

Highlights

Global	<p>What is clear from weekend developments is that US President Trump is unlikely to stop any time soon on his tariffs threats, with the latest being 20% on car imports from the EU, and China's policymakers are stepping up to counter the tariff tantrum with domestic stimulus measures, with the latest being a targeted RRR cut (the third this year and will unlock CNY700b from 5 July) to try to mitigate the deteriorating external trade environment. Elsewhere in Turkey, President Erdogan has claimed election victory, and oil prices had rallied earlier on OPEC's decision to boost output by less than initially feared. Nevertheless, Asian bourses may be off to a choppy start this week amid market worries of more US investment restrictions and enhanced export controls under Section 301 on China due on Friday, likely using the International Emergency Economic Powers Act (IEEPA) that could target sectors including aerospace, robotics and new energy vehicles. President Trump had tweeted that "trade must be fair and no longer a one way street!" else risk being "met with more than Reciprocity by the USA". The economic calendar comprises US new homesales, Chicago Fed and Dallas Fed manufacturing activity indices, German IFO business climate, S'pore May CPI and Indonesian trade data. Speakers scheduled today include ECB's Nowotny on Austria's IMF report. For the week ahead, watch for RBNZ on 28 June (likely static at 1.75%, but key is if the tone turns more cautious given recent economic data disappointments) and BI also on 28 June (where another 25bp rate hike to 5.0% has been anticipated given the post-FOMC June hike and BI governor's earlier hawkish signals).</p>
PMI	<p>US' manufacturing and services PMIs both softened to 54.6 and 56.5 in June, versus 56.4 and 56.8 in May, which dragged the composite PMI from 56.6 to 56.0. In comparison, the European manufacturing PMI retreated from 55.5 to 55.0, but the services PMI improved from 53.8 to 55.0 and brought the composite PMI from 54.1 to 54.8.</p>
SI	<p>May headline inflation may decline 0.1% yoy (+0.2% mom nsa), mainly due to the high base in 2017, with core CPI tipped at 1.4% yoy. The consensus forecast is 0.4% yoy (0.5% mom nsa) with core CPI at 1.5%, versus April prints of 0.1% yoy (-0.5% mom nsa) and core CPI at 1.3%.</p>
CN	<p>PBoC announced the fresh round of targeted reserve requirement ratio cut on 24 June effective from 5 July. The reserve requirement ratio for big five banks and 12 joint stock banks will be cut by 50bps to support debt for equity swap. A total net CNY700 billion will be injected into the system.</p>
CMD	<p>Oil prices surged over the weekend as investors reacted to somewhat ambiguous plan to raise OPEC's oil production. Officially, OPEC meeting notes point that countries "will strive to adhere to the overall conformity level, voluntarily adjusted to 100%, as of 1 July 2018", while avoiding mentioning a specific volume of production cut that the market could see in the months ahead. On this, note that Saudi oil minister Khalid mentioned that that the production hike will be shared across the members to "just under 1 million barrels per day", though anonymous sources who are reported to be familiar with the deal's technical aspects hint that production gains translates into about 600,000 bpd for now. The dollar weakness seen for the second consecutive trading day has also left dollar-denominated commodities higher, seen across precious metals and base metals.</p>

