

Highlights

Global	<p>With Wall Street sliding more than 1% overnight amid escalation of trade war concerns, albeit they pared losses as White House trade adviser Navarro sought to calm markets by commenting that “there’s no plans to impose investment restrictions on any countries that are interfering in any way with our country” and “the whole idea that we’re putting investment restrictions on the world – please discount that”. However, this appeared to contradict US Treasury Secretary Mnuchin’s earlier tweet that the USTR report due this Friday is not China-specific “but to all countries that are trying to steal our technology”. Nevertheless, Asian bourses are likely to remain handicapped in trading for the near-term as investors prefer to de-risk into the heightened global trade war uncertainties and thinner summer trading conditions. The economic calendar comprises US’ Conference Board consumer confidence, S&P house prices and Richmond Fed manufacturing index, HK trade, and S’pore’s May industrial production. Speakers scheduled today include ECB’s Hansson, BOE’s McCafferty, and Fed’s Bostic and Kaplan.</p>
US	<p>New home sales recovered 6.7% mom in May, even though inventories stayed at its lowest level since November at 5.2 months to sales. Meanwhile, the Chicago Fed national activity index unexpectedly fell from 0.42 in April to -0.15 in May, whereas the Dallas Fed manufacturing activity index rose from 26.8 in May to 36.5 in June.</p>
EU	<p>The German IFO business climate retreated from a revised 102.3 in May to 101.8 in June, marking its sixth decline in the past seven months. The drag came from the current assessment gauge (105.1 versus 106.1 previously) whilst the expectations gauge was unchanged at 98.6.</p>
SG	<p>May headline inflation accelerated from 0.1% yoy (-0.5% mom nsa) in April to 0.4% yoy (0.5% mom nsa) in May, while core inflation accelerated faster than expected from 1.3% yoy to 1.5% yoy. The key contributing items were education (2.9% yoy), healthcare (2.3% yoy) and food (1.3% yoy). MAS-MTI note that “domestic sources of inflation are expected to increase alongside a faster pace of wage growth and a pickup in domestic demand”, albeit “the extent of consumer price increases will remain moderate, as retail rents have stayed relatively subdued and firms’ pricing power may be constrained by market competition”.</p>
CN	<p>PBoC said it expected total new Yuan loan growth this year to be similar to last year’s level. In addition, China’s banking regulator announced new measures to support funding demands from SMEs via higher lending quota and lower interest rates.</p>
CMD	<p>Commodity prices fell across the board, seen from precious and base metals to energy and grain, as trade concerns escalated over the previous trading day. Oil prices turned south amid investors’ recognition that the recent OPEC deal, which would effectively contribute to more global oil supplies into 2H18, will eventually depress energy prices. Even the relatively safer commodities such as softs and grains saw little reprieve as safe haven demand flowed into the US Treasuries and the JPY. Elsewhere in Asia, palm oil prices were little changed overnight, though recent export data by Intertek indicated that Malaysia’s palm oil fell 9.7% m/m in the first 25 days of May.</p>

