

Highlights

Global	<p>Although US' 2Q18 GDP growth printed at 4.1% qoq annualised (the fastest pace since 2014 but slightly below market expectations), Wall Street closed lower on Friday due to the drag from tech stocks, namely Intel and Twitter. The 10-year UST bond yield ended the week at 2.96% while the USD slipped. A very busy week ahead, with a slew of monthly PMIs due, BOJ tomorrow (where policy settings are likely to remain static, albeit the recently intense market speculation of a yield curve control policy tweak may either evoke a strong market reaction or be left disappointed. Watch the BOJ outlook report and Kuroda's press conference for more light on future intentions), RBI on 1 August (likely to hike 25bps to combat inflation), FOMC on 2 August (likely unchanged at 1.75-2%, but statement may set the stage for the anticipated September hike), US' labour market report on Friday (consensus forecast eyeing 193k for nonfarm payrolls and 3.9% for the unemployment rate), and the BOE rate decision on Thursday (likely to be a dovish hike of 25bps to 0.75% that has already been discounted by the market, with Cunliffe a potential dissenter). Interestingly, Canada is planning to host a meeting of trade ministers to discuss WTO reform, but will leave out the US and China for now.</p> <p>Asian markets may cautiously tread water this morning, awaiting US' pending home sales, German CPI and Eurozone's consumer confidence. Apple and Caterpillar are also reporting earnings today and their forward guidance will be important amid the trade tensions.</p>
EU	<p>The ECB survey of professional forecasters tipped Eurozone inflation to accelerate faster to 1.7% this year and next year (previously seen at 1.5% and 1.6% respectively), albeit the growth forecast was shaved to 2.2% (previously 2.4%) for this year and to 1.9% (previously 2%) for next year.</p>
SG	<p>2Q18 unemployment rate edged up from 2.0% in 1Q18 to 2.1%, with the resident and citizen unemployment rate both also slightly higher at 3.0% and 3.1% respectively (previously 2.8% and 3.0%). Notably, both the manufacturing and construction sectors continued to lose 0.1k and 0.6k jobs respectively, whereas the services sector added 7.7k jobs to bring net employment to 7.1k in 2Q18 (1Q18: 0.4k). However, retrenchments also rose to 2.5k in 2Q18, up from 2.3k in 1Q18, amid restructuring and reorganisation. Note that the IMF sees GDP growth moving towards 2.75% starting 2018.</p>
MA	<p>The government has accepted the offer of resignation by Khazanah's Board of Directors. PM Mahathir Mohamad has said that the resignation offer will "enable the government to restructure the sovereign wealth fund accordingly".</p>
CMD	<p>Rally momentums in the commodity rallies proved to be short-lived and fragile, seen from the fall in broad commodity prices over the weekend. Latest commodity positioning data for the week ended 24th July continue to suggest the fall in speculative long positions in crude oil to its lowest since Oct 2017 when WTI prices were a mere \$51.9/bbl. Oil prices however are trending north this morning, as investors eye on a US draft proposal to increase domestic fuel consumption by 500,000 barrels per day starting from the year 2020. Still, we opine that incoming production and demand data into the rest of the year will likely dominate, especially as US oil rig counts rose once again into end July amid Russia's indication on Friday to increase supplies by more than anticipated this year.</p>

