

### Highlights

<b>Global</b>	<p>Yesterday saw the S&amp;P500 briefly break above the 3,000 mark as Fed Chair Jerome Powell put out a dovish testimony to the House Financial Services Committee, signalling a stronger likelihood of a 25bps cut at the July FOMC. The Fed Chair mentioned that “crosscurrents” such as the trade tensions, “concerns about global growth” and inflation “running below the Federal Open Market Committee’s symmetric 2 percent objective” have been “weighing on economic activity and outlook”. When questioned about whether the US June jobs data had changed his outlook, he went on to reply “No” and also further stated that wage and benefit hikes of over 3% barely cover productivity increases and inflation. However, he did not directly respond when asked about the possibility of 50bps cut even as some in the market bet on that. Given this, expect Asian markets to see some gains today, which follows the Wall Street climb yesterday. For today, watch the release of June US CPI data, with consensus expectations at 1.6% yoy.</p>
<b>US</b>	<p>The White House has ordered a probe into France’s planned tax on digital-service companies, launching a “301 investigation”, which is the same tool used by the administration to impose levies on Chinese goods.</p>
<b>EU</b>	<p>The European Commission (EC) cut its 2020 Euro-area GDP projection to 1.4% from 1.5% whilst inflation is expected at 1.3%, making the case for further stimulus measures from the ECB stronger. The EC also predicted a 1.2% Eurozone GDP growth for 2019. They warned that “extended economic confrontation between the US and China” and uncertainty around US trade policy could have “negative repercussion for the global economy”.</p>
<b>CN</b>	<p>China’s CPI grew by 2.7% yoy in June, in line with market expectation. PPI, however, decelerated to 0% from 0.6%. We think CPI may have peaked in June as carry over effect peaked at 1.61% yoy in June. We expect CPI to trend lower gradually in the second half of 2019. However, given the recent rebound of oil prices, we expect CPI to stay above 2.5% in July. As such, it may be too early to argue for deflationary pressure.</p>
<b>CMD</b>	<p>Crude oil prices rallied strongly yesterday on a continued drop in US supplies and the threat of a Gulf Storm. The storm may reach hurricane status and may reach onshore this weekend, with major oil producers having already evacuated crew from offshore sites and one-third of Gulf crude output temporarily put on pause. A report by the EIA showing that crude stockpiles shrank 9.5mil barrels last week – larger than all estimates in a Bloomberg poll – also lifted prices higher. The hurricane is expected to take up most of the market attention for the rest of this week, with prices expected to ease once the hurricane (if materialised) has passed through the Gulf without major damage.</p>

