

Highlights

Global	Wall Street climbed, led by tech stocks, as investors focused on earnings season starting this week. Fed chair Powell's comments that the US economy is in "a really good place" and he's "very pleased" with the results of gradual rate hikes, and amid hopes that US and China will resume trade talks. This comes after a Federal Reserve Bank of St Louis economist also warned that the trade war may raise costs and result in higher prices for the US. Meanwhile, US president Trump reaffirmed his commitment to a strong NATO, but rebuffed UK PM May. Over in Asia, BOK kept rates unchanged at 1.5% as expected. Expect Asian markets to trade in a range today, awaiting US earnings and China's trade data. Other economic data to watch includes China's new yuan loans data, Fed's monetary report to Congress, US' University of Michigan sentiments, existing homes and import prices, Japan's industrial production, and Thai foreign reserves. Fed's Bostic is also speaking.
US	US' CPI rose 0.1% mom (below market expectations for +0.2% mom) but met expectations for a 2.9% yoy print in June. Core CPI rose 2.3% yoy (0.2% mom) in line with market forecasts. Meanwhile, initial jobless claims fell 18k to 214k. This set of CPI data reinforces the view that inflation is not accelerating rapidly and the FOMC could afford to wait and see after the anticipated September hike. Powell had also commented that "we are hearing a rising level of concern about the effects of changes in trade policy" and "it's very difficult to predict how it turns out and we'll just have to see".
SG	The S'pore economy moderated to 3.8% yoy (1.0% qoq saar) in 2Q18 based on advanced estimates. This is below our expectations for 4.0% yoy (0.9% qoq saar) and market consensus forecast of 4.1%, as well as a moderation from 1Q18 GDP growth of 4.4% yoy (1.7% qoq saar). For now, we retain our 2018 GDP growth forecast of 3.0% yoy, but there is downside risk of around 0.3% points to bring it to 2.7% yoy (as highlighted in our trade tension deck). Meanwhile, GIC warned that "trade frictions, investment restrictions clearly will cause problems for companies, which is where we get our return" and tips lower returns for the coming few years.
CH	China's utilised foreign direct investment (FDI) increased by 5.8% yoy in June. For the first half of 2018, FDI increased by 1.1% yoy. Meanwhile, profit from state-owned enterprise surged by 26.4% yoy in June, highest single month growth in record.
KR	The Bank of Korea left interest rates unchanged at 1.50%, while downgrading its growth outlook to 2.9% into 2018 (and 2.8% into 2019). The central bank cited that uncertainties remained "high", while considering that inflation pressures "aren't big on the demand side".
CMD	Some short-covering behaviour was seen in the commodity complex, with Brent rising overnight after its 6.9% fall the trading day before, although WTI prices continue to point south to close \$70.33/bbl. Base metals also staged a comeback, suggesting that the selloff was a tad extreme as led by concerns over further trade war escalation. Note that oil prices could continue to point lower into today, following news that Libya is set to ramp up supplies as production restarts from its Ras Lanuf port.