Major Markets

- **US:** University of Michigan sentiments printed at 97.9 for July, with both the current and expectations gauges improving to 114.4 and 87.3 respectively, but the 1- and 5-10 year inflation gauges were unchanged at 2.9% and 2.4%, respectively. Meanwhile, President Trump tweeted that he is willing to shut down the government “if the Democrats do not give us the votes for Border Security, which includes the wall”.
- Wall Street closed lower on Friday, dragged by the lacklustre earnings performance of tech stocks. The tech-rich Nasdaq composite slipped 1.46% to 7,737.42. The Dow (-0.30%) and S&P500 (-0.66%) fell to 25,451.06 and 2,818.82, respectively. The VIX Index rose to 13.03 on Friday, as compared to 12.14 on Thursday. On the Treasury front, the 2y yield fell by 1.2bp to 2.669%, while the 10y yield declined to 2.954% (-2.2bps).
- **Singapore:** The STI declined 0.11% to close at 3324.98 on Friday, but may consolidate between 3,300-3,230 today amid weak cues from Wall Street’s Friday slippage and morning weakness in Kospi. Investors are also awaiting fresh cues from a potentially busy week ahead. With the UST bond yield curve flattening on Friday, led by the longer tenors, the SGS bond market may also follow suit today. The \$1.7b re-opening of the 7-year SGS bond fetched a cut-off yield of 2.4% with a bid-cover ratio of 2.22 and a tail of 3bps.
- **Indonesia:** According to Trade Minister Enggartiasto Lukita, Indonesia is ready to buy surplus output of cotton, wheat and soybean from the U.S. in return that the U.S. increases its purchases of finished goods from those commodities. The Trade Minister said, “The more U.S. absorbs them, the more Indonesia imports them.” Lukita is also seeking an exemption from implementation of higher import duties on steel and aluminium products from Indonesia. He had met with U.S. Commerce Secretary last week to discuss ways to bolster trade ties.
- **Korea:** Gallup Korea survey indicated that the approval rating for Korea President Moon Jae-in fell to the lowest since he took office last year. The approval rating has slipped for 6 straight weeks to 62% in the latest week suggesting public dissatisfaction over Moon’s economic policies.
- **Macau:** Unemployment rate remained at 1.8% in 2Q 2018. Labour force participation rate rebounded to 71% while the employed population rose to the highest level since late 2016 at 385,400. With a series of new entertainment and infrastructure projects under construction, the employment of construction industry increased for the fifth consecutive month by 2.8% mom in June. Supported by the successive openings of new mega projects, the gaming sector’s employed population also grew by 3% mom. Moving forward, as the government plans to increase expenditure on infrastructure, the construction industry and its employment may remain supported. Meanwhile, with a slew of new projects to open and the Hong Kong-Zhuhai-Macau Bridge to commence operation in 2H 2018, the outlook of Macau’s tourism sector and its gaming industry is likely to be buoyant, in turn bolstering the hiring sentiments. Given the sanguine economic outlook and the tight labour market, we expect wage growth to pick up in the coming quarters (median monthly employment earnings remained unchanged at MOP 16,000 in 2Q 2018).

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with swap rates trading 2-3bps higher across most tenors (with the exception of the 7-year and 12-year swap rates trading within 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 468bps. Overall, 10Y UST yields fell 2bps to close at 2.95% as the US gross domestic product data came in slightly lower-than-expected despite growing at its fastest pace in nearly four months.
- **New Issues:** Legend Fortune Ltd has priced a USD300mn 3-year bond at 3mL+128bps. Intiland Development Tbk PT has scheduled for investor meetings from 30 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.669	-0.12%	USD-SGD	1.3616	-0.15%
USD-JPY	111.050	-0.16%	EUR-SGD	1.5872	-0.03%
EUR-USD	1.1657	0.12%	JPY-SGD	1.2262	0.01%
AUD-USD	0.7400	0.31%	GBP-SGD	1.7840	-0.21%
GBP-USD	1.3105	-0.03%	AUD-SGD	1.0078	0.19%
USD-MYR	4.0625	0.04%	NZD-SGD	0.9245	-0.10%
USD-CNY	6.8133	0.30%	CHF-SGD	1.3689	-0.20%
USD-IDR	14417	-0.32%	SGD-MYR	2.9826	-0.02%
USD-VND	23208	0.12%	SGD-CNY	5.0061	0.45%

Equity and Commodity

Index	Value	Net change
DJIA	25,451.06	-76.01
S&P	2,818.82	-18.62
Nasdaq	7,737.42	-114.77
Nikkei 225	22,712.75	125.88
STI	3,324.98	-3.62
KLCI	1,769.14	2.91
JCI	5,989.14	43.00
Baltic Dry	1,676.00	-32.00
VIX	13.03	0.89