## Major Markets

- **US:** The S&P 500 index rose 0.5% on Thursday on a highly dovish Powell testimony. The testimony quelled fears that the Fed would not deliver on the rate cuts, which pushed the index past the 3000 level for the first time briefly before coming back down to close at 2993. Treasuries climbed, with the 10-year treasury yield falling 0.5bps. The dollar also weakened against most major currencies, with the DXY falling 0.4%. Going forward, we expect the S&P 500 index to continue its upward trend, as risk sentiment improves on an accommodative Fed tailwind.
- **China:** Fresh fruit prices and pork prices are two main drivers to CPI, which brought up CPI by 0.71% yoy and 0.45% yoy respectively. The rise of pork prices and fresh fruit prices were offset by the vegetable prices. As such, on month-on-month basis, food CPI by 0.3% in June. Non-food prices fell by 0.1% mom, which deviated from the seasonal pattern. This was mainly due to the decline of oil prices. Fuel prices of the transportation component fell by 3.5% mom. The unexpected decline of non-food prices may point towards the disinflationary pressure.
- **Singapore:** The STI rose 0.3% yesterday, led by gains in the banking sector. We expect the STI to inch higher today, following the Fed Chairman Powell's hints of nearing rate cuts in his testimony to Congress. The STI resistance in the short-term is expected at 3,372, with a medium-term resistance at 3,415.
- **Malaysia:** The Wall Street Journal has reported, based on people familiar with the matter, that The U.S. Justice Department is investigating whether Deutsche Bank violated foreign corruption or anti-money-laundering laws in its work for the 1Malaysia Development Bhd. fund, which included helping the fund raise \$1.2 billion in 2014.
- **Indonesia:** According to data from the Upstream Oil and Gas Regulatory Task Force (SKK Migas), Indonesia's oil and gas production amounted to 1.8 million barrels of oil equivalent per day in the first half of 2019, 89 percent of the targeted amount. As a note, oil and gas related revenue makes up a substantial portion of Indonesia's state budget but back in May, Finance Minister Sri Mulyani had said that "the deficit is still controllable".
- **Thailand:** The Bank of Thailand said yesterday that it has plans in the pipeline to curb the strength of the baht, which is one of the top performing currencies against the baht this year. Governor Veerathai said on Monday that it is ready to adjust its policy rate and may impose further policies to limit the baht's strength. Minutes from the BoT noted that the currency's rapid appreciation may not be in-line with economic fundamentals. The BoT has various methods to cool the baht without adjusting rates, such as imposing withholding taxes or dictating a minimum time frame for foreigners in holding BoT bills before selling them. We maintain that the BoT is unlikely to adjust interest rates in Q3, and may only reduce in late Q4.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve was bullish yesterday, with the shorter tenors trading 2-4bps lower, the belly and longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 11bps to 472bps. 10Y USTs fell 1bps to 2.06%, after Federal Reserve Chairman Jerome Powell reinforced the Fed's willingness to "act as appropriate" to sustain the US economic expansion. However, the demand for 10-year notes was tempered by the new issuance amounting to USD24bn. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread narrowing to -11bps.
- **New Issues:** Greenland Hong Kong Holdings Limited has priced a USD300mn 2-year bond at 6.0%, tightening from IPT of 6.5% area. Panasonic Corporation has priced a USD2.5bn offering in 3 tranches: a USD1.0bn 3-year bond at T+75bps (tightening from IPT of T+90bps area), a USD1.0bn 5-year bond at T+85bps (tightening from IPT of T+105bps area), and a USD500mn 10-year bond at T+105bps (tightening from IPT of T+130bps area). China SCE Group Holdings Limited has priced a USD500mn 3.75NC2 bond at 7.25%, tightening from IPT of 7.5% area. PT Perusahaan Listrik Negara has priced a USD1.4bn offering in 2 tranches: a USD700mn 10-year bond at 3.95% (tightening from IPT of 4.25% area) and a USD700mn 30-year bond at 4.95% (tightening from IPT of 5.25% area). Vietnam Prosperity Joint Stock Commercial Bank has priced a USD300mn 3-year bond at 6.5%, tightening from IPT of 7.0% area. Melco Resorts Finance Ltd has priced a USD600mn 8NC3 bond at 5.625%, tightening from IPT of 5.875% area. United Overseas Bank Ltd has priced a SGD750mn NC7-Perpetual AT1 at 3.58%, tightening from guidance of 3.875% area.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	97.104	-0.39%	<b>USD-SGD</b>	1.3585	-0.22%
<b>USD-JPY</b>	108.460	-0.36%	<b>EUR-SGD</b>	1.5284	0.16%
<b>EUR-USD</b>	1.1251	0.38%	<b>JPY-SGD</b>	1.2522	0.12%
<b>AUD-USD</b>	0.6959	0.45%	<b>GBP-SGD</b>	1.6985	0.06%
<b>GBP-USD</b>	1.2502	0.30%	<b>AUD-SGD</b>	0.9453	0.21%
<b>USD-MYR</b>	4.1370	-0.11%	<b>NZD-SGD</b>	0.9029	0.39%
<b>USD-CNY</b>	6.8729	-0.22%	<b>CHF-SGD</b>	1.3725	0.15%
<b>USD-IDR</b>	14133	0.02%	<b>SGD-MYR</b>	3.0410	-0.03%
<b>USD-VND</b>	23211	-0.08%	<b>SGD-CNY</b>	5.0616	0.07%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3890	--	<b>O/N</b>	2.3501	-0.67%
<b>2M</b>	-0.3360	-0.67%	<b>1M</b>	2.3686	-1.07%
<b>3M</b>	-0.3580	-1.07%	<b>2M</b>	2.3579	-0.69%
<b>6M</b>	-0.3360	-0.69%	<b>3M</b>	2.3408	0.30%
<b>9M</b>	-0.1940	0.30%	<b>6M</b>	2.2568	0.02%
<b>12M</b>	-0.2580	0.02%	<b>12M</b>	2.2735	1.20%