Major Market

- **US:** Wall Street made gains on Thursday on the back of strong technology stocks, pushing the tech-rich Nasdaq composite to close up to a record high at 7,823.92 (+1.39%). The S&P500 rose to 2,798.29 (+0.87%), while the Dow added 0.91% to edge higher at 24,924.89. The VIX Index declined to 12.58 on Thursday, as compared to 13.63 on Wednesday. On the Treasury front, the 2y yield climbed to 2.586% (+0.8bp), while the 10y yield fell by 0.4bp to 2.845%.
- **Singapore:** Manufacturing growth slowed to 8.6% yoy but shrank 0.1% qoq in 2Q, down from 9.7% yoy (21.3% qoq) in 1Q18. The key difference was that the biomedical manufacturing clusters, in addition to the electronics sector, contributed the most to the sector's growth. Services growth also eased from 4.0% yoy (-1.4% qoq) in 1Q to 3.4% yoy (2.5% qoq) in 2Q, whereas construction remained the laggard to continue to contract by 4.4% yoy (-14.6% qoq) amid sustained weakness in private sector construction activities". This brings the first half growth to around 4.1% yoy, which assuming that growth momentum continues to decelerate to around the 2% yoy, will still see full-year GDP growth close to the 3% yoy handle. The six-million dollar question remains if the ongoing US-Sino trade war will escalate or de-escalate in the coming months and if the next leg of the US\$200b tariff list by the US will materialise after the public comment period ends in August. If so, there could be further dampening effects on business and consumer sentiments into 3Q18.
- The STI added 0.12% to close up at 3253.01 yesterday, but may range-trade today awaiting further market cues. Despite a positive cue from Wall Street overnight, a mixed morning performance by Nikkei and Kospi may see the STI stuck in a 3220-3280 in the interim. With UST bonds paring losses overnight, the SGS bonds, which had steepened yesterday, may also tread water today.
- **Korea:** The Bank of Korea kept its benchmark rate unchanged at 1.50% as widely expected. The unanimous vote amongst policy-makers to keep rates flat signals the pressing need to keep the policy rate accommodative especially given the heightened trade war concerns amid a moderating domestic economy. This is starkly different from BOK's April meeting where two dissenters signalled that interest rates should be increased to minimise the risk of financial instability. Note that BOK governor Lee Ju-yeol commented that uncertainties remained "high", while considering that inflation pressures "aren't big on the demand side".
- We note that the official rhetoric is relatively bearish in fashion, owing to official highlights that Korea's labour market remains weak amid slowing investment activities. Meanwhile, we note that incoming economic data since 2Q18 showed that exports and manufacturing PMI prints were disappointing, and could further exacerbate should trade issues worsen in the foreseeable future. To give more colour on the extent of economic woes Korea could face should trade issues worsen, 79% of all Korea's exports to China are intermediate goods in nature, while China is Korea's biggest export market accounting for 24% of total exports.
- While the Bank of Korea has refrained in moving rates, policy-makers downgraded its 2018 growth outlook to 2.9% (down from 3.0%) while citing GDP to potentially slow to 2.8% into 2019. 1Q18 GDP growth pace was a tad lower at 2.8%, while incoming export prints at -0.1% y/y in June underscored potential external environment woes given the high base year seen in 2017. Inflation was also been disappointing at an average of 1.4% in 1H18, below BOK's target of 2.0%. In a nutshell, we note that the downside risks to headline growth and inflation have intensified in recent months, while BOK's growth downgrade reinforces the downside risks already present to-date.

- **Malaysia:** Finance Minister Lim Guan Eng has announced the cost of the LRT3 project will be reduced to RM16.63bn or 47% from the initial cost. This would essentially mean six fewer stations and the project completion would be delayed from 2020 to 2024. Meanwhile, the Minister for Energy, Green Technology, Science and Climate Change Yeo Bee Yin has said that domestic users will not need to pay higher electricity tariffs until December as the cost hike will be staved off with a RM114m subsidy from the government. The required funds for this subsidy would be sourced from a RM760m Government's Electricity Supply Industry Fund.
- **Indonesia:** The House Commission VI overseeing industry affairs agreed to financially support the development of Industry 4.0 with an additional Rp 2.57 trillion (US\$178 million) for additional initiatives. Industry Minister Airlangga Hartarto has said the funds will be used to help adjust five industry segments — textile, garment, automotive, electronics and chemical — to face the so-called fourth industrial revolution triggered by the growing digital economy.
- **Macau:** Housing transactions dropped for the third consecutive month by 33.7% yoy to 1039 deals in May. During the same month, the approved new mortgage loans slid 14.7% yoy to MOP4.9 billion, ending the uptrend over the past four months. Nevertheless, average housing prices rose 10% mom and 16.5% YTD to MOP113,105/square meter. Recent housing measures appeared to have been effectively damped the demand from second-home buyers and the speculators. As a result, housing transactions remained muted. This adds to HIBOR's recent uptrend in taming mortgage demand. Meanwhile, recent housing measures have deterred homeowners from selling their property in the secondary market and encouraged first-home local buyers to enter the market. Limited supply combined with strong demand from first-home local buyers led to a gradual increase in housing prices. The increasing construction costs also pushed up new home prices and exerted spill-over effect to the secondary market. Moving ahead, private housing completions and housing starts dropped by 28% yoy and 68% yoy respectively to 469 units and 940 units over the first five months. We expect housing transactions to remain benign and housing prices to stay elevated.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-4bps higher (with the exception of the 30-year swap rates trading 6bps higher). 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 tightened 24bps to 558bps. 10Y UST yields rose 2bps to 2.87% as demand for equities rebounded with investors hoping for strong US corporate earnings. However, yields subsequently fell by 3bps to 2.84% after the release of the June CPI data which came in weaker-than-expected. 10Y UST yields rose 1bps to close at 2.85% as core CPI rate which reflects the underlying inflation trend remained modest and in line with expectations.
- **New Issues:** Korea East-West Power Co Ltd has priced a USD500mn 5-year sustainability bond at CT5+122.5bps, tightening from its initial price guidance of CT5+145bps area. Sumitomo Mitsui Financial Group Inc has priced a USD2bn deal across three tranches, with the USD750mn 5-year bond priced at CT5+100bps, tightening from its initial price guidance of CT5+115bps area; the USD500mn 5-year

