

Highlights

Global	<p>Both US stocks and bonds rallied on Friday on the back of heightening expectations of a “Powell Put”, fuelled by weak May US job data. Yield on 10-year US Treasury touched a low of 2.053%, the lowest since September 2017. Market has priced in a rate cut as early as July. On the trade tension front, the US announced that it will suspend the threat of tariffs on Mexico “indefinitely” after both sides reached a signed agreement on immigration issues, sending the S&P futures higher this morning. The news of the deal is likely to support risk sentiment today. However, there is still no clear sign of de-escalation on the US-China trade war, despite the meeting between PBoC Governor Yi Gang and US Treasury Secretary Mnuchin over the weekend being described as candid and constructive.</p> <p>Elsewhere, the RMB returned to the spotlight after PBoC Governor Yi Gang said there is no “numerical number” more important than another in answer to Bloomberg question on whether there is red line for the RMB. Messages from Secretary Mnuchin over the weekend were quite mixed. He criticized RMB policy though he understands that the weakness of RMB was mainly due to the trade war. Offshore RMB weakened in the absence of onshore markets on Friday. Mnuchin’s mixed messages on RMB over the weekend, however, may cap the upside for the USDCNY. China may continue to tightly control the pace of RMB depreciation ahead of the possible meeting between two leaders in the upcoming G20 meeting. For this week, markets will closely watch out for the daily RMB fixing to gauge whether there is any possible shift.</p>
US	<p>Job creation slowed sharply in May despite the unemployment remaining unchanged at 3.6%. Nonfarm payrolls only increased by 75k, way below market consensus of 175k. Some of the weakness could be attributed to worker shortage; however, average hourly earnings rose slower than expected at 0.2% mom and 3.1% yoy, which undercuts the labour shortage story. Clearly, the weak job data has fuelled expectations of a Fed rate cut.</p> <p>For this week, the Fed will likely go quiet ahead of 18-19 June FOMC meeting next week. Except the scheduled speech by ECB President Draghi on Wednesday, markets will shift their attention from central banks to global economic data including US CPI on Wednesday, retail sales, industrial production and University of Michigan consumer confidence on Friday. Meanwhile, China’s May economic activates including trade data on Monday, inflation data on Wednesday and investment, industrial production and retail sales data on Friday will also be closely monitored.</p>
UK	<p>With Teresa May’s official departure last Friday, the UK’s Prime Minister role is open for contest. In terms of timeline, official nominations will be received on Monday. The first two rounds of voting have been scheduled on 13 June and 18 June to eliminate the weaker candidates. The subsequent voting will take place on 19 June and 20 June until two candidates remain. The selection process will be completed by the end of July. Former foreign minister Boris Johnson who said Britain should leave with or without a deal by end of October deadline remains the favourite to take the top seat.</p>

Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 shooting up by 1.1%. The DJIA climbed 1.0%, and the Nasdaq composite went up 1.9%.
- **Malaysia:** Finance Minister Lim Guan Eng says the country is on track for a healthy Q2 GDP growth. Minister Lim remarked that the country's 4.4% YoY increase in imports in April reflected an uptick in growing domestic demand. He also cited low inflationary pressures, low unemployment rates and a better-than-expected GDP in Q1 as reasons for his relatively optimistic outlook on the Malaysian economy.
- **Indonesia:** A Bloomberg poll shows the median estimate for May's CPI later is 3.15%; April's inflation print was 2.83%. If expectations are met, this would be the highest CPI print YTD and the highest since December 2018. Higher inflationary pressures in Indonesia may limit the ability of Bank Indonesia to reduce rates. Central banks are currently displaying dovishness as global growth starts to stutter on the various trade tensions.
- **Singapore:** STI was up +0.6% on Friday on speculation late last week that Mexico may avert US trade tariffs. Over the weekend, trade talks between the US and Mexico saw the latter successfully averting the planned tariffs by the White House, with President Trump tweeting that the Mexican tariffs have been "suspended indefinitely". A relatively strong showing by US equities on Friday (+1%) – a poor US NFP sparked speculation that the US Fed may cut rates soon – is likely to spill over to Asian equities in today's session. We expect the STI to face resistance at 3,200.
- **Crude:** Oil prices rebounded on Friday after Saudi Arabian energy minister Khalid Al-Falih said on Friday that he was "sure OPEC+ will extend" the production cuts. WTI closed at \$54/bbl on Friday after touching a low of \$51.68 on Wednesday; Brent closed at \$63.29 after sinking to \$60.63 on Wednesday. Mexico averting US tariffs would also likely aid risk sentiment and provide a lift to energy prices. CFTC report on Friday shows net long spec position at 400k from a high of 547k in April. The support for net long spec position remains at 30k in our opinion; at current levels of 400k, it may suggest that liquidation may only be 60% done and there may still be slight risks of profit-taking in the short-term

