

Highlights

Global	<p>Risk appetite took a plunge overnight, amid market-watchers' concern that little efforts are made to resolve the ongoing US-Sino trade spat. Coupled with US announcement of an additional 10% tariff on \$200bn worth of Chinese imports, investors' likely took further pessimism on news that formal negotiations have petered out. Note that the US and China now have about 7 weeks to form an agreement, or risk an escalation of a trade war. Still, the reduction of additional tariff rate from 25% in the first round to 10% in the second round shows that the Trump administration wants to minimize the impact of trade war on end consumers. In our view, the further escalation of trade war is mutually destructive given the higher US consumer prices as a result of import tariffs, which in turn could fuel risk of a faster-than-expected Fed rate hike in the foreseeable horizon. The escalation also leads to concerns among Republican lawmakers with the Senate approving a motion calling for Congress to have a role in tariff decisions. However, as it is non-binding, the impact is unlikely to be significant at the current stage. Elsewhere, the Bank of Canada hiked its benchmark rate by 25bps to 1.50% as widely expected while raising 2Q18 growth outlook to 2.8% (up from 2.5%) while inflation is expected to accelerate to 2.5% into 2018. Governor Poloz however cited concerns over the mounting trade tensions were the biggest issue and can have a significant impact on investment and exports. Bank Negara Malaysia (BNM) left rates unchanged at 3.25% as widely expected, with policy-makers citing "the growth outlook will be further supported with greater certainty in domestic policy in the coming months".</p> <p>For today, watch out for BOK (likely static) amid a chain of industrial production and inflation prints out from Europe later. US initial jobless claims, wage growth and domestic prices prints will also be important to gauge the pace of inflation and labour conditions as well.</p>
CN	<p>Although China's reaction towards the another US tariff on US\$200 billion goods was muted only saying that it will take necessary actions to protect its own rights without specifying the details about retaliation, market has reacted strongly with RMB depreciation accelerated again.</p>
MA	<p>BNM held the OPR at 3.25% as expected after yesterday's monetary policy committee meeting. In the monetary policy statement, the central bank made mention that it expects a positive growth performance to be sustained and "driven by both domestic and external demand" and for the economy to "remain on a steady growth path".</p>
KR	<p>The Bank of Korea is slated to meet later today, and is expected to keep rates at 1.50%. Inflation has been subdued in 1H (average 1.4%) and below BOK's 2.0% target. Korea's growth outlook is seen to moderate into 2H18, following June's relatively weak trade and manufacturing PMI data.</p>
CMD	<p>Crude oil prices fell broadly overnight, with WTI and Brent falling 5.0% and 6.9%, respectively and marks Brent's sharpest fall since Sep 2016. The intensification of risk aversion seen overnight is likely the key drag for commodity prices, especially seen in lower base metal prices as well. The dollar also rose strongly as well, contributing to the fall in dollar-denominated commodities. The precious metal space, especially seen in gold and silver, declined 0.88% and 1.68%, respectively.</p>

Major Market

- **Wall Street:** US equities fell on Wednesday as energy shares took a hit. The Dow lost 0.88% to close lower at 24,700.5. The S&P500 (-0.71%) declined to 2,774.0, while the Nasdaq composite (-0.55%) dropped to 7,716.6. The VIX Index rose to 13.63 on Wednesday, as compared to 12.64 on Tuesday. On the Treasury front, the 2y yield climbed to 2.578% (+0.8bp), while the 10y yield remained static at 2.849%.
- **Singapore:** The STI retreated 0.79% to close down at 3,249.09 yesterday. The decline was led by Golden Agri-Resources (-6.90%), Venture Corp (-4.03%) and Hutchison Port Holdings (-3.45%), only slightly cushioned by gains in CapitaLand Mall Trust and Jardine Strategic Holdings, rising by 0.96% and 0.76%, respectively.
- **China:** The USDCNH broke 6.70 overnight. The RMB index is likely to fall to 94.50 range this morning from 95.01 yesterday. Should RMB index decline at faster than expected pace, the launch of counter cyclical factors cannot be ruled out. So market should watch out for RMB index closely.
- **Malaysia:** BNM added that “the growth outlook will be further supported with greater certainty in domestic policy in the coming months”. It also expected that headline inflation may turn negative in some months and remain low in the first half of 2019 but that this is due to transitory effects. They added that “the ringgit exchange rate would be more reflective of the underlying fundamentals of the economy when the external and domestic uncertainties recede”. Going forward, we expect that BNM would hold the rate for the rest of this year as it may choose to continue to remain cautious and monitor the situation as there is little immediate need just yet to move the rates.
- **Indonesia:** According to Bloomberg, Industry Minister Airlangga Hartarto said that the government is reviewing the main commodities that are imported from China but “at the moment the key issue is steel”. He reportedly also said that Chinese exporters were “adding some materials” to ordinary carbon steel and categorizing it as alloy, which has a lower tariff and that this is the kind of thing they would like to review.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was stable at 147bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 11bps to 582bps. 10Y UST yields rose 2bps to 2.86% in the earlier part of the trading session due to strong investor demand for the sale of the USD22bn 10-year notes by the US Treasury Department on Wednesday. Yields subsequently fell 3bps to 2.83% as growing trade tensions between China and the United States spurred demand for safe havens before recovering 2bps to close at 2.85%.
- **New Issues:** Agile Group Holdings Ltd has priced a USD200mn 3NC2 bond (guaranteed by certain restricted subsidiaries of Agile Group Holdings Ltd outside of the PRC) at 8.5%, in line with its initial price guidance. CDBL Funding 2 has priced a USD500mn 3-year FRN (guaranteed by Metro Excel Ltd, keepwell and asset purchase deed provider: China Development Bank Financial Leasing Co Ltd) at 3mL+115bps, tightening from its initial price guidance of 3mL+140bps area. American Honda Finance Corp has priced a USD1.75bn deal across three tranches, with the USD500mn 2-year

