

Highlights

Global	<p>Further uptick in US equities overnight continue to paint a risk-taking environment, as market-watchers took optimism from Fed Chairman Jerome Powell's reiteration for more years of US economic growth. The recent Fed Beige book report also reconfirms the rosy picture, citing the expanding US economy and tighter labour market, although the lack of skilled workers and rising costs for raw materials may serve as a constraint to potential growth and potentially encourage inflationary pressures in the immediate horizon. However, Powell's statement is not all a bed roses per se; the central banker highlighted that a "protectionist economy is... less competitive (and) less productive... and is not a good thing if that's where this goes." Elsewhere, the disappointing UK inflation at 2.4% yoy (vs market estimate of 2.6%) saw the GBP depreciating to as low as 1.301 per USD as low inflationary pressures highlighted the need to keep policy rates accommodative. In Asia, the news that China instructed big banks to buy credit bonds directly against the backdrop of rising default risk and collapse of aggregate social financing may boost short term market sentiment. Although this is different from QE as PBoC will not underwrite the risk, the easing policy shows China may gradually shift its policy focus away from the de-leveraging.</p> <p>For today, watch out for Bank Indonesia's policy meeting, where policy-makers are expected to keep its policy parameters unchanged for now. Note that the central bank has already hiked three times this year to 5.25% in a move to defend the rupiah and encourage foreign capital inflow. US initial jobless claims and leading index will also be interesting to gauge market appetite into the trading week.</p>
CH	<p>Onshore news reported that PBoC has instructed big banks via window guidance to increase their support to meet funding demand via loan and investment in credit bonds. Additional medium term lending facility will be granted to banks which expands their net lending via 1 to 1 matching ratio. In addition, similar matching ratio will be granted to banks investing in investment grade credit bonds. Meanwhile, more incentives with 2 to 1 MLF matching ratio will be given to banks investing in high yield credit bonds with credit rating at AA+ and below.</p>
KR	<p>Official estimate for growth has been downgraded to 2.9%, versus its previous projection of 3.0% in 2018. The ministry cited that "exports excluding semiconductors are stagnant and investment is falling". The official growth downgrade is in line with Bank of Korea's recent growth downgrade to 2.9% in 2018 in its latest MPC meeting last week. Inflation pressures are also expected to weaken to 1.6% this year, down from an earlier estimate of 1.7%.</p>
ID	<p>BI's Board of Governors will release their policy decision today with our expectation that the benchmark rate will hold. Meanwhile, Finance Minister Sri Mulyani has said the realization of this year's energy subsidy is estimated to be 173 percent higher than the projection stated in the 2018 state budget. The energy subsidy is estimated to reach Rp163.5 trillion this year from an initial projection of Rp59.51 trillion.</p>

Major Market

- **US:** Wall Street was mostly up on Wednesday on the back of the Federal Reserve's optimism on US' economy growth as reflected in the newest edition of its Beige Book. The S&P500 reached a 5-month high on solid corporate earnings, adding 0.22% to close up at 2,815.62, while the Dow rose 0.32% to 25,199.29 on strong financial and industrial stocks. The Nasdaq composite closed marginally lower (-0.01%) on mixed tech equity performance. The VIX Index rose to 12.10 on Wednesday, as compared to 12.06 on Tuesday. On the Treasury front, the 2y yield fell to 2.609% (-0.6bp), and the 10y yield gained 0.9bp to 2.869%.
- **Singapore:** The STI gained 0.03% to close up at 3,240.50 yesterday. The gain was led by Keppel Corp (+2.54%), City Developments (+1.45%) and CapitaLand (+1.30%). On the other end of the equity market, Golden Agri-Resources, ComfortDelgro Corp and Hutchison Port Holdings saw losses of 3.57%, 2.14% and 1.79% respectively.
- **Malaysia:** Headline inflation came out at 0.8% yoy for June 2018 (May 2018: 1.8% yoy) which is the lowest since February 2015. This comes after the government brought GST down to zero percent starting from 1st June 2018. In its recent monetary policy statement, BNM had projected headline inflation for 2018 to be lower than it earlier forecasted, when "taking into consideration the impact of recent policy measures on domestic cost factors". However, the central bank had gone on to elaborate that these impacts are "transitory" and that it believes "headline inflation is likely to turn negative in some months and remain low in the first half of 2019 before trending upwards as these transitory effects lapse".
- **Hong Kong:** Fitch Ratings Inc. pointed out that banks in HK are facing increasing risks related to mainland-related businesses. As of the end of March, commercial banks' exposure to mainland-related companies increased 14% yoy to HK\$7.8 trillion. According to the data from HKMA, commercial banks' total mainland-related lending increased 15.8% yoy as of March end. The growth was slower than the 17.5% yoy as of end-2017. China's deleveraging campaign has increased the financing difficulties of the private-owned enterprises (POEs). As such, the funding demand of the POEs might have gradually shifted to HK. This is reflected in the faster growth of loans to mainland POEs from 21.8% yoy as of end-2017 to 22% yoy as of end-March 2018. Also, loans to mainland POEs accounted for a record 25% of total mainland-related lending while total mainland-related lending took up a record 46% of total loans and deposits as of end-March 2018. All in all, commercial banks in HK may have to be wary of risks given the increasing exposure to mainland-related businesses against the backdrop of slowing Chinese growth.
- **Commodities:** Some short-covering was seen in oil prices amid reaction to OPEC's lack of recommendation over how much increase in oil production will be coordinated amongst members. OPEC reaffirmed its compliance to its 2016 agreement to reduce production to 32.5 million barrels per day at 121%, and said that it will not "deviate from the 100% conformity" from its 23rd June deal. Elsewhere, news surrounding US lawmakers consideration to enact the "No Oil Producing and Exporting Cartels" (NOPEC) act is said to allow the US government to sue oil producing cartels for manipulating energy prices, with market-players in suspense on whether US President Trump will veto the act. In Asia, a weaker ringgit and higher soy prices finally aided crude palm oil futures higher to MYR2,211/MT yesterday, although market-watchers will