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9116	-0.0056
2M	-0.3360	0.0010	1M	2.0768	0.0051
3M	-0.3200	--	2M	2.1688	-0.0026
6M	-0.2690	--	3M	2.3424	0.0035
9M	-0.2160	0.0010	6M	2.5299	0.0012
12M	-17.9%	--	12M	282.1%	0.5%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (+0.03)	2.67 (-0.01)
5Y	2.17 (+0.02)	2.84 (-0.02)
10Y	2.45 (+0.03)	2.95 (-0.02)
15Y	2.74 (+0.02)	--
20Y	2.77 (+0.01)	--
30Y	2.87 (+0.02)	3.08 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	18.6%	18.6%	0.0%	0.0%	0.0%
09/26/2018	91.4%	74.7%	16.6%	0.0%	0.0%
11/08/2018	91.8%	71.1%	19.8%	0.9%	0.0%
12/19/2018	97.6%	26.7%	56.0%	14.2%	0.6%
01/30/2019	97.8%	24.8%	53.7%	17.6%	1.7%
03/20/2019	99.1%	11.2%	36.3%	39.2%	11.2%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.69	-0.11
EURIBOR-OIS	3.00	-1.05
TED	36.11	-0.13

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.69	-1.32%	Coffee (per lb)	1.105	0.82%
Brent (per barrel)	74.29	-0.34%	Cotton (per lb)	0.8834	0.12%
Heating Oil (per gallon)	2.1552	-1.00%	Sugar (per lb)	0.1088	-1.36%
Gasoline (per gallon)	2.1619	-0.02%	Orange Juice (per lb)	1.6380	-0.06%
Natural Gas (per MMBtu)	2.8220	1.51%	Cocoa (per mt)	2,233	-3.54%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,177.3	-0.57%	Wheat (per bushel)	5.3050	-1.12%
Nickel (per mt)	13,785.5	0.64%	Soybean (per bushel)	8.853	1.06%
Aluminium (per mt)	2,058.5	0.27%	Corn (per bushel)	3.7625	0.13%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,232.7	-0.21%	Crude Palm Oil (MYR/MT)	2,186.0	-0.73%
Silver (per oz)	15.493	-0.01%	Rubber (JPY/KG)	168.0	0.30%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 24 Jul 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Live Cattle	64,298	53,415	10,883	Nymex Crude	648,758	673,278	-24,520
Wheat	20,898	11,602	9,296	Natural Gas	-129,652	-116,968	-12,684
RBOB Gasoline	100,902	97,722	3,180	Corn	-53,447	-41,461	-11,986
Heating Oil	41,143	39,179	1,964	Cocoa	27,574	38,589	-11,015
Platinum	-7,465	-9,208	1,743	Soybean	-44,689	-33,938	-10,751
Lean Hogs	-2,552	-3,148	596	Sugar	-39,608	-30,791	-8,817
Copper	9,024	9,431	-407	Gold	32,331	38,891	-6,560
Cotton	97,729	99,013	-1,284	Silver	3,030	8,295	-5,265
Coffee	-81,648	-79,933	-1,715	Palladium	3,526	5,401	-1,875

