

Highlights

Global	<p>Wall Street ended on a positive note on Friday, whilst the UST bonds gained (10-year bond yield at 2.12%) in general anticipation of the Fed's likely rate cut at the 30 July FOMC meeting. Note Fed's Evans (voter) has already endorsed 50bps cuts by year-end to "get the inflation outlook up" as "our current setting for policy is a little bit on the restrictive side". Meanwhile, US Treasury Secretary Mnuchin has warned lawmakers of the upcoming debt-limit risk in September to early October, which is being reflected in some short-dated T-bills, nevertheless, market players may remain complacent that a last-minute deal will be struck again to kick the can down the road. Elsewhere, Financial Times reported that HK leader Carrie Lam's offer to resign was refused by Beijing. Separately, Anheuser-Busch InBev also cancelled its highly anticipated IPO for its Asia unit, citing market conditions.</p> <p>Asian markets may tread water today as market awaits China's data dump later this morning which comprises its 2Q19 GDP growth (market is eyeing a moderation to 6.2% yoy versus 6.4% in 1Q19, so any downside surprises may whipsaw the market), industrial production, retail sales and fixed asset investments. Japanese markets are closed for a holiday, while today's economic data calendar also comprises June trade data from Indonesia and India and US' Empire manufacturing. Fed's Williams is also speaking at a Libor briefing today. For the week ahead, watch interest rate decisions by BOK (pressure to cut its 1.75% bank rate to 1.5% amid the ongoing growth slowdown which is compounded by the US-China trade war) and BI (likely to cut 25bps to 5.75% on Thursday), as well as US earnings results (including US banks like Citigroup, JPMorgan, Bank of America, Goldman Sachs etc).</p>
US	<p>Producer prices rose 0.1% mom for a second month in June, exceeding market expectations and supported by services trade inflation, while core PPI rose 0.3% mom (2.3% yoy).</p>
CN	<p>China continued to tighten its grip on property market with the latest focus shifted from sales to financing leg. In addition to the window guidance on trust loan to property developer, China's NDRC said the offshore bond issuance by China's property developers will be only allowed to refinance the existing offshore medium to long term debt maturing within the next one year. China said that it will impose sanctions on US companies participating in arm sales to Taiwan in reaction to US's State Department's approval of US\$2.2 billion arms sale to Taiwan.</p> <p>The widening trade surplus in June was partially supported by the resilient demand from ASEAN though China's exports to US declined as expected. China's demand for key commodities remains stable while China's demand for electronic integrated circuit weakened further due to trade war. Despite the strong new Yuan loan, the percentage of medium to long term loan fell to 51.9%, lowest since June 2018. This was probably due to banks' weak appetite as a result of shifting of monetary policy stance back to neutral in April. Off-balance sheet lending remained the key drag on social financing.</p>

Major Markets

- **US:** The S&P 500 index closed up 0.5% on Friday. Markets were optimistic as investors continue to view the markets favourably with expectations of impending rate cuts, fuelled by encouragement from the Fed's Charles Evans, who endorsed a 50bps cut before the year ends. This week, markets will be watching major US earning releases to look for signs of weakness following the trade war escalation.
- **Singapore:** The STI added 0.21% to close at 3357.34 on Friday despite the weak flash 2Q19 GDP growth data, but may open with a softer tone this morning amid weak morning cues from Kospi. For today, SGS bonds may track the modest gains seen in the UST bond market on Friday.
- **Malaysia:** According to the New Straits Times, the Minister of Domestic Trade and Consumer Affairs, Datuk Seri Saifuddin Nasution Ismail has said he is optimistic that the targeted fuel subsidy mechanism can be implemented this year. He mentioned that the government was in the midst of preparing a cabinet paper and also noted that he is "optimistic that we can present this cabinet paper this month" and that once it is done, an announcement can be made. At this point, given that details of the mechanism are still to be released, it is difficult to determine the effect it will have on inflation.
- **Thailand:** New Prime Minister Prayuth Chan-ocha has picked leader of the military-aligned Palang Pracharath party as his new finance minister. The new finance minister will need to shore up the country's export-reliant economy in a period of mounting external uncertainties.
- **Indonesia:** At a rally yesterday, President Joko Widodo outlined his vision for his second term, stating that he will accelerate the development of infrastructure, attract more investment and improve human capital. The President had earlier announced plans to cut corporate tax (targeting to take effect in 2021), undertake a labour law overhaul and ease curbs on FDI in more industries. The IDR immediately strengthened against the USD closing at 14,007 by end Friday, possibly amid optimism that such reforms could further support foreign interest in the country. Meanwhile, the government has announced it is offering SBR007 retail savings bonds until July 25, through which it aims to collect Rp 2 trillion.
- **Oil:** Much of crude oil operations in the Gulf of Mexico are expected to resume production today, after Tropical Storm Barry weakened to a tropical depression Sunday. The storm forced a shutdown of almost three quarters of the Gulf's production, of which accounts for about 16% of the US output. Minor technical pullbacks on prices are typical of weather-related risks; expect a possible degree of profit-taking when the markets reopen on Monday. Longer-term, however, we continue to expect prices to trade flat at current levels with an upside bias.