Major Market

- **US:** Wall Street fell as trade war tensions escalated amidst US plans to curb Chinese firms from investments in US technology. Additionally, the European Union and China are working together to strengthen rules-based multilateral trade in the face of tariff threats from the US. The Nasdaq composite took a 2.09% hit, making this its third consecutive week of decline. Similarly, the Dow Jones fell 1.33% while S&P500 declined by 1.37%. VIX Index rallied to 17.33 on Monday, versus 13.77 on Friday, echoing the risk-off sentiment of investors worldwide. On the Treasury front, the 10Y yield fell 1bp to 2.880% while the 2Y yield remained unchanged at 2.533%.
- **Singapore:** With the overnight slump in Wall Street, the STI, which had already declined 0.81% to close at 3260.84 yesterday, is likely to continue to consolidate further amid weak investor sentiment. The mid September 2017 low of 3209 may provide a short-term floor. With immediate risk-off sentiments providing UST bonds with support, the SGS bond market may stay bid into the month-end, even with the 20-year SGS re-opening auction tomorrow at noon.
- **Korea:** Consumer confidence has been deteriorating since the start of the year, down to 105.5 in June, down from 110.6 seen in Dec 2017. Note that Korea's economic fundamentals have turned relatively weaker to-date, following the higher unemployment print and a weaker external environment.
- **Malaysia:** The remaining cabinet members would be sworn in on July 2nd 2018, according to the Palace. Meanwhile, Singapore's Ministry of Foreign Affairs has released a statement saying that Malaysia and Singapore must fully comply with the 1962 water agreement. This comes after Prime Minister Mahathir Mohamad said that the price of water sold to Singapore was "ridiculous" and that water was among the issues that the two countries "need to settle".
- **Indonesia:** BI has rescheduled its policy meeting this week with the meeting now to be held from June 28th to June 29th 2018 and the policy decision itself to be announced on June 29th 2018. This was done as the government has declared a national holiday for local elections.
- **Macau:** Visitor arrivals increased for the fourth consecutive month by 5.2% yoy in May with those from Mainland China growing 9.3% yoy. Nevertheless, tourists from Hong Kong, Taiwan, South Korea and Japan dropped by 2.1%, 5.6%, 10% and 0.5% respectively on a yearly basis. Despite that, overnight visitors increased for the 34th consecutive month and were up 5.3% yoy. As a result, the share of overnight visitors increased to the highest since January at 53.6%. With a slew of mega entertainment projects to commence operation successively this year, we expect that overnight visitors will continue to increase. The upcoming completion of Hong Kong-Zhuhai-Macau Bridge will also likely support inbound package tours. Therefore, we expect inbound tourism to remain elevated on the back of Asia's resilient economic growth. Despite that, the World Cup betting would have dented Macau's gaming revenue during June and July.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps higher while the longer tenors traded 1-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 143bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 8bps to 477bps. 10Y UST yields fell 3bps initially to 2.86%, its lowest in 3-weeks. This was due to concerns about trade wars and divisions within the euro zone which boosted demand for longer-dated safe haven debt. 10Y UST yields subsequently rose to close at 2.88% after White House trade and manufacturing adviser Peter Navarro commented that investment restrictions proposed by the Trump administration would target China and not other countries.
- **New issues:** Far East Horizon Ltd priced a USD400mn 3-year FRN at 3mL+200bps, tightening from its initial price guidance of 3mL+220bps. China Huarong Asset Management Corp has hired banks for its potential USD bond issuance. Trade Horizon Global Ltd has scheduled for investor meetings from 26 – 27 Jun for its potential USD/CNH bond issuance (guaranteed by Beijing Capital Group Co Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.289	-0.24%	USD-SGD	1.3621	0.26%
USD-JPY	109.770	-0.18%	EUR-SGD	1.5941	0.69%
EUR-USD	1.1704	0.45%	JPY-SGD	1.2410	0.44%
AUD-USD	0.7414	-0.35%	GBP-SGD	1.8089	0.41%
GBP-USD	1.3281	0.15%	AUD-SGD	1.0099	-0.09%
USD-MYR	4.0177	0.39%	NZD-SGD	0.9395	0.05%
USD-CNY	6.5410	0.55%	CHF-SGD	1.3801	0.35%
USD-IDR	14159	0.52%	SGD-MYR	2.9484	-0.02%
USD-VND	22889	0.00%	SGD-CNY	4.7990	0.28%

Interbank Offer Rates (%)

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

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	22.7%	22.7%	0.0%	0.0%	0.0%
09/26/2018	77.8%	61.6%	16.2%	0.0%	0.0%
11/08/2018	79.0%	59.4%	18.7%	0.9%	0.0%
12/19/2018	90.9%	37.7%	41.7%	10.9%	0.5%
01/30/2019	91.8%	34.8%	41.3%	14.0%	1.5%
03/20/2019	95.7%	22.1%	38.2%	27.1%	7.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.08	-0.73%	Copper (per mt)	6,634.8	-1.30%
Brent (per barrel)	74.73	-1.09%	Nickel (per mt)	14,668.0	-3.54%
Heating Oil (per gallon)	2.1004	-1.18%	Aluminium (per mt)	2,174.0	-0.88%
Gasoline (per gallon)	2.0515	-0.92%			
Natural Gas (per MMBtu)	2.9230	-0.75%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,290.0	0.26%
			Rubber (JPY/KG)	171.5	-1.10%
Precious Metals	Futures	% chg			
Gold (per oz)	1,268.9	-0.14%			
Silver (per oz)	16.407	-0.80%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,252.80	-328.09
S&P	2,717.07	-37.81
Nasdaq	7,532.01	-160.81
Nikkei 225	22,338.15	-178.68
STI	3,260.84	-26.56
KLCI	1,678.10	-16.05
JCI	5,859.08	37.27
Baltic Dry	1,341.00	--
VIX	17.33	3.56