glean closely on Malaysia's palm oil export print amid details over Indonesia's B30 plans.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-3bps higher while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 145bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 546bps. 10Y UST yields fell 1bps to 2.85% initially on the back of US home construction data which came in at a nine-month low yesterday. Yields recovered 2bps to close at 2.87% towards the later part of the trading session as Federal Reserve Chairman Jerome Powell remained positive about a healthy economy in front of Congress.
- **New Issues:** Korea Hydro & Nuclear Power Co Ltd has priced a USD600mn 5-year green bond at CT5+112.5bps, tightening from its initial price guidance of CT5+140bps area. Industrial & Commercial Bank of China Ltd/Hong Kong has priced a USD150mn 2-year bond at 3mL+70bps. Republic of Korea has hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.085	0.11%	USD-SGD	1.3652	0.03%
USD-JPY	112.860	-0.02%	EUR-SGD	1.5888	-0.17%
EUR-USD	1.1639	-0.19%	JPY-SGD	1.2098	0.07%
AUD-USD	0.7398	0.12%	GBP-SGD	1.7841	-0.32%
GBP-USD	1.3069	-0.35%	AUD-SGD	1.0099	0.14%
USD-MYR	4.0588	0.31%	NZD-SGD	0.9274	0.17%
USD-CNY	6.7189	0.18%	CHF-SGD	1.3665	0.14%
USD-IDR	14414	0.25%	SGD-MYR	2.9680	-0.27%
USD-VND	23055	--	SGD-CNY	4.9190	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9183	--
2M	-0.3360	--	1M	2.0818	--
3M	-0.3210	--	2M	2.1731	--
6M	-0.2690	--	3M	2.3419	--
9M	-0.2160	--	6M	2.5231	--
12M	-17.9%	--	12M	279.6%	--