#### 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%	22.5%	77.5%
09/18/2019	0.0%	100.0%	15.6%	60.7%	23.7%
10/30/2019	0.0%	100.0%	31.2%	47.9%	15.5%
12/11/2019	0.0%	100.0%	38.6%	33.5%	8.6%
01/29/2020	0.0%	100.0%	37.1%	26.4%	6.2%
03/18/2020	0.0%	100.0%	35.0%	22.3%	4.9%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.43	4.5%	Corn (per bushel)	4.3425	0.6%
Brent (per barrel)	67.01	4.4%	Soybean (per bushel)	8.930	1.2%
Heating Oil (per gallon)	1.9910	4.2%	Wheat (per bushel)	5.1175	0.4%
Gasoline (per gallon)	2.0052	4.1%	Crude Palm Oil (MYR/MT)	1,884.0	-0.3%
Natural Gas (per MMBtu)	2.4440	0.8%	Rubber (JPY/KG)	230.4	0.2%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,940	2.0%	Gold (per oz)	1,412.5	0.9%
Nickel (per mt)	12,990	2.3%	Silver (per oz)	15.147	0.5%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,860.20	76.71
<b>S&amp;P</b>	2,993.07	13.44
<b>Nasdaq</b>	8,202.53	60.80
<b>Nikkei 225</b>	21,533.48	-31.67
<b>STI</b>	3,340.42	10.96
<b>KLCI</b>	1,678.97	-3.90
<b>JCI</b>	6,410.68	22.36
<b>Baltic Dry</b>	1,759.00	--
<b>VIX</b>	13.03	-1.06

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.69 (-0.03)	1.83 (-0.08)
<b>5Y</b>	1.76 (-0.02)	1.83 (-0.05)
<b>10Y</b>	1.98 (--)	2.06 (--)
<b>15Y</b>	2.19 (--)	--
<b>20Y</b>	2.29 (--)	--
<b>30Y</b>	2.46 (+0.01)	2.58 (+0.04)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.50	0.53
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.45
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/11/2019 20:30	US Initial Jobless Claims	Jul-06	221k	--	221k
07/11/2019 20:30	US CPI MoM	Jun	0.00%	--	0.10%
07/11/2019 12:30	JN Tertiary Industry Index MoM	May	-0.10%	--	0.80%
07/10/2019 07:15	CH Money Supply M2 YoY	Jun	8.60%	--	8.50%
07/11/2019 20:00	BZ Retail Sales MoM	May	0.10%	--	-0.60%
07/11/2019 18:00	IR GDP QoQ	1Q	--	--	0.10%
07/11/2019 20:30	US CPI Ex Food and Energy MoM	Jun	0.20%	--	0.10%
07/11/2019 07:20	SL Exports YoY	May	--	--	0.40%
07/11/2019 18:00	IR GDP YoY	1Q	--	--	3.00%
07/11/2019 20:30	CA New Housing Price Index MoM	May	0.10%	--	0.00%
07/10/2019 07:15	CH New Yuan Loans CNY	Jun	1700.0b	--	1180.0b
07/11/2019 20:30	US CPI YoY	Jun	1.60%	--	1.80%

Source: Bloomberg

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