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear flattened, with shorter tenors 3bps higher, belly of the curve 1-2 higher and longer tenors unchanged. The Bloomberg Barclays Asia USD IG Bond Index average OAS was flat at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 515bps. Flows in SGD corporates were dominated the CS 5.625%-PERPs, SPHSP 4.5%-PERPs, SOCGEN 6.125%-PERPs and KITSP 4.75%-PERPs. 10Y UST yields fell by 4bps to 2.08% following slower US jobs and wage growth data which may pressure the Fed to cut rates as early as July. The yield curve between the 3-month treasury bills and 10-year treasury notes continued to be inverted, though narrower at -14bps.
- **New Issues:** There were no new issues for the previous trading day. Xi'an Municipal Infrastructure Construction Investment and Korea Gas Corp are holding roadshows from today for proposed USD bonds.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.544	-0.52%	USD-SGD	1.3620	-0.15%
USD-JPY	108.190	-0.19%	EUR-SGD	1.5434	0.34%
EUR-USD	1.1334	0.51%	JPY-SGD	1.2596	0.06%
AUD-USD	0.7001	0.34%	GBP-SGD	1.7344	0.17%
GBP-USD	1.2737	0.34%	AUD-SGD	0.9536	0.20%
USD-MYR	4.1590	-0.37%	NZD-SGD	0.9078	0.46%
USD-CNY	6.9096	--	CHF-SGD	1.3790	0.20%
USD-IDR	14273	--	SGD-MYR	3.0431	-0.49%
USD-VND	23398	-0.03%	SGD-CNY	5.0727	0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3810	0.0080	O/N	2.3518	0.0057
2M	-0.3360	0.0057	1M	2.4121	0.0005
3M	-0.3190	0.0005	2M	2.4301	-0.0082
6M	-0.2560	-0.0082	3M	2.4506	-0.0024
9M	-0.1940	-0.0024	6M	2.3718	-0.0061
12M	-0.1750	-0.0061	12M	2.3461	-0.0015

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	19.7%	0.0%	19.7%	80.3%
07/31/2019	0.0%	66.3%	11.4%	54.8%	33.7%
09/18/2019	0.0%	92.8%	45.6%	38.2%	7.2%
10/30/2019	0.0%	95.8%	42.5%	25.4%	4.2%
12/11/2019	0.0%	98.2%	32.9%	13.5%	1.8%
01/29/2020	0.0%	98.7%	26.7%	9.8%	1.3%

Equity and Commodity

Index	Value	Net change
DJIA	25,983.94	263.28
S&P	2,873.34	29.85
Nasdaq	7,742.10	126.55
Nikkei 225	20,884.71	110.67
STI	3,166.29	20.11
KLCI	1,649.33	5.24
JCI	6,209.12	--
Baltic Dry	1,138.00	--
VIX	16.30	0.37

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.71 (-0.01)	1.85 (-0.03)
5Y	1.80 (-)	1.85 (-0.03)
10Y	2.03 (-)	2.08 (-0.04)
15Y	2.28 (-)	--
20Y	2.36 (-)	--
30Y	2.54 (-)	2.57 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.00	0.45
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.40
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.99	2.7%	Corn (per bushel)	4.1575	-1.1%
Brent (per barrel)	63.29	2.6%	Soybean (per bushel)	8.563	-1.4%
Heating Oil (per gallon)	1.8248	2.0%	Wheat (per bushel)	5.0450	-1.1%
Gasoline (per gallon)	1.7389	1.8%	Crude Palm Oil (MYR/MT)	2,003.0	-1.3%
Natural Gas (per MMBtu)	2.3370	0.6%	Rubber (JPY/KG)	226.0	0.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,799	-0.2%	Gold (per oz)	1,341.2	0.3%
Nickel (per mt)	11,617	-0.4%	Silver (per oz)	15.031	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/10/2019 07:50 JN	BoP Current Account Balance	Apr P	¥1514.5b	¥1707.4b	¥2847.9b
06/10/2019 07:50 JN	GDP SA QoQ	1Q F	0.60%	0.60%	0.50%
06/10/2019 07:50 JN	GDP Annualized SA QoQ	1Q F	2.20%	2.20%	2.10%
06/10/2019 07:50 JN	GDP Deflator YoY	1Q F	0.20%	0.10%	0.20%
06/10/2019 16:30 UK	Industrial Production MoM	Apr	-0.01	--	0.007
06/10/2019 16:30 UK	Manufacturing Production MoM	Apr	-0.014	--	0.009
06/10/2019 00:00 CH	Trade Balance	May	\$22.30b	--	\$13.84b
06/10/2019 00:00 CH	Exports YoY	May	-3.90%	--	-2.70%
06/10/2019 00:00 ID	CPI YoY	May	0.0315	--	0.0283
06/07/2019 06/13 LV	Unemployment Rate	May	--	--	0.063
06/09/2019 06/15 CH	Money Supply M2 YoY	May	8.60%	--	8.50%
06/11/2019 07:50 JN	Money Stock M2 YoY	May	2.60%	--	2.60%
06/11/2019 07:50 JN	Money Stock M3 YoY	May	0.022	--	2.20%
06/11/2019 20:30 US	PPI Final Demand MoM	May	0.10%	--	0.20%

Source: Bloomberg

OCBC Treasury Research	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Howie Lee HowieLee@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

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