Major Market

- **US:** Wall Street ended mostly up on Friday as the Dow Jones added 0.49% to close up at 24,580.89, ending an eight-session streak of declines. The S&P 500 rose 0.19% while the Nasdaq composite declined 0.26%. Risk taking sentiment likely took a hit following President Trump's threat to impose 20% tariffs on car imports from the EU. Despite the ongoing trade salvos that have rattled global financial markets, the VIX Index fell to 13.77 on Friday, as compared with Thursday's 14.64. On the Treasury front, the 2y yield was relatively unchanged at 2.541%. Similarly, the 10y saw minimal movement, unchanged at 2.895% on Friday.
- **Singapore:** Malaysian PM Mahathir said in a Bloomberg interview that the 1962 water deal with Singapore is "too costly" and "we will sit down and talk with them".
- Meanwhile, the STI declined 0.38% to close at 3287.40 on Friday, but it remains to be seen if the positive Friday close by Wall Street would lend a more supportive tone to it. The STI could trade with a soft tone in a range of 3270-3320 today. With UST bonds largely locked in range trading on Friday, the SGS bond market may also tread water before the 20-year SGS re-opening auction on 27 June.
- **China:** The reserve requirement ratio for smaller banks such as city commercial bank, rural bank and foreign banks will also be cut by 50bps to support lending to small business. PBoC will keep track of the use of liquidity from RRR cut via MPA assessment. The latest targeted RRR cut is positive for banks in our view as it gives Chinese banks window to lower its non-performing ratio via debt for equity swap to free up more credit quota. Meanwhile, it is also in line with China's strategy to de-leverage as debt for equity swap will help lower the overall leverage ratio. As such, the latest targeted RRR cut is well designed to kill two birds with one stone.
- **Malaysia:** The government has officially named Nor Shamsiah Mohd Yunus as the new Governor of BNM for a five-year term. Nor Shamsiah was previously the Deputy Governor from 2010 – 2016 when she was responsible for banking, insurance and Takaful supervision, financial intelligence and enforcement. Just prior to taking up her appointment as the Governor, she was an Assistant Director at the monetary and capital markets division of the IMF. Meanwhile, Finance Minister Lim Guan Eng has also mentioned that "it doesn't make sense to scrap" the ECRL although he said that "it's one of the projects we are looking to renegotiate". On other items, PM Mahathir has reportedly submitted additional names to be included in the cabinet with the Prime Minister saying that the cabinet would have a total of 28 ministers.
- **Indonesia:** Coming ahead of this week's policy meeting, BI Governor Perry Warjiyo had previously said, "We are open to the possibility of hiking our seven-day reverse repo rate (7DRRR) to ensure the stability of the rupiah and the economy". According to the Jakarta Post, the central bank Governor also said that a rate hike could be followed by macro-prudential policy relaxation, including easing the loan-to-value (LTV) ratio to help boost economic growth.
- **Commodities:** Oil prices rose over the weekend as investors reacted to a seemingly lower-than-expected rise in OPEC's production hike. According to the OPEC meeting notes on Friday, it stated that countries "will strive to adhere to the overall conformity level, voluntarily adjusted to 100%, as of 1 July 2018", though avoiding mentioning a specific volume of production cut that the market could see in the months ahead. Just

prior to the OPEC meeting, market-watchers were on their toes over a potential production gain of between 600,000 to 1 million barrels per day (bpd).

- On this, note that Saudi oil minister Khalid mentioned that the production hike will be shared across the members to “just under 1 million barrels per day”, though anonymous sources who are reported to be familiar with the deal’s technical aspects hint that production gains translates into about 600,000 bpd for now. Should that come to pass, the production gains are small compared to the 2.4 million barrels per day of cuts seen in May (or about 25% of the cuts). However, the deal did not specify on how the production gains will be allocated, and whether any countries are exempted from the adjustment especially given that some countries voiced on their lack of production capacity. Moreover, there were little signs if any nations were against the deal at this juncture.
- On the surface, we do admit that the deal will effectively raise global oil production, though it does not signal a sustain climb back to pre-2015 levels. Importantly, the deal will not end the group’s 18-month deal to limit output, but rather seeking to cut no more than the 1.2 million bpd of oil agreed back in 2016. Still, the added barrels into the market (assuming 600,000 bpd) will add to the global over-supplies already seen in March & April. Moreover, should US-led oil production continue to gain into the year, oil supplies will invariably rise further into the year ahead. Accounting for the over-supplies that we are already seeing, coupled with rising US and OPEC oil production into 2018, our outlook for WTI and Brent prices to close lower to \$65/bbl & \$70/bbl respectively by year-end remains unchanged.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded little changed. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 469bps. 10Y UST yields traded little changed at 2.89% as risk appetite improved mildly with shares on Wall Street higher, but worries over a trade conflict with China kept investors cautious.
- **New issues:** Bank of Philippine Islands has hired banks for its potential USD2bn medium-term note program.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.520	-0.36%	USD-SGD	1.3586	0.02%
USD-JPY	109.970	-0.02%	EUR-SGD	1.5832	0.45%
EUR-USD	1.1651	0.41%	JPY-SGD	1.2356	0.03%
AUD-USD	0.7440	0.83%	GBP-SGD	1.8015	0.16%
GBP-USD	1.3261	0.16%	AUD-SGD	1.0108	0.86%
USD-MYR	4.0022	-0.34%	NZD-SGD	0.9390	0.65%
USD-CNY	6.5052	0.18%	CHF-SGD	1.3753	0.46%
USD-IDR	14086	-0.11%	SGD-MYR	2.9490	0.15%
USD-VND	22890	0.11%	SGD-CNY	4.7854	0.10%