FRN priced at 3mL+86bps, in line with the initial price guidance and the USD750mn 10-year bond at CT10+110bps, tightening from its initial price guidance of CT10+130bps area. KEB Hana Bank has priced a USD315mn 5-year FRN at 3mL+80bps, tightening from its initial price guidance of 3mL+80-85bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.827	0.11%	USD-SGD	1.3632	-0.07%
USD-JPY	112.550	0.48%	EUR-SGD	1.5911	-0.09%
EUR-USD	1.1672	-0.02%	JPY-SGD	1.2114	-0.54%
AUD-USD	0.7408	0.57%	GBP-SGD	1.8003	-0.06%
GBP-USD	1.3206	0.01%	AUD-SGD	1.0099	0.49%
USD-MYR	4.0410	0.10%	NZD-SGD	0.9245	0.26%
USD-CNY	6.6678	-0.22%	CHF-SGD	1.3600	-0.72%
USD-IDR	14390	0.03%	SGD-MYR	2.9661	0.08%
USD-VND	23046	0.00%	SGD-CNY	4.8939	-0.34%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9183	--
2M	-0.3360	--	1M	2.0743	--
3M	-0.3210	--	2M	2.1729	--
6M	-0.2710	--	3M	2.3370	--
9M	-0.2170	--	6M	2.5124	--
12M	-17.9%	--	12M	277.8%	--

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	87.0%	69.2%	17.0%	0.8%	0.0%
12/19/2018	94.9%	35.2%	48.6%	10.6%	0.5%
01/30/2019	95.3%	32.8%	47.5%	13.6%	1.3%
03/20/2019	97.6%	18.8%	40.2%	30.6%	7.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	70.33	-0.07%	Copper (per mt)	6,122.2	1.22%
Brent (per barrel)	74.45	1.43%	Nickel (per mt)	14,100.0	2.26%
Heating Oil (per gallon)	2.1231	1.06%	Aluminium (per mt)	2,092.8	-0.37%
Gasoline (per gallon)	2.0717	0.50%			
Natural Gas (per MMBtu)	2.7970	-1.13%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,186.0	-0.82%
			Rubber (JPY/KG)	172.6	0.35%
Precious Metals	Futures	% chg			
Gold (per oz)	1,246.6	0.18%			
Silver (per oz)	15.977	1.01%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,924.89	224.44
S&P	2,798.29	24.27
Nasdaq	7,823.92	107.31
Nikkei 225	22,187.96	255.75
STI	3,253.01	3.93
KLCI	1,703.57	14.80
JCI	5,907.87	14.51
Baltic Dry	1,586.00	--
VIX	12.58	-1.05