bond priced at CT2+50bps, tightening from its initial price guidance of CT2+60bps area; the USD750mn 2-year FRN priced at 3mL+26bps, in line with its initial price guidance and the USD500mn 5-year bond priced at CT5+75bps, tightening from its initial price guidance of CT5+85-90bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.719	0.60%	USD-SGD	1.3642	0.52%
USD-JPY	112.010	0.91%	EUR-SGD	1.5925	-0.09%
EUR-USD	1.1674	-0.60%	JPY-SGD	1.2180	-0.38%
AUD-USD	0.7366	-1.25%	GBP-SGD	1.8014	-0.02%
GBP-USD	1.3205	-0.53%	AUD-SGD	1.0050	-0.72%
USD-MYR	4.0370	0.37%	NZD-SGD	0.9221	-0.63%
USD-CNY	6.6826	0.73%	CHF-SGD	1.3698	0.12%
USD-IDR	14385	0.13%	SGD-MYR	2.9636	-0.09%
USD-VND	23045	0.02%	SGD-CNY	4.9105	0.33%

Equity and Commodity

Index	Value	Net change
DJIA	24,700.45	-219.21
S&P	2,774.02	-19.82
Nasdaq	7,716.61	-42.59
Nikkei 225	21,932.21	-264.68
STI	3,249.08	-25.75
KLCI	1,688.77	1.64
JCI	5,893.36	11.60
Baltic Dry	1,555.00	--
VIX	13.63	0.99

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9193	--
2M	-0.3360	--	1M	2.0665	--
3M	-0.3210	--	2M	2.1671	--
6M	-0.2690	--	3M	2.3374	--
9M	-0.2170	--	6M	2.5119	--
12M	-18.0%	--	12M	278.1%	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.87 (-0.02)	2.58 (+0.01)
5Y	2.15 (-0.02)	2.75 (--)
10Y	2.42 (-0.02)	2.85 (--)
15Y	2.64 (-0.03)	--
20Y	2.66 (-0.03)	--
30Y	2.74 (-0.03)	2.95 (--)

