

Highlights

Global	<p>The US equity market, which was recently dominated by “weaker data is better” mentality, retreated from the high on Friday despite stronger than expected US June payroll data. US treasury yields rebounded strongly across the curve while the dollar index rose after the data. The 224K non-farm job increase, which does not justify a rate cut in normal circumstance, is likely to make the Fed’s job harder in July’s meeting. From the perspective of an insurance cut, the current data is probably not strong enough to rule out the Fed’s commitment for a pre-emptive move, although it may temper expectations of an aggressive insurance cut of 50bps in July. Market will closely watch out for Fed chairman Powell’s testimony to Congress on Wednesday and Thursday amid the renewed attack from President Trump, who repeated his call for the Fed to lower its interest rates to boost the economy last Friday.</p> <p>European equities were also weighed down by weak economic prospects of the bloc’s largest economy. German’s factory order fell by 2.2% in May after having risen for two consecutive months. The weak industrial order is likely to weigh down on the outlook of industrial production, which is due today.</p>
US	<p>Non-farm employers added 224K jobs in June, much stronger than expectations of 160K, the strongest increase in 10 months. Unemployment rates however, went up slightly to 3.7% from multi decade lows of 3.6% as more people returned to the job market to look for jobs, a sign of confidence in domestic job hunting prospects. The job participation rate rose to 62.9% from 62.8%. Average earnings rose by 0.2% mom in June, a shade shy of expectations of 0.3% mom.</p>
CN	<p>China’s Ministry of Commerce reiterated China’s red line last Friday that all the existing additional tariffs must be removed should both sides want to reach a trade deal. Ambiguous is probably the key word for the current progress of US-China trade talk. The latest G20 truce is only kicking the can down the road. China is still seeking the clarity from the US on their stance over Huawei purchase as well as removal of tariff. It looks that China’s red lines have not been addressed yet, which may lead to uncertainty in future.</p>
SG	<p>Singapore will release its advance Q2 GDP estimate this Friday, with the Bloomberg median consensus currently at 1.0%. The consensus range stretches from 0.8% to 1.5% YoY. We are forecasting Q2 growth at 1.1%. Consistently disappointing industrial production figures in April and May suggests that the manufacturing sector is likely to struggle in contraction territory once again in Q2. We downgrade our full-year 2019 forecast to 1.3%, given that the US-China trade war still remains murky at best and is likely to weigh on global demand.</p>
CMD	<p>Crude oil prices rose on Friday, with Brent up 1.5% and WTI up 0.3%. Prices have stabilised in the past week, with Brent hovering around \$62-\$65 and WTI around \$56-\$59. We expect prices to remain around this range in the short-term, although there may be upside risks if US-Iran tensions further deteriorate.</p>

Major Markets

- **US:** The US markets closed lower on Friday, with the S&P 500 closing down 0.16%. Resilient NFP numbers even on the back of the resumption of the US-China trade war made the market reconsider the prospects of Fed rate cuts in July and beyond. 10y UST yields rose back above the 2% mark, and the dollar spot index rose 0.54%. Investors will be watching Powell's speeches this week for any hints of wavering dovishness, which could possibly drive the dollar and UST yields up higher.
- **Singapore:** The STI fell -0.2% on Friday, led by losses in banking stocks. The STI is likely to trade with downward pressure today, as better-than-expected US nonfarm payrolls last Friday dampens prospects of aggressive US interest rate cuts by the Federal Reserve.
- **Malaysia:** Foreign holdings of Malaysian government and corporate bonds rose to RM182.6bn in June from RM175.9bn the prior month. The increase was driven by a substantial rise in foreign holdings of Malaysian T-Bills. Meanwhile, BNM will be releasing their benchmark rate decision tomorrow following their policy meeting.
- **Indonesia:** Foreign reserves marginally rose to US\$123.80bn for the month of June from US\$120.35bn as the IDR strengthened over the period.
- **Philippines:** Headline inflation rose 2.7% lower than the Bloomberg consensus and our forecast of 2.8%. The dip in prices was mostly attributed to a decline in prices of the transport basket as crude oil prices sank in June. The below-than-expected headline inflation marks a reversal in the surprise inflation uptick last month of 3.2%, and further anchors expectations of further monetary easing in the next BSP meeting. We maintain our expectations of three further rate cuts by the BSP this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was mostly unchanged last Friday, with the shorter tenors and belly trading 0-1bps higher, while the longer tenors traded 0-1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 3bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 10bps to 460bps. 10Y USTs gained 8bps to 2.04%, after the US released stronger than expected nonfarm payrolls data, tempering expectations of aggressive rate cuts by the Federal Reserve. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrowing to -16bps.
- **New Issues:** Jiayuan International Group Ltd has priced a USD225mn 2.75-year bond at 13.75%, in line with final guidance. City Developments Ltd has priced a SGD50mn re-tap of its existing CITSP 2.8%'23s at 2.8%. Tianjin Binhai New Area Construction & Investment Group Co., Ltd has scheduled investor meetings commencing on 8 July.

• Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.286	0.54%	USD-SGD	1.3596	0.26%
USD-JPY	108.470	0.60%	EUR-SGD	1.5260	-0.28%
EUR-USD	1.1225	-0.53%	JPY-SGD	1.2532	-0.34%
AUD-USD	0.6980	-0.60%	GBP-SGD	1.7029	-0.16%
GBP-USD	1.2521	-0.46%	AUD-SGD	0.9488	-0.36%
USD-MYR	4.1355	0.06%	NZD-SGD	0.9011	-0.63%
USD-CNY	6.8936	0.32%	CHF-SGD	1.3710	-0.39%
USD-IDR	14083	-0.36%	SGD-MYR	3.0463	-0.08%
USD-VND	23238	-0.04%	SGD-CNY	5.0595	-0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3940	-1.50%	O/N	2.3483	--
2M	-0.3360	--	1M	2.3665	0.41%
3M	-0.3600	0.41%	2M	2.3374	-0.08%
6M	-0.3440	-0.08%	3M	2.3114	1.41%
9M	-0.1940	1.41%	6M	2.2098	-0.83%
12M	-0.2680	-0.83%	12M	2.1916	-0.10%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.5-1.75%	1.75-2%	2-2.25%
07/31/2019	0.0%	100.0%	0.0%	1.5%	98.5%
09/18/2019	0.0%	100.0%	1.1%	73.3%	25.6%
10/30/2019	0.0%	100.0%	21.3%	60.0%	18.4%
12/11/2019	0.0%	100.0%	37.3%	42.8%	1.8%
01/29/2020	0.0%	100.0%	38.6%	34.9%	8.1%
03/18/2020	0.0%	100.0%	37.9%	29.5%	6.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.51	0.3%	Corn (per bushel)	4.3400	0.2%
Brent (per barrel)	64.23	1.5%	Soybean (per bushel)	8.723	-1.5%
Heating Oil (per gallon)	1.9050	0.3%	Wheat (per bushel)	5.1925	0.2%
Gasoline (per gallon)	1.9295	0.7%	Crude Palm Oil (MYR/MT)	1,909.0	1.0%
Natural Gas (per MMBtu)	2.4180	5.6%	Rubber (JPY/KG)	229.7	0.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,902	-0.3%	Gold (per oz)	1,400.1	-1.5%
Nickel (per mt)	12,480	1.1%	Silver (per oz)	14.918	-2.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,922.12	-43.88
S&P	2,990.41	-5.41
Nasdaq	8,161.79	-8.44
Nikkei 225	21,746.38	43.93
STI	3,366.81	-5.44
KLCI	1,682.53	-4.95
JCI	6,373.48	-2.49
Baltic Dry	1,740.00	40.00
VIX	13.28	0.71

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (--)	1.86 (+0.1)
5Y	1.71 (-0.01)	1.83 (+0.1)
10Y	1.90 (--)	2.03 (+0.08)
15Y	2.12 (-0.01)	--
20Y	2.26 (--)	--
30Y	2.41 (--)	2.54 (+0.08)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	-0.77
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.56
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/08/2019 07:50	JN BoP Current Account Balance	May P	¥1395.3b	--	¥1707.4b
07/08/2019 14:00	GE Industrial Production SA MoM	May	0.40%	--	-1.90%
07/08/2019 07:50	JN Core Machine Orders MoM	May	-3.80%	--	5.20%
07/06/2019 07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	16.30%
07/05/2019 07/20	SL Exports YoY	May	--	--	0.40%
07/08/2019 16:00	TA Exports YoY	Jun	-4.50%	--	-4.80%
07/08/2019 07:50	JN Trade Balance BoP Basis	May P	-¥758.9b	--	-¥98.2b
07/08/2019 07:50	JN Core Machine Orders YoY	May	-3.60%	--	2.50%
07/08/2019 09:30	AU ANZ Job Advertisements MoM	Jun	--	--	-8.40%
07/08/2019 16:00	TA Trade Balance	Jun	\$4.52b	--	\$4.49b
07/08/2019 17:00	SI Foreign Reserves	Jun	--	--	\$265.42b
07/08/2019 16:00	TA Imports YoY	Jun	-1.50%	--	-5.90%
07/08/2019 07:50	JN BoP Current Account Adjusted	May P	¥1231.0b	--	¥1600.1b

Source: Bloomberg

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