

## Highlights

Global	<p>Global risk sentiments improved overnight as US president Trump indicated a “very good telephone conversation” with China’s Xi and the two would have an “extended meeting” at the G20 summit later this month. Wall Street climbed overnight with the prospect of thawing US-China trade tensions, even as US Treasury bond yields rallied, tracking the gains in the bund market on ECB’s hints of a potential policy stimulus (possibly a rate cut) which had sent the 10-year bund yield further into negative territory and closer to the ECB’s -0.4% deposit rate. Meanwhile over in UK, Boris Johnson is leading the race to become the new PM.</p> <p>Asian markets are likely to see a brighter start this morning, following the US’s positive market lead. Market focus will be on the FOMC meeting where speculation of a rate cut may appear elusive, but a more dovish tilt in the official statement towards willingness to cut rates later this year is imminent. Given so much hype has been priced into financial markets for Fed rate cuts, a “buy the rumour and sell the fact” phenomenon may result post-FOMC as it would be unlike Powell to deliver everything that Trump and market watchers wish for, apart from a downward skew in the median dots plot. Today’s economic data calendar comprises of US’ mortgage applications, UK’s CPI/PPI/RPI, German PPI, and Singapore’s COE tender results. In addition, watch for Fed chair Powell’s post-FOMC press conference, as well as ECB’s Draghi and EC president Juncker who are speaking at the Sintra Forum. RMB jumped in the offshore market overnight after it was confirmed that President Xi will meet President Trump in the upcoming G20 meeting. Although a trade deal is unlikely next week, the meeting may potentially open the door to further negotiation in future, on the condition that the US agrees to respect China’s three red lines.</p>
US	<p>Housing starts unexpectedly fell 0.9% mom in May to an annual rate of 1.269m, partly weighed down by inclement weather in the Midwest, but building permits accelerated to 0.3% mom to 1.294m. News of the White House exploring the legality of demoting Fed chair Powell after Trump talked of firing him suggests that Fed independence may be threatened according to former Fed vice-chair Stanley Fischer.</p>
CN	<p>PBoC and security regulator CSRC were reported to host a meeting with six big banks and a few big security brokers to ease the structural liquidity pressure faced by non-bank financial institutions since the takeover of Baoshang bank. Big banks are encouraged to lend to big security brokers, which will play bridging roles to support funding demand from smaller non-bank financial institutions. In addition, there is also market talk that China may increase its quota for local government bond issuances in the second half of 2019. It shows that China will continue to step up its fiscal policy to support growth.</p>
MY	<p>There appeared to be little interest from BNM to facilitate more NDF trading as she instead said that they will “develop the onshore market so that investors have the avenue to hedge their risk onshore instead of relying on the NDF markets”. She further added that the central bank intends to “minimize the contagion effects from the opaque NDF market” and that they are in discussions with the FTSE Russell index providers to “understand the needs of the investors and how best to meet the needs”.</p>