Equity and Commodity

Index	Value	Net change
DJIA	24,580.89	119.19
S&P	2,754.88	5.12
Nasdaq	7,692.82	-20.14
Nikkei 225	22,516.83	-176.21
STI	3,287.40	-12.60
KLCI	1,694.15	1.83
JCI	5,821.81	-0.52
Baltic Dry	1,341.00	-6.00
VIX	13.77	-0.87

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9280	0.0001
2M	-0.3380	--	1M	2.0978	0.0066
3M	-0.3230	--	2M	2.1788	0.0065
6M	-0.2680	--	3M	2.3389	0.0038
9M	-0.2140	--	6M	2.5075	0.0031
12M	-0.1800	0.0020	12M	2.7769	0.0066

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (-0.01)	2.54 (-)
5Y	2.29 (-)	2.77 (-)
10Y	2.57 (-)	2.89 (-)
15Y	2.83 (-)	--
20Y	2.88 (-)	--
30Y	2.94 (-)	3.04 (-)

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	24.8%	24.8%	0.0%	0.0%	0.0%
09/26/2018	78.3%	60.7%	17.7%	0.0%	0.0%
11/08/2018	79.5%	58.6%	20.0%	1.0%	0.0%
12/19/2018	91.5%	36.3%	42.6%	12.1%	0.6%
01/30/2019	92.4%	33.5%	41.9%	15.2%	1.7%
03/20/2019	96.2%	20.6%	37.7%	28.6%	8.4%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.11	-0.53
EURIBOR-OIS	3.44	0.04
TED	43.18	1.44

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.58	4.64%	Copper (per mt)	6,721.9	0.18%
Brent (per barrel)	75.55	3.42%	Nickel (per mt)	15,206.5	1.83%
Heating Oil (per gallon)	2.1254	2.67%	Aluminium (per mt)	2,193.3	-0.08%
Gasoline (per gallon)	2.0705	2.89%			
Natural Gas (per MMBtu)	2.9450	-1.01%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,284.0	1.47%
			Rubber (JPY/KG)	173.4	-0.46%
Precious Metals	Futures	% chg			
Gold (per oz)	1,270.7	0.02%			
Silver (per oz)	16.539	0.82%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 19 Jun 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Heating Oil	50,140	33,063	17,077	Corn	120,280	167,221	-46,941
Natural Gas	-50,199	-62,887	12,688	Soybean	-1,886	40,368	-42,254
RBOB Gasoline	98,633	87,119	11,514	Gold	83,750	115,460	-31,710
Lean Hogs	-1,189	-3,330	2,141	Wheat	-1,257	23,162	-24,419
Live Cattle	29,729	27,824	1,905	Cotton	107,150	123,757	-16,607
Cocoa	40,264	42,671	-2,407	Coffee	-54,899	-41,640	-13,259
Palladium	11,029	13,446	-2,417	Copper	54,940	67,602	-12,662
Sugar	12,665	18,630	-5,965	Silver	39,170	48,851	-9,681
Nymex Crude	627,844	635,594	-7,750	Platinum	-4,816	4,138	-8,954

