment Rate	Jun	3.80%	4.00%	3.80%	--
07/06/2018 20:30	CA Participation Rate	Jun	65.4	65.5	65.3	--
07/06/2018 20:30	US Average Hourly Earnings MoM	Jun	0.30%	0.20%	0.30%	--
07/06/2018 20:30	US Average Hourly Earnings YoY	Jun	2.80%	2.70%	2.70%	--
07/06/2018 22:00	CA Ivey Purchasing Managers Index SA	Jun	--	63.1	62.5	--
07/09/2018 07:50	JN BoP Current Account Balance	May	¥1266.0b	--	¥1845.1b	--
07/09/2018 07:50	JN BoP Current Account Adjusted	May	¥1184.8b	--	¥1885.5b	--
07/09/2018 07:50	JN Trade Balance BoP Basis	May	-¥483.1b	--	¥573.8b	--
07/09/2018 07:50	JN Bank Lending Incl Trusts YoY	Jun	--	--	2.00%	--
07/09/2018 12:30	JN Bankruptcies YoY	Jun	--	--	-4.36%	--
07/09/2018 14:00	GE Trade Balance	May	20.2b	--	20.4b	20.1b
07/09/2018 14:00	GE Current Account Balance	May	19.8b	--	22.7b	--
07/09/2018 14:00	GE Exports SA MoM	May	0.70%	--	-0.30%	--
07/09/2018 14:00	GE Imports SA MoM	May	-0.50%	--	2.20%	2.60%
07/09/2018 14:30	FR Bank of France Ind. Sentiment	Jun	100	--	100	--
07/09/2018 16:00	TA Trade Balance	Jun	\$5.03b	--	\$4.41b	--
07/09/2018 16:00	TA Exports YoY	Jun	8.90%	--	14.20%	--
07/09/2018 16:00	TA Imports YoY	Jun	15.40%	--	12.00%	--
07/09/2018 17:00	SI Foreign Reserves	Jun	--	--	\$287.92b	--
07/09/2018	CH Foreign Reserves	Jun	\$3101.80b	--	\$3110.62b	--
07/09/2018	ID Consumer Confidence Index	Jun	--	--	125.1	--
07/06/2018 07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	2.50%	--

Source: Bloomberg

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