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (+0.01)	2.59 (+0.01)
5Y	2.16 (--)	2.75 (--)
10Y	2.43 (+0.01)	2.85 (--)
15Y	2.67 (+0.03)	--
20Y	2.69 (+0.03)	--
30Y	2.77 (+0.03)	2.95 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	37.30	-0.47
EURIBOR-OIS	3.80	0.04
TED	39.11	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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	--	¥817.9b	-¥293.4b	--
07/12/2018 07:50	JN Japan Buying Foreign Stocks	Jul-06	--	¥370.9b	¥984.9b	--
07/12/2018 07:50	JN Foreign Buying Japan Bonds	Jul-06	--	¥230.6b	¥951.2b	--
07/12/2018 07:50	JN Foreign Buying Japan Stocks	Jul-06	--	¥74.3b	-¥299.8b	--
07/12/2018 08:50	SK BoK 7-Day Repo Rate	Jul-12	1.50%	1.50%	1.50%	--
07/12/2018 12:00	MA Industrial Production YoY	May	3.00%	3.00%	4.60%	--
07/12/2018 13:00	SI Retail Sales SA MoM	May	--	0.10%	-0.20%	--
07/12/2018 13:00	SI Retail Sales YoY	May	0.50%	0.10%	0.40%	0.60%
07/12/2018 14:00	GE CPI MoM	Jun F	0.10%	0.10%	0.10%	--
07/12/2018 14:00	GE CPI YoY	Jun F	2.10%	2.10%	2.10%	--
07/12/2018 14:00	GE CPI EU Harmonized MoM	Jun F	0.10%	0.10%	0.10%	--
07/12/2018 14:00	GE CPI EU Harmonized YoY	Jun F	2.10%	2.10%	2.10%	--
07/12/2018 14:45	FR CPI EU Harmonized MoM	Jun F	0.10%	0.00%	0.10%	--
07/12/2018 14:45	FR CPI EU Harmonized YoY	Jun F	2.40%	2.30%	2.40%	--
07/12/2018 14:45	FR CPI MoM	Jun F	0.10%	0.00%	0.10%	--
07/12/2018 14:45	FR CPI YoY	Jun F	2.10%	2.00%	2.10%	--
07/12/2018 14:45	FR CPI Ex-Tobacco Index	Jun	103.15	103.07	103.06	--
07/12/2018 17:00	EC Industrial Production SA MoM	May	1.20%	1.30%	-0.90%	-0.80%
07/12/2018 17:00	EC Industrial Production WDA YoY	May	2.40%	2.40%	1.70%	--
07/12/2018 20:00	IN CPI YoY	Jun	5.28%	5.00%	4.87%	--
07/12/2018 20:00	IN Industrial Production YoY	May	4.40%	3.20%	4.90%	4.80%
07/12/2018 20:30	US Initial Jobless Claims	Jul-07	225k	214k	231k	232k
07/12/2018 20:30	CA New Housing Price Index MoM	May	0.10%	0.00%	0.00%	--
07/12/2018 20:30	US Continuing Claims	Jun-30	1730k	1739k	1739k	1742k
07/12/2018 20:30	US CPI MoM	Jun	0.20%	0.10%	0.20%	--
07/12/2018 20:30	US CPI Ex Food and Energy MoM	Jun	0.20%	0.20%	0.20%	--
07/12/2018 20:30	US CPI YoY	Jun	2.90%	2.90%	2.80%	--
07/12/2018 20:30	US CPI Ex Food and Energy YoY	Jun	2.30%	2.30%	2.20%	--
07/12/2018 21:45	US Bloomberg Consumer Comfort	Jul-08	--	58	57.6	--
07/13/2018 02:00	US Monthly Budget Statement	Jun	-\$80.0b	-\$74.9b	-\$90.2b	--
07/13/2018 05:00	SK Import Price Index YoY	Jun	--	10.90%	8.10%	--
07/13/2018 05:00	SK Export Price Index YoY	Jun	--	1.60%	0.10%	0.40%
07/13/2018 06:30	NZ BusinessNZ Manufacturing PMI	Jun	--	52.8	54.5	54.4
07/13/2018 08:00	SI GDP SAAR QoQ	2Q A	1.30%	1.00%	1.70%	1.50%
07/13/2018 08:00	SI GDP YoY	2Q A	4.10%	3.80%	4.40%	4.30%
07/13/2018 12:30	JN Industrial Production MoM	May F	--	--	-0.20%	--
07/13/2018 12:30	JN Industrial Production YoY	May F	--	--	4.20%	--
07/13/2018 12:30	JN Capacity Utilization MoM	May	--	--	1.80%	--
07/13/2018 15:30	TH Foreign Reserves	Jul-06	--	--	\$206.8b	--
07/13/2018 20:30	US Import Price Index MoM	Jun	0.10%	--	0.60%	--
07/13/2018 22:00	US U. of Mich. Sentiment	Jul P	98	--	98.2	--
07/13/2018	CH Trade Balance	Jun	\$27.72b	--	\$24.92b	--
07/13/2018	CH Exports YoY	Jun	9.50%	--	12.60%	--
07/13/2018	CH Imports YoY	Jun	21.30%	--	26.00%	--
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 New Yuan Loans CNY	Jun	1535.0b	--	1150.0b	--
07/13/2018 07/16	IN Exports YoY	Jun	--	--	20.20%	--
07/13/2018 07/16	IN Imports YoY	Jun	--	--	14.90%	--
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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