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/22/2018 07:30	JN Natl CPI YoY	May	0.60%	0.70%	0.60%	--
06/22/2018 07:30	JN Natl CPI Ex Fresh Food YoY	May	0.70%	0.70%	0.70%	--
06/22/2018 08:27	TA Money Supply M2 Daily Avg YoY	May	--	3.73%	3.59%	--
06/22/2018 08:30	JN Nikkei Japan PMI Mfg	Jun P	--	53.1	52.8	--
06/22/2018 10:53	MU Visitor Arrivals	May	--	2705t	2961t	--
06/22/2018 11:00	NZ Credit Card Spending YoY	May	--	3.70%	7.00%	6.90%
06/22/2018 12:30	JN All Industry Activity Index MoM	Apr	0.90%	1.00%	0.00%	--
06/22/2018 13:30	JN Nationwide Dept Sales YoY	May	--	-2.00%	0.70%	--
06/22/2018 13:30	JN Tokyo Dept Store Sales YoY	May	--	1.30%	1.90%	--
06/22/2018 14:45	FR Wages QoQ	1Q F	--	0.70%	0.70%	--
06/22/2018 14:45	FR GDP QoQ	1Q F	0.20%	0.20%	0.20%	--
06/22/2018 15:00	FR Markit France Manufacturing PMI	Jun P	54	53.1	54.4	--
06/22/2018 15:00	FR Markit France Services PMI	Jun P	54.3	56.4	54.3	--
06/22/2018 15:00	FR Markit France Composite PMI	Jun P	54.2	55.6	54.2	--
06/22/2018 15:30	GE Markit Germany Manufacturing PMI	Jun P	56.3	55.9	56.9	--
06/22/2018 15:30	TH Foreign Reserves	Jun-15	--	\$211.5b	\$212.3b	--
06/22/2018 15:30	GE Markit Germany Services PMI	Jun P	52.2	53.9	52.1	--
06/22/2018 15:30	GE Markit/BME Germany Composite PMI	Jun P	53.4	54.2	53.4	--
06/22/2018 16:00	EC Markit Eurozone Manufacturing PMI	Jun P	55	55	55.5	--
06/22/2018 16:00	TA Unemployment Rate	May	3.70%	3.69%	3.69%	--
06/22/2018 16:00	EC Markit Eurozone Services PMI	Jun P	53.8	55	53.8	--
06/22/2018 16:00	EC Markit Eurozone Composite PMI	Jun P	53.9	54.8	54.1	--
06/22/2018 20:30	CA Retail Sales MoM	Apr	0.00%	-1.20%	0.60%	0.80%
06/22/2018 20:30	CA Retail Sales Ex Auto MoM	Apr	0.50%	-0.10%	-0.20%	0.00%
06/22/2018 20:30	CA CPI NSA MoM	May	0.40%	0.10%	0.30%	--
06/22/2018 20:30	CA CPI YoY	May	2.60%	2.20%	2.20%	--
06/22/2018 21:45	US Markit US Manufacturing PMI	Jun P	56.1	54.6	56.4	--
06/22/2018 21:45	US Markit US Services PMI	Jun P	56.5	56.5	56.8	--
06/22/2018 21:45	US Markit US Composite PMI	Jun P	--	56	56.6	--
06/25/2018 12:00	ID Imports YoY	May	12.13%	--	34.68%	--
06/25/2018 12:00	ID Exports YoY	May	6.00%	--	9.01%	--
06/25/2018 12:00	ID Trade Balance	May	-\$531m	--	-\$1629m	--
06/25/2018 13:00	SI CPI YoY	May	0.40%	--	0.10%	--
06/25/2018 13:00	SI CPI Core YoY	May	1.50%	--	1.30%	--
06/25/2018 13:00	SI CPI NSA MoM	May	0.50%	--	-0.50%	--
06/25/2018 13:00	JN Leading Index Cl	Apr F	--	--	105.6	--
06/25/2018 13:00	JN Coincident Index	Apr F	--	--	117.7	--
06/25/2018 16:00	GE IFO Business Climate	Jun	101.8	--	102.2	--
06/25/2018 16:00	GE IFO Expectations	Jun	98	--	98.5	--
06/25/2018 16:00	GE IFO Current Assessment	Jun	105.6	--	106	--
06/25/2018 16:00	TA Industrial Production YoY	May	5.80%	--	8.53%	--
06/25/2018 20:30	US Chicago Fed Nat Activity Index	May	0.3	--	0.34	--
06/25/2018 22:00	US New Home Sales	May	667k	--	662k	--
06/25/2018 22:30	US Dallas Fed Manf. Activity	Jun	23	--	26.8	--
06/25/2018	PH Budget Balance PHP	May	--	--	46.3b	--
06/25/2018 06/30	VN Exports YTD YoY	Jun	--	--	15.80%	--
06/25/2018 06/30	VN Imports YTD YoY	Jun	--	--	8.20%	--
06/25/2018 06/30	VN CPI YoY	Jun	--	--	3.86%	--
06/25/2018 06/30	VN GDP YTD YoY	2Q	--	--	7.38%	--
06/25/2018 06/30	VN Retail Sales YTD YoY	Jun	--	--	10.10%	--

Source: Bloomberg

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