Bond Market Updates

- **Market Commentary:** Last Friday, the SGD swap curve traded 6-7bps higher for the shorter tenors and the belly while the longer tenors traded 5-8bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 470bps. 10Y USTs fell 2bps to 2.12%, as investor expectations of a rate cut in July held firm, following Fed Chairman Jerome Powell's testimony to Congress. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread at -2bps.
- **New Issues:** China Jianyin Investment Limited has scheduled investor roadshows commencing on 15 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.810	-0.25%	USD-SGD	1.3570	-0.01%
USD-JPY	107.910	-0.54%	EUR-SGD	1.5299	0.16%
EUR-USD	1.1270	0.14%	JPY-SGD	1.2577	0.56%
AUD-USD	0.7020	0.66%	GBP-SGD	1.7071	0.46%
GBP-USD	1.2572	0.41%	AUD-SGD	0.9533	0.72%
USD-MYR	4.1130	-0.05%	NZD-SGD	0.9082	0.45%
USD-CNY	6.8808	0.15%	CHF-SGD	1.3793	0.64%
USD-IDR	14007	-0.43%	SGD-MYR	3.0272	-0.35%
USD-VND	23203	--	SGD-CNY	5.0625	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3930	-2.40%	O/N	2.3591	0.42%
2M	-0.3360	0.42%	1M	2.3320	-4.41%
3M	-0.3630	-4.41%	2M	2.3338	-3.89%
6M	-0.3420	-3.89%	3M	2.3223	-3.61%
9M	-0.1940	-3.61%	6M	2.2293	-4.98%
12M	-0.2800	-4.98%	12M	2.2311	-9.25%

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%	19.5%	80.5%
09/18/2019	0.0%	100.0%	13.7%	62.4%	23.9%
10/30/2019	0.0%	100.0%	33.5%	46.7%	14.2%
12/11/2019	0.0%	100.0%	38.6%	34.3%	8.7%
01/29/2020	0.0%	100.0%	37.4%	27.5%	6.4%
03/18/2020	0.0%	100.0%	35.3%	22.9%	5.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.21	0.0%	Corn (per bushel)	4.4950	0.4%
Brent (per barrel)	66.72	0.3%	Soybean (per bushel)	9.068	1.2%
Heating Oil (per gallon)	1.9801	0.1%	Wheat (per bushel)	5.3625	--
Gasoline (per gallon)	1.9770	-0.6%	Crude Palm Oil (MYR/MT)	1,900.0	0.6%
Natural Gas (per MMBtu)	2.4530	1.5%	Rubber (JPY/KG)	229.9	0.0%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,935	-0.3%	Gold (per oz)	1,412.2	0.4%
Nickel (per mt)	13,470	2.6%	Silver (per oz)	15.161	0.6%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,332.03	243.95
S&P	3,013.77	13.86
Nasdaq	8,244.15	48.10
Nikkei 225	21,685.90	42.37
STI	3,357.34	6.89
KLCI	1,669.45	-9.81
JCI	6,373.35	-43.72
Baltic Dry	1,865.00	49.00
VIX	12.39	-0.54

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.65 (+0.03)	1.85 (-0.02)
5Y	1.75 (+0.05)	1.87 (-0.02)
10Y	1.97 (+0.04)	2.12 (-0.02)
15Y	2.18 (+0.04)	--
20Y	2.28 (+0.04)	--
30Y	2.47 (+0.04)	2.65 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.20	0.20
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/15/2019	IN Exports YoY	Jun	--	3.90%	--
07/15/2019	PH Overseas Remittances YoY	May	2.90%	4.00%	--
07/15/2019	PH Overseas Workers Remittances	May	\$2540m	\$2441m	--
07/15/2019 07:01	UK Rightmove House Prices MoM	Jul	--	-0.20%	0.30%
07/15/2019 10:00	CH GDP YoY	2Q	6.20%	6.40%	--
07/15/2019 10:00	CH Industrial Production YoY	Jun	5.20%	5.00%	--
07/15/2019 10:00	CH Retail Sales YoY	Jun	8.50%	8.60%	--
07/15/2019 10:00	CH Industrial Production YTD YoY	Jun	5.90%	6.00%	--
07/15/2019 10:00	CH GDP YTD YoY	2Q	6.30%	6.40%	--
07/15/2019 12:00	ID Trade Balance	Jun	\$658m	\$208m	--
07/15/2019 14:30	IN Wholesale Prices YoY	Jun	2.26%	2.45%	--
07/15/2019 20:30	US Empire Manufacturing	Jul	2	-8.6	--
07/15/2019 20:50	US Fed's Williams Speaks at Labor briefing				

Source: Bloomberg

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