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/27/2018 07:30	JN Tokyo CPI YoY	Jul 0.70%	0.90%	0.60%	--
07/27/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Jul 0.70%	0.80%	0.70%	--
07/27/2018 09:30	AU PPI QoQ	2Q --	0.30%	0.50%	--
07/27/2018 09:30	AU PPI YoY	2Q --	1.50%	1.70%	--
07/27/2018 11:02	MU Unemployment Rate	Jun --	1.80%	1.80%	--
07/27/2018 11:39	SI Unemployment rate SA	2Q 2.00%	2.10%	2.00%	--
07/27/2018 13:30	FR GDP QoQ	2Q A 0.30%	0.20%	0.20%	--
07/27/2018 13:30	FR GDP YoY	2Q A 1.90%	1.70%	2.20%	--
07/27/2018 14:00	GE Import Price Index MoM	Jun 0.30%	0.50%	1.60%	--
07/27/2018 14:00	GE Import Price Index YoY	Jun 4.50%	4.80%	3.20%	--
07/27/2018 16:00	IT PPI MoM	Jun --	0.30%	1.00%	--
07/27/2018 16:00	IT PPI YoY	Jun --	3.20%	2.70%	--
07/27/2018 20:30	US GDP Annualized QoQ	2Q A 4.20%	4.10%	2.00%	2.20%
07/27/2018 20:30	US Personal Consumption	2Q A 3.00%	4.00%	0.90%	0.50%
07/27/2018 20:30	US GDP Price Index	2Q A 2.30%	3.00%	2.20%	2.00%
07/27/2018 20:30	US Core PCE QoQ	2Q A 2.20%	2.00%	2.30%	2.20%
07/27/2018 22:00	US U. of Mich. Sentiment	Jul F 97.1	97.9	97.1	--
07/29/2018	VN CPI YoY	Jul 4.90%	4.46%	4.67%	--
07/29/2018	VN Imports YTD YoY	Jul 10.40%	10.20%	10.00%	--
07/29/2018	VN Exports YTD YoY	Jul 15.80%	15.30%	16.00%	--
07/30/2018 07:50	JN Retail Sales MoM	Jun 1.50%	--	-1.70%	--
07/30/2018 07:50	JN Retail Trade YoY	Jun 1.70%	--	0.60%	--
07/30/2018 07:50	JN Dept. Store, Supermarket Sales	Jun 1.60%	--	-2.00%	--
07/30/2018 15:00	GE CPI Saxony MoM	Jul --	--	0.10%	--
07/30/2018 15:00	GE CPI Saxony YoY	Jul --	--	2.10%	--
07/30/2018 16:00	GE CPI Brandenburg MoM	Jul --	--	0.00%	--
07/30/2018 16:00	GE CPI Brandenburg YoY	Jul --	--	2.20%	--
07/30/2018 16:00	GE CPI Hesse MoM	Jul --	--	0.00%	--
07/30/2018 16:00	GE CPI Hesse YoY	Jul --	--	1.80%	--
07/30/2018 16:00	GE CPI Bavaria MoM	Jul --	--	0.20%	--
07/30/2018 16:00	GE CPI Bavaria YoY	Jul --	--	2.40%	--
07/30/2018 16:30	UK Net Lending Sec. on Dwellings	Jun 4.0b	--	3.9b	--
07/30/2018 16:30	UK Mortgage Approvals	Jun 65.5k	--	64.5k	--
07/30/2018 16:30	UK Money Supply M4 MoM	Jun --	--	0.40%	--
07/30/2018 16:30	UK M4 Money Supply YoY	Jun --	--	1.80%	--
07/30/2018 16:30	GE CPI North Rhine Westphalia MoM	Jul --	--	0.10%	--
07/30/2018 16:30	GE CPI North Rhine Westphalia YoY	Jul --	--	2.10%	--
07/30/2018 17:00	EC Economic Confidence	Jul 112	--	112.3	--
07/30/2018 17:00	EC Business Climate Indicator	Jul 1.35	--	1.39	--
07/30/2018 17:00	EC Industrial Confidence	Jul 6.7	--	6.9	--
07/30/2018 17:00	EC Consumer Confidence	Jul F -0.6	--	-0.6	--
07/30/2018 20:00	GE CPI MoM	Jul P 0.40%	--	0.10%	--
07/30/2018 20:00	GE CPI YoY	Jul P 2.10%	--	2.10%	--
07/30/2018 20:00	GE CPI EU Harmonized MoM	Jul P 0.40%	--	0.10%	--
07/30/2018 20:00	GE CPI EU Harmonized YoY	Jul P 2.10%	--	2.10%	--
07/30/2018 22:00	US Pending Home Sales MoM	Jun 0.20%	--	-0.50%	--
07/30/2018 22:30	US Dallas Fed Manf. Activity	Jul 31	--	36.5	--
07/30/2018	VN Retail Sales YTD YoY	Jul --	--	10.70%	--
07/30/2018	MU Hotel Occupancy Rate	Jun --	--	87	--
07/30/2018 08/03	SK Department Store Sales YoY	Jun --	--	1.80%	--

Source: Bloomberg

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