

**Highlights**

Global	<p><b>Wall Street eked out modest gains overnight to close at fresh records, driven by a tech rally while Citigroup (the first major US bank to announce 2Q earnings) also reported better than expected profit.</b> Meanwhile, UST bonds gained in light trading as buying interest emerged and the yield curve partly reversed its earlier steepening bias with the 10-year yield down to 2.09%. On the trade front, US Treasury Secretary Mnuchin hinted that he and Lighthizer may travel to China for trade talks in person if phone talks this week are productive. This followed Trump's earlier tweet that "the US tariffs are having a major effect on companies wanting to leave China for non-tariffed countries. This is why China wants to make a deal". Yesterday China had reported 2Q19 GDP growth of 6.2% yoy in line with market expectations, but also marking the softest growth since at least 1992 amid the ongoing trade spat, and financial market reaction was relatively calm amid heightened speculation of further policy stimulus.</p> <p><b>Asian markets may open with a firm tone this morning.</b> Today's economic data calendar also comprises US' retail sales, industrial production, NAHB housing and import prices, Eurozone and German ZEW survey, UK' jobless claims and ILO unemployment rate, and RBA minutes. Speakers scheduled for today include ECB's Villeroy, BOE's Carney, Fed's Powell, Bostic, Bowman and Evans.</p>
US	<p>The Empire manufacturing index rose from -8.6 in June (lowest since October 2016) to +4.3 in July, registering the largest gain in more than two years, suggesting stabilizing sentiments, albeit the employment measure softened to the weakest since January 2016. Meanwhile, the Treasury department sold US\$36b of 3-month bills at 2.115%, which is 9.5bps higher than a week ago, and 6-month bills at 2.01%. This suggests that investors are pricing in some potential risk premium to the upcoming debt ceiling deadline.</p>
CN	<p>China's economic growth decelerated further in the second quarter to 6.2% YoY, in line with market expectation. Nevertheless, the major economic indicators in June rebounded, beating market expectation, led by retail sales. Retail sales growth reaccelerated to 9.8% YoY from 8.6% on the back of car sales, which grew by 17.2% yoy due to Low base effect and car dealer's promotion to clear inventory before the new emission standard will take effect from July. In addition, China's infrastructure investment also reaccelerated slightly as China increased the pace of issuance of local government special bonds. Meanwhile, property market remained resilient. Property investment rose by 10.1% yoy in June. However, given China tightened property finance further in June, we think property investment may slow down in the coming months. Overall, we expect China's growth to decelerate further in the coming quarters as the one-off boost of car sales to wane as well as the possible slowdown of property investment.</p>

## Major Markets

- **US:** The S&P 500 index traded flat yesterday, closing up 0.02%. Traders will be looking at Fed officials' speeches this week to get hints of the depth of rate easing, with Powell, Bostic, Bowman, Kaplan, Evans and Bullard (to name a few) all speaking this week. Earnings releases of major US companies this week could also provide fresh cues on market direction, while the US debt ceiling is expected to provide some market jittery. We expect the S&P 500 index to trade sideways in the 3000-3020 region in the short-term.
- **Singapore:** The STI declined 0.28% to close at 3347.95 yesterday and may trade with a more positive tone today but is likely to continue to tread a familiar 3330-3370 range for now. Similar to UST bond market action overnight, SGS bonds may see some returning bids today.
- **Malaysia:** According to Bloomberg, Malaysia is expected to file a complaint to the World Trade Organization (WTO) on the EU's delegated act that restricts palm-biofuel usage. The news portal also reported that Malaysia and Indonesia are to have a ministerial meeting on Tuesday to discuss a joint strategy to address the EU's palm-biofuel limits and other industry matters. Meanwhile, Bloomberg also mentioned that the country is to push ahead with the B20 biodiesel implementation by next year.
- **Thailand:** The 2-5 spread dipped to as low as 4.6bp on Thursday, breaching the three-year low of 6.8bp set in March 2016 as the Thai sovereign curve continues to bull flatten. The first half of the month saw foreign fund outflows from Thai bonds of -\$141mil, and is set to record the first monthly bond fund outflow since April.
- **Indonesia:** The country maintained a trade surplus at US\$196m for the month of June as exports fell by 8.98% yoy whilst imports rose by 2.80% yoy. This trade surplus we believe strengthens the likelihood that Bank Indonesia (BI) may cut the benchmark rate by 25bps this week, which is also our expectation. The IDR meanwhile closed below 14,000 against the USD at 13,919, which again further supports the case for a BI cut.
- **Oil:** Oil prices dipped yesterday as Hurricane Barry past the Gulf of Mexico. This decline is largely seen as a technical profit-taking, as typical of weather-related risk events. WTI fell below \$60/bbl but with prices closing at \$59.58/bbl, levels are not too far off the crucial technical level. Too much has been made of WTI falling below \$60/bbl on seemingly slower Chinese GDP numbers yesterday, which we think are overblown for a few reasons. Firstly, China's GDP was always expected to trend downwards – this has been the case since 2010 and is not a new phenomenon. Secondly, WTI prices had only climbed above \$60/bbl for three days and actually were lingering at the sub \$50/bbl level for all of June. We still maintain the view that oil prices are likely to trade flat for the rest of 2H, with upside catalysts in the form of geopolitical pressures.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-flattened yesterday, with the shorter tenors and belly traded 2-4bps higher, while the longer tenors traded 0-2bps 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 tightened 1bps to 469bps. 10Y USTs fell 3bps to 2.09%, as investors continue to expect the Federal Reserve to lower rates this July, compounded by lower European government bond yields. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread at -4bps.
- **New Issues:** Korea Western Power Co., Ltd has priced a USD300mn 3-year bond at T+72.5bps, tightening from initial guidance of T+95bps area. China Hongqiao Group Ltd (subsidiary guarantors: China Hongqiao Investment Ltd, Hongqiao Investment (Hong Kong) Ltd, Hongqiao International Trading Ltd) has priced a USD300mn 3-year bond at 7.125%, tightening from IPT of 7.5% area. Fantasia Holdings Group Co., Ltd has priced a USD200mn 3.25NC2 bond at 12.5%, in line with IPT. Maxi-Cash Financial Services Corp Ltd has priced a SGD26.5mn 3-year bond at 6.35%. China Oil And Gas Group Ltd has arranged investor meetings in Hong Kong and Singapore commencing 16 July 2019.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.933	0.13%	USD-SGD	1.3562	-0.06%
USD-JPY	107.910	--	EUR-SGD	1.5268	-0.20%
EUR-USD	1.1258	-0.11%	JPY-SGD	1.2568	-0.07%
AUD-USD	0.7039	0.27%	GBP-SGD	1.6974	-0.57%
GBP-USD	1.2516	-0.45%	AUD-SGD	0.9546	0.14%
USD-MYR	4.1085	-0.11%	NZD-SGD	0.9112	0.33%
USD-CNY	6.8778	-0.04%	CHF-SGD	1.3775	-0.13%
USD-IDR	13919	-0.63%	SGD-MYR	3.0299	0.09%
USD-VND	23201	-0.01%	SGD-CNY	5.0700	0.15%