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (-)	2.53 (-0.01)
5Y	2.28 (-0.01)	2.75 (-0.02)
10Y	2.55 (-0.02)	2.88 (-0.01)
15Y	2.81 (-0.02)	--
20Y	2.86 (-0.02)	--
30Y	2.91 (-0.02)	3.02 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.11	0.60
EURIBOR-OIS	2.70	-0.74
TED	43.18	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/25/2018 12:00	ID Imports YoY	May	13.80%	28.17%	34.68%	35.24%
06/25/2018 12:00	ID Exports YoY	May	7.00%	12.47%	9.01%	9.55%
06/25/2018 12:00	ID Trade Balance	May	-\$606m	-\$1524m	-\$1629m	-\$1625m
06/25/2018 13:00	SI CPI YoY	May	0.40%	0.40%	0.10%	--
06/25/2018 13:00	SI CPI Core YoY	May	1.40%	1.50%	1.30%	--
06/25/2018 13:00	SI CPI NSA MoM	May	0.50%	0.60%	-0.50%	--
06/25/2018 13:00	JN Leading Index CI	Apr F	--	106.2	105.6	--
06/25/2018 13:00	JN Coincident Index	Apr F	--	117.5	117.7	--
06/25/2018 13:13	PH Budget Balance PHP	May	--	-32.9b	46.3b	--
06/25/2018 16:00	GE IFO Business Climate	Jun	101.8	101.8	102.2	102.3
06/25/2018 16:00	GE IFO Expectations	Jun	98	98.6	98.5	98.6
06/25/2018 16:00	GE IFO Current Assessment	Jun	105.6	105.1	106	106.1
06/25/2018 16:00	TA Industrial Production YoY	May	6.00%	7.05%	8.53%	8.82%
06/25/2018 20:30	US Chicago Fed Nat Activity Index	May	0.3	-0.15	0.34	0.42
06/25/2018 22:00	US New Home Sales	May	667k	689k	662k	646k
06/25/2018 22:30	US Dallas Fed Manf. Activity	Jun	24.9	36.5	26.8	--
06/26/2018 05:00	SK Consumer Confidence	Jun	--	105.5	107.9	--
06/26/2018 07:50	JN PPI Services YoY	May	1.00%	--	0.90%	--
06/26/2018 13:00	SI Industrial Production YoY	May	10.00%	--	9.10%	--
06/26/2018 13:00	SI Industrial Production SA MoM	May	-0.20%	--	0.20%	--
06/26/2018 16:30	UK UK Finance Loans for Housing	May	38149	--	38049	--
06/26/2018 16:30	HK Exports YoY	May	8.50%	--	8.10%	--
06/26/2018 16:30	HK Imports YoY	May	11.30%	--	11.10%	--
06/26/2018 16:30	HK Trade Balance HKD	May	-49.1b	--	-46.9b	--
06/26/2018 18:00	UK CBI Retailing Reported Sales	Jun	10	--	11	--
06/26/2018 18:00	UK CBI Total Dist. Reported Sales	Jun	--	--	17	--
06/26/2018 21:00	US S&P CoreLogic CS 20-City YoY NSA	Apr	6.80%	--	6.79%	--
06/26/2018 21:00	US S&P CoreLogic CS 20-City NSA Index	Apr	--	--	208.62	--
06/26/2018 21:00	US S&P CoreLogic CS US HPI NSA Index	Apr	--	--	198.94	--
06/26/2018 21:00	US S&P CoreLogic CS US HPI YoY NSA	Apr	--	--	6.53%	--
06/26/2018 22:00	US Richmond Fed Manufact. Index	Jun	15	--	16	--
06/26/2018 22:00	US Conf. Board Consumer Confidence	Jun	128	--	128	--
06/26/2018 22:00	US Conf. Board Present Situation	Jun	--	--	161.7	--
06/26/2018 22:00	US Conf. Board Expectations	Jun	--	--	105.6	--
06/25/2018 06/29	ID Motorcycle Sales	May	--	--	580921	--
06/25/2018 06/29	ID Local Auto Sales	May	--	--	102256	--
06/25/2018 06/30	VN Exports YTD YoY	Jun	15.70%	--	15.80%	--
06/25/2018 06/30	VN Imports YTD YoY	Jun	8.80%	--	8.20%	--
06/25/2018 06/30	VN Trade Balance	Jun	-\$248m	--	-\$500m	--
06/25/2018 06/30	VN CPI YoY	Jun	4.35%	--	3.86%	--
06/25/2018 06/30	VN GDP YTD YoY	2Q	6.80%	--	7.38%	--
06/25/2018 06/30	VN Industrial Production YoY	Jun	--	--	7.10%	--
06/25/2018 06/30	VN Retail Sales YTD YoY	Jun	--	--	10.10%	--

Source: Bloomberg

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