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	86.2%	72.4%	13.8%	0.0%	0.0%
11/08/2018	86.6%	70.8%	15.4%	0.4%	0.0%
12/19/2018	94.8%	35.6%	49.3%	9.6%	0.2%
01/30/2019	95.2%	33.2%	48.2%	12.8%	1.0%
03/20/2019	97.5%	19.6%	41.0%	29.8%	6.6%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	37.77	0.03
EURIBOR-OIS	3.76	-0.07
TED	37.86	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	70.38	-5.03%	Copper (per mt)	6,048.4	-3.38%
Brent (per barrel)	73.40	-6.92%	Nickel (per mt)	13,789.0	-1.96%
Heating Oil (per gallon)	2.1008	-5.45%	Aluminium (per mt)	2,100.5	-0.78%
Gasoline (per gallon)	2.0614	-4.58%			
Natural Gas (per MMBtu)	2.8290	1.47%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,204.0	-2.43%
Gold (per oz)	1,244.4	-0.88%	Rubber (JPY/KG)	172.0	-0.69%
Silver (per oz)	15.817	-1.68%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/11/2018 07:00	SK Unemployment rate SA	Jun	3.90%	3.70%	4.00%	--
07/11/2018 07:50	JN PPI YoY	Jun	2.80%	2.80%	2.70%	--
07/11/2018 07:50	JN Core Machine Orders MoM	May	-4.90%	-3.70%	10.10%	--
07/11/2018 08:30	AU Westpac Consumer Conf SA MoM	Jul	--	3.90%	0.30%	--
07/11/2018 09:30	AU Home Loans MoM	May	-2.00%	1.10%	-1.40%	-0.90%
07/11/2018 12:30	JN Tertiary Industry Index MoM	May	-0.30%	0.10%	1.00%	--
07/11/2018 15:00	MA BNM Overnight Policy Rate	Jul-11	3.25%	3.25%	3.25%	--
07/11/2018 19:00	US MBA Mortgage Applications	Jul-06	--	2.50%	-0.50%	--
07/11/2018 20:30	US PPI Final Demand MoM	Jun	0.20%	0.30%	0.50%	--
07/11/2018 20:30	US PPI Ex Food and Energy MoM	Jun	0.20%	0.30%	0.30%	--
07/11/2018 20:30	US PPI Final Demand YoY	Jun	3.10%	3.40%	3.10%	--
07/11/2018 20:30	US PPI Ex Food and Energy YoY	Jun	2.60%	2.80%	2.40%	--
07/11/2018 22:00	CA Bank of Canada Rate Decision	Jul-11	1.50%	1.50%	1.25%	--
07/11/2018 22:00	US Wholesale Inventories MoM	May F	0.50%	0.60%	0.50%	--
07/12/2018 06:45	NZ Food Prices MoM	Jun	--	0.50%	0.00%	--
07/12/2018 07:01	UK RICS House Price Balance	Jun	-4%	2%	-3%	-2%
07/12/2018 07:50	JN Japan Buying Foreign Bonds	Jul-06	--	--	¥293.4b	--
07/12/2018 07:50	JN Japan Buying Foreign Stocks	Jul-06	--	--	¥984.9b	--
07/12/2018 07:50	JN Foreign Buying Japan Bonds	Jul-06	--	--	¥951.2b	--
07/12/2018 07:50	JN Foreign Buying Japan Stocks	Jul-06	--	--	¥299.8b	--
07/12/2018 12:00	MA Industrial Production YoY	May	3.00%	--	4.60%	--
07/12/2018 13:00	SI Retail Sales SA MoM	May	--	--	-0.20%	--
07/12/2018 13:00	SI Retail Sales YoY	May	0.50%	--	0.40%	--
07/12/2018 14:00	GE CPI MoM	Jun F	0.10%	--	0.10%	--
07/12/2018 14:00	GE CPI YoY	Jun F	2.10%	--	2.10%	--
07/12/2018 14:00	GE CPI EU Harmonized MoM	Jun F	0.10%	--	0.10%	--
07/12/2018 14:00	GE CPI EU Harmonized YoY	Jun F	2.10%	--	2.10%	--
07/12/2018 14:45	FR CPI EU Harmonized MoM	Jun F	0.10%	--	0.10%	--
07/12/2018 14:45	FR CPI EU Harmonized YoY	Jun F	2.40%	--	2.40%	--
07/12/2018 14:45	FR CPI MoM	Jun F	0.10%	--	0.10%	--
07/12/2018 14:45	FR CPI YoY	Jun F	2.10%	--	2.10%	--
07/12/2018 17:00	EC Industrial Production SA MoM	May	1.20%	--	-0.90%	--
07/12/2018 20:00	IN CPI YoY	Jun	5.30%	--	4.87%	--
07/12/2018 20:00	IN Industrial Production YoY	May	4.50%	--	4.90%	--
07/12/2018 20:30	CA Teranet/National Bank HPI MoM	Jun	--	--	1.00%	--
07/12/2018 20:30	US Initial Jobless Claims	Jul-07	225k	--	231k	--
07/12/2018 20:30	CA New Housing Price Index MoM	May	0.10%	--	0.00%	--
07/12/2018 20:30	US Continuing Claims	Jun-30	1730k	--	1739k	--
07/12/2018 20:30	US CPI MoM	Jun	0.20%	--	0.20%	--
07/12/2018 20:30	US CPI Ex Food and Energy MoM	Jun	0.20%	--	0.20%	--
07/12/2018 20:30	US CPI YoY	Jun	2.90%	--	2.80%	--
07/12/2018 20:30	US CPI Ex Food and Energy YoY	Jun	2.30%	--	2.20%	--
07/12/2018 21:45	US Bloomberg Consumer Comfort	Jul-08	--	--	57.6	--
07/12/2018	SK BoK 7-Day Repo Rate	Jul-12	1.50%	--	1.50%	--
07/12/2018 07/15	CH Money Supply M1 YoY	Jun	5.90%	--	6.00%	--
07/12/2018 07/15	CH Money Supply M2 YoY	Jun	8.40%	--	8.30%	--
07/12/2018 07/15	CH Aggregate Financing CNY	Jun	1400.0b	--	760.8b	--
07/12/2018 07/15	CH New Yuan Loans CNY	Jun	1535.0b	--	1150.0b	--
07/12/2018 07/15	CH Money Supply M0 YoY	Jun	3.50%	--	3.60%	--
07/12/2018 07/16	NZ REINZ House Sales YoY	Jun	--	--	1.30%	--

Source: Bloomberg

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