## Major Markets

- **US:** Wall Street surged on Monday, with the S&P500 up 0.97%. The DJIA also gained 1.35%, and the Nasdaq composite gained 1.39%.
- **Singapore:** The STI added 0.96% to close up at 3238.73 yesterday and may sustain its ascent today amid the overnight improvement in risk appetite due to a thawing of US-China trade war and the prospect of more dovish central banks including the FOMC and ECB. The STI's support and resistance are tipped at 3222 and 3251 respectively. With UST bond yields falling by up to 3-4bps overnight, SGS bonds may follow suit today, but gains are likely to be more muted as investors await the announcement of the issue size for the new 20-year SGS bond auction that will take place on 26 June for issue on 1 July.
- **Malaysia:** Central Bank Governor Nor Shamsiah Mohd Yunus has said that the trade diversion could add about 10 basis points to this year's growth. However, she also noted that "there's a lot of uncertainty as to when the increased investments" that will take advantage of the trade diversion will materialize. She added that the central bank's growth forecast of 4.3 – 4.8% has only taken into account anticipated losses from the trade war, including the latest round of retaliatory measures and not the benefits.
- **Indonesia:** The government has sold Rp24tn of conventional bonds, well exceeding its target of Rp15tn. Bids also came in strongly at Rp54.8tn. Interest in bonds appear strong amid expectations of rate cuts in the region. Bank Indonesia (BI) will also begin its two days long policy meeting today.
- **Philippines:** 14 of 22 economists polled on Bloomberg now expect a rate cut of 25bp in Thursday's BSP rate meeting. The benchmark lending rate in the Philippines currently stands at 4.50% after a 25bp rate cut in May, and may see a further 25bp rate cut this Thursday to 4.25%. Sliding oil prices, concerns over a global growth slowdown on the US-China tensions and an increasingly dovish rhetoric among global central banks are likely to be factored in the BSP's considerations towards their rate decision. Yields on 91-day bills auctioned on Monday fell to 4.453%, down from 4.555% last week and the lowest in 8 months. Bids for all three tenors (91, 182 and 364 day debt) all recorded higher bids than offers.
- **Crude Oil:** OPEC+ is close to confirming that their next meeting will take place on 1-2 July 2019, according to a Bloomberg report. This meeting is particularly important as it involves making a decision and announcement on the possibility of an extended production cut into 2H. An OPEC committee expects global oil inventories to contract by 0.5mil bpd if the supply cuts continue into 2H. Brent and WTI prices were lifted higher yesterday after President Trump said he had a phone conversation with President Xi and that both parties would have an "extended meeting next week at the G-20 in Japan."

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened over yesterday, with the shorter tenors and belly trading 0-1bps higher, while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 498bps. 10Y UST yields fell 3bps to 2.06% following ECB President Mario Draghi's extremely dovish comments, hinting at rate cuts and asset purchases if inflation remains weak. This prompted bond yields worldwide to plummet, with 10Y UST yields briefly reaching 2.015%, the lowest since September of 2017. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with a widening to -15bps.
- **New Issues:** Zunyi Road and Bridge Construction (Group) Limited has priced a USD81mn 3-year bond at 4.6%, tightening from IPT of 5.0% area. Export-Import Bank of Korea has priced a USD1bn debt offering in 2 tranches; a USD500mn 3-year FRN at 3M-US LIBOR+ 52.5bps (tightening from IPT of 3M-US LIBOR+80 bps area), and a USD500mn 5-year bond at T+62.5bps, tightening from IPT of T+85bps area. Greenland Global Investment Ltd (guarantor: Greenland Holding Group Co., Ltd) has priced a USD500mn 3-year bond at 6.8%, tightening from IPT of 7.125% area. Zhuji Development Ltd (guarantor: Zhuji State-owned Assets Management Co., Ltd) has priced a USD189mn re-tap of its existing ZJSOAM 7.0%'21s at 4.9%, tightening from IPT of low 5.0% area, bringing the total outstanding amount to USD500mn. China Development Bank Corporation of Hong Kong has priced a USD300mn 5-year FRN at 3M-US LIBOR+64bps. Mudanjiang City Investment Group Co., Ltd has priced a USD100mn 3-year bond at 8.0%, widening from IPT of 7.8-8.0% area. Keppel Infrastructure Fund Management Pte. Ltd (as Trustee-Manager of Keppel Infrastructure Trust) has priced a SGD100mn re-tap of its existing KITSP 4.75%-PERPs at 4.75%, bringing the total outstanding amount to SGD300mn.

### • Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.644	0.09%	USD-SGD	1.3670	-0.28%
USD-JPY	108.450	-0.08%	EUR-SGD	1.5302	-0.50%
EUR-USD	1.1194	-0.21%	JPY-SGD	1.2603	-0.21%
AUD-USD	0.6877	0.35%	GBP-SGD	1.7166	-0.10%
GBP-USD	1.2558	0.19%	AUD-SGD	0.9399	0.04%
USD-MYR	4.1823	0.11%	NZD-SGD	0.8926	0.25%
USD-CNY	6.9032	-0.33%	CHF-SGD	1.3665	-0.41%
USD-IDR	14328	-0.04%	SGD-MYR	3.0492	0.07%
USD-VND	23340	-0.04%	SGD-CNY	5.0319	-0.17%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3850	--	O/N	2.3444	--
2M	-0.3360	--	1M	2.3903	--
3M	-0.3200	--	2M	2.4064	--
6M	-0.2680	--	3M	2.4185	--
9M	-0.1940	--	6M	2.3088	--
12M	-0.1770	--	12M	2.2868	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	29.2%	0.0%	29.2%	70.8%
07/31/2019	0.0%	84.4%	22.8%	61.6%	15.6%
09/18/2019	0.0%	97.7%	55.8%	22.5%	2.3%
10/30/2019	0.0%	98.4%	44.8%	15.8%	1.6%
12/11/2019	0.0%	99.4%	27.8%	7.5%	0.6%
01/29/2020	0.0%	99.5%	22.3%	5.6%	0.5%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.90	3.8%	Corn (per bushel)	4.4975	-1.1%
Brent (per barrel)	62.14	2.0%	Soybean (per bushel)	9.135	0.1%
Heating Oil (per gallon)	1.8278	1.6%	Wheat (per bushel)	5.3150	-1.5%
Gasoline (per gallon)	1.7214	1.8%	Crude Palm Oil (MYR/MT)	2,005.0	-0.9%
Natural Gas (per MMBtu)	2.3280	-2.4%	Rubber (JPY/KG)	239.5	1.1%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	5,949	1.8%	Gold (per oz)	1,346.6	0.6%
Nickel (per mt)	11,950	1.5%	Silver (per oz)	14.993	1.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
DJIA	26,465.54	353.01
S&P	2,917.75	28.08
Nasdaq	7,953.88	108.86
Nikkei 225	20,972.71	-151.29
STI	3,238.73	30.74
KLCI	1,652.76	14.36
JCI	6,257.33	66.81
Baltic Dry	1,093.00	--
VIX	15.15	-0.20

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.74 (--)	1.86 (--)
5Y	1.79 (--)	1.83 (-0.02)
10Y	1.98 (--)	2.06 (-0.03)
15Y	2.22 (-0.01)	--
20Y	2.30 (--)	--
30Y	2.52 (+0.01)	2.55 (-0.03)

#### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	7.10	2.08
TED	35.36	--

#### Secured Overnight Fin. Rate

SOFR	2.41
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
06/19/2019 16:30	UK CPI YoY	May	2.00%	--	2.10%	93.1034
06/19/2019 19:00	US MBA Mortgage Applications	41791	--	--	0.268	82.6772
06/19/2019 16:30	UK CPI Core YoY	May	1.60%	--	1.80%	80.9524
06/19/2019 17:00	BP Current Account Balance	Apr	--	--	155.5m	77.4194
06/19/2019 16:30	UK PPI Output NSA MoM	May	0.002	--	0.003	75.8621
06/19/2019 16:30	UK PPI Output NSA YoY	May	0.017	--	0.021	68.9655
06/19/2019 16:30	HK Unemployment Rate SA	May	0.028	--	0.028	66.6667
06/19/2019 08:30	AU Westpac Leading Index MoM	May	--	--	-0.09%	58.6207
06/19/2019 15:00	SW Economic Tendency Survey	Jun	9950.00%	--	9980.00%	58.6207
06/19/2019	PH BoP Overall	May	--	--	\$467m	--
06/19/2019 07:50	JN Trade Balance	May	-¥1200.0b	--	¥60.4b	¥56.8b

Source: Bloomberg

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