#### Equity and Commodity

Index	Value	Net change
DJIA	27,359.16	27.13
S&P	3,014.30	0.53
Nasdaq	8,258.19	14.04
Nikkei 225	21,685.90	--
STI	3,347.95	-9.39
KLCI	1,672.37	2.92
JCI	6,418.23	44.89
Baltic Dry	1,865.00	--
VIX	12.68	0.29

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3930	-0.30%	O/N	2.3591	0.01%
2M	-0.3360	0.01%	1M	2.3320	0.70%
3M	-0.3630	0.70%	2M	2.3338	0.90%
6M	-0.3420	0.90%	3M	2.3223	1.89%
9M	-0.1940	1.89%	6M	2.2293	1.66%
12M	-0.2800	1.66%	12M	2.2311	3.79%

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.69 (+0.04)	1.83 (-0.02)
5Y	1.78 (+0.03)	1.84 (-0.03)
10Y	1.99 (+0.03)	2.09 (-0.03)
15Y	2.21 (+0.02)	--
20Y	2.30 (+0.02)	--
30Y	2.50 (+0.03)	2.61 (-0.04)

#### 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%	25.5%	74.5%
09/18/2019	0.0%	100.0%	17.7%	59.5%	22.9%
10/30/2019	0.0%	100.0%	35.5%	43.8%	13.1%
12/11/2019	0.0%	100.0%	38.6%	32.6%	8.3%
01/29/2020	0.0%	100.0%	37.0%	26.2%	6.1%
03/18/2020	0.0%	100.0%	34.8%	22.1%	4.9%

#### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.87	0.67
TED	35.36	--

#### Secured Overnight Fin. Rate

SOFR	2.41
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#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.58	-1.0%	Corn (per bushel)	4.4100	-1.9%
Brent (per barrel)	66.48	-0.4%	Soybean (per bushel)	9.018	-0.6%
Heating Oil (per gallon)	1.9516	-1.4%	Wheat (per bushel)	5.0775	-5.3%
Gasoline (per gallon)	1.9303	-2.4%	Crude Palm Oil (MYR/MT)	1,900.0	--
Natural Gas (per MMBtu)	2.4080	-1.8%	Rubber (JPY/KG)	229.9	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,983	0.8%	Gold (per oz)	1,413.5	0.1%
Nickel (per mt)	13,665	1.4%	Silver (per oz)	15.290	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/16/2019 06:45	NZ CPI YoY	2Q	1.70%	1.70%	1.50%
07/16/2019 16:30	UK Jobless Claims Change	Jun	--	--	23.2k
07/16/2019 16:30	UK ILO Unemployment Rate 3Mths	May	3.80%	--	3.80%
07/16/2019 16:30	UK Claimant Count Rate	Jun	--	--	3.10%
07/16/2019 16:30	UK Average Weekly Earnings 3M/YoY	May	3.10%	--	3.10%
07/16/2019 17:00	EC ZEW Survey Expectations	Jul	--	--	-20.2
07/16/2019 20:30	US Retail Sales Advance MoM	Jun	0.20%	--	0.50%
07/16/2019 20:30	US Import Price Index MoM	Jun	-0.60%	--	-0.30%
07/16/2019 20:30	US Retail Sales Ex Auto MoM	Jun	0.10%	--	0.50%
07/16/2019 20:30	US Retail Sales Ex Auto and Gas	Jun	0.30%	--	0.50%
07/16/2019 20:30	US Import Price Index YoY	Jun	-2.30%	--	-1.50%
07/16/2019 21:15	US Industrial Production MoM	Jun	0.10%	--	0.40%
07/16/2019 21:15	US Capacity Utilization	Jun	78.10%	--	78.10%
07/16/2019 22:00	US Business Inventories	May	0.30%	--	0.50%

Source: Bloomberg

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