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	90.0%	71.9%	18.0%	0.0%	0.0%
11/08/2018	90.5%	68.5%	21.0%	1.0%	0.0%
12/19/2018	96.4%	31.6%	50.7%	13.5%	0.6%
01/30/2019	96.7%	29.4%	49.2%	16.5%	1.6%
03/20/2019	98.4%	15.8%	38.9%	33.5%	9.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.76	1.00%	Copper (per mt)	6,084.8	0.47%
Brent (per barrel)	72.90	1.03%	Nickel (per mt)	13,550.0	0.93%
Heating Oil (per gallon)	2.0903	0.98%	Aluminium (per mt)	2,011.8	-0.24%
Gasoline (per gallon)	2.0444	0.90%			
Natural Gas (per MMBtu)	2.7210	-0.69%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,211.0	1.84%
			Rubber (JPY/KG)	174.4	0.75%
Precious Metals	Futures	% chg			
Gold (per oz)	1,227.9	0.05%			
Silver (per oz)	15.574	-0.28%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,199.29	79.40
S&P	2,815.62	6.07
Nasdaq	7,854.44	-0.67
Nikkei 225	22,794.19	96.83
STI	3,240.50	0.86
KLCI	1,753.07	15.79
JCI	5,890.73	29.22
Baltic Dry	1,721.00	--
VIX	12.10	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.85 (-)	2.61 (-0.01)
5Y	2.13 (+0.02)	2.77 (+0.01)
10Y	2.43 (+0.01)	2.87 (+0.01)
15Y	2.69 (+0.02)	--
20Y	2.74 (+0.02)	--
30Y	2.81 (+0.02)	2.99 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	35.46	-0.26
EURIBOR-OIS	2.90	-0.85
TED	33.70	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
07/18/2018 04:00	US	Total Net TIC Flows	May	--	\$69.9b	\$138.7b	\$233.1b
07/18/2018 04:00	US	Net Long-term TIC Flows	May	--	\$45.6b	\$93.9b	\$94.0b
07/18/2018 08:30	AU	Westpac Leading Index MoM	Jun	--	0.01%	-0.22%	-0.23%
07/18/2018 12:00	MA	CPI YoY	Jun	1.30%	0.80%	1.80%	--
07/18/2018 15:32	TH	Car Sales	Jun	--	87854	84965	--
07/18/2018 16:00	SI	Automobile COE Open Bid Cat A	Jul-18	--	32699	25000	--
07/18/2018 16:00	SI	Automobile COE Open Bid Cat B	Jul-18	--	32551	31000	--
07/18/2018 16:00	SI	Automobile COE Open Bid Cat E	Jul-18	--	32809	31001	--
07/18/2018 16:30	UK	CPI MoM	Jun	0.20%	0.00%	0.40%	--
07/18/2018 16:30	UK	CPI YoY	Jun	2.60%	2.40%	2.40%	--
07/18/2018 16:30	UK	CPI Core YoY	Jun	2.10%	1.90%	2.10%	--
07/18/2018 16:30	UK	Retail Price Index	Jun	281.9	281.5	280.7	--
07/18/2018 16:30	UK	RPI MoM	Jun	0.40%	0.30%	0.40%	--
07/18/2018 16:30	UK	RPI YoY	Jun	3.50%	3.40%	3.30%	--
07/18/2018 16:30	UK	RPI Ex Mort Int.Payments (YoY)	Jun	3.60%	3.40%	3.40%	--
07/18/2018 16:30	UK	PPI Input NSA YoY	Jun	10.10%	10.20%	9.20%	9.60%
07/18/2018 16:30	UK	PPI Output NSA MoM	Jun	0.30%	0.10%	0.40%	0.50%
07/18/2018 16:30	UK	PPI Output NSA YoY	Jun	3.20%	3.10%	2.90%	3.00%
07/18/2018 16:30	UK	PPI Output Core NSA YoY	Jun	2.10%	2.10%	2.10%	--
07/18/2018 17:00	EC	CPI Core YoY	Jun F	1.00%	0.90%	1.00%	--
07/18/2018 17:00	EC	CPI YoY	Jun F	2.00%	2.00%	2.00%	--
07/18/2018 17:00	EC	CPI MoM	Jun	0.10%	0.10%	0.50%	--
07/18/2018 19:00	US	MBA Mortgage Applications	Jul-13	--	-2.50%	2.50%	--
07/18/2018 20:30	US	Housing Starts	Jun	1320k	1173k	1350k	1337k
07/18/2018 20:30	US	Building Permits	Jun	1330k	1273k	1301k	--
07/19/2018 07:50	JN	Trade Balance	Jun	¥531.2b	--	¥578.3b	¥580.5b
07/19/2018 07:50	JN	Trade Balance Adjusted	Jun	¥155.0b	--	¥296.8b	--
07/19/2018 07:50	JN	Exports YoY	Jun	7.00%	--	8.10%	--
07/19/2018 09:30	AU	NAB Business Confidence	2Q	--	--	7	--
07/19/2018 09:30	AU	Employment Change	Jun	16.5k	--	12.0k	--
07/19/2018 09:30	AU	Unemployment Rate	Jun	5.40%	--	5.40%	--
07/19/2018 09:30	AU	Full Time Employment Change	Jun	--	--	-20.6k	--
07/19/2018 09:30	AU	Part Time Employment Change	Jun	--	--	32.6k	--
07/19/2018 09:30	AU	Participation Rate	Jun	65.50%	--	65.50%	--
07/19/2018 09:30	AU	RBA FX Transactions Market	Jun	--	--	A\$556m	--
07/19/2018 14:00	JN	Machine Tool Orders YoY	Jun F	--	--	11.40%	--
07/19/2018 16:30	UK	Retail Sales Ex Auto Fuel MoM	Jun	0.10%	--	1.30%	--
07/19/2018 16:30	UK	Retail Sales Ex Auto Fuel YoY	Jun	3.70%	--	4.40%	--
07/19/2018 16:30	UK	Retail Sales Inc Auto Fuel MoM	Jun	0.20%	--	1.30%	--
07/19/2018 16:30	UK	Retail Sales Inc Auto Fuel YoY	Jun	3.50%	--	3.90%	--
07/19/2018 16:30	HK	Unemployment Rate SA	Jun	2.80%	--	2.80%	--
07/19/2018 20:30	US	Initial Jobless Claims	Jul-14	220k	--	214k	--
07/19/2018 20:30	US	Continuing Claims	Jul-07	1729k	--	1739k	--
07/19/2018 20:30	US	Philadelphia Fed Business Outlook	Jul	21.5	--	19.9	--
07/19/2018 21:45	US	Bloomberg Economic Expectations	Jul	--	--	56	--
07/19/2018 21:45	US	Bloomberg Consumer Comfort	Jul-15	--	--	58	--
07/19/2018 22:00	US	Leading Index	Jun	0.40%	--	0.20%	--
07/19/2018	HK	Composite Interest Rate	Jun	--	--	0.46%	--
07/19/2018	ID	Bank Indonesia 7D Reverse Repo	Jul-19	5.25%	--	5.25%	--
07/19/2018	PH	BoP Overall	Jun	--	--	-\$583m	--

Source: Bloomberg

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