

Highlights

Global	<p>Asia looks set to start the week on a soft tone amid heightened tensions in the Persian Gulf (after Iran seized a British oil tanker in the Strait of Hormuz) as well as weak leads from US financial markets on Friday. While market players are anticipating the Fed to trim interest rates on 30 July, nevertheless the walking back of 50bp rate cut expectations, coupled with the blackout for Fed speeches in the run-up to FOMC, may see attention turning to US economic data releases and the ongoing earnings season (with Amazon.com, Alphabet, Unilever, Caterpillar, Coca-Cola, McDonalds and Boeing due). Elsewhere, Japanese PM Abe won a majority in the upper-house elections, but fell short of the two-thirds needed to revise the constitution.</p> <p>Asian markets may trade with a more tentative risk appetite today amid a light economic data calendar that only comprises US' Chicago Fed national activity index, Thailand's June trade data, Taiwan's export orders and unemployment rate, and HK CPI. BOJ's Kuroda is also speaking and UK PM May will also lead an emergency meeting to discuss shipping security in the Persian Gulf today. Key events to watch for the rest of the week include Tuesday's announcement of UK PM May's successor (likely Boris Johnson) and the ECB policy meeting on Thursday (likely to signal their willingness to cut interest rates and/or add stimulus).</p>
US	<p>The University of Michigan sentiment index rose from 98.2 in June to 98.4 in July, as the expectations gauge improved from 89.3 to 90.1 amid a buoyant stock market and healthy labour market, while the 1-year inflation gauge eased from 2.7% to 2.6%. Meanwhile, Bullard had opined that "I'd like to go 25 basis points at the upcoming meeting" and characterized it as recalibration rather than the start of an easing cycle.</p>
SG	<p>The official 2019 growth forecast is likely to be cut from 1.5-2.5% next month, according to a Straits Times report. Following the weaker than expected flash 2Q19 GDP growth, our current full-year growth forecast is 0-1% yoy.</p>
CN	<p>China unveiled 11 measures to further open China's financial market to foreign investors. For details, please refer to our week in review report. Overall, this is the most detailed framework for foreign investors so far. It will grant more access for foreign investors to participate in business such as insurance, wealth management, pension fund and investment bank other than interbank bond market, rating and security brokerage and money brokerage.</p>
CMD	<p>Crude oil prices rose after Iran seized a British tanker in the Straits of Hormuz and Libya's production disruption in the Sharara field caused output to sink to a 5-month low. Brent rose 0.9% to \$62.46/bbl and WTI rose 0.6% to \$55.63/bbl. As had been previously mentioned, despite the poor demand outlook, we remain neutral-bullish oil prices given that supplies remained tight and geopolitical tensions remain high. We maintain our forecast of Brent at \$68/bbl in 2H.</p>

Major Markets

- **Singapore:** The STI added 0.50% to close at 3377.96 on Friday, but looks set to consolidate today amid weak leads from Wall Street's Friday close and morning slippage by Kospi STI support is tipped at 3364, with resistance at 3391. With the UST bond bear-flattening on Friday, as traders faded a whipsawed session that was triggered by a WSJ report that Fed officials favoured a 25bp (instead of a 50bp) rate cut at the end-July FOMC meeting. SGS bonds may be better bid today amid the tentative risk appetite.
- **Malaysia:** Ministry of Finance (MoF) has welcomed Fitch's confirmation of Malaysia sovereign credit rating at A- with a stable outlook as MoF stated that "institutional reforms implemented by the current Government to enhance fiscal transparency and address high-profile corruption cases that will gradually improve Malaysia's governance indicators, have convinced both Fitch Ratings and S&P Global Ratings that Malaysia's sovereign credit rating deserves to be reaffirmed."
- **Indonesia:** Bank Indonesia (BI) recorded that capital inflows stood at Rp 192.5tn as of July 18 as the IDR broke below the 14,000 level last week for the first time since early 2019. BI Governor Perry Warjiyo has stated that the "capital inflows will also support economic stability". Expectations of a rate cut by BI last week had supported a rally for sovereign bonds. Meanwhile, according to the Jakarta Post, the government has reportedly strongly urged private distributors to buy diesel fuel from Pertamina as long as it meets their required specifications.
- **Hong Kong:** Unemployment rate remained unchanged at a more than one-year low of 2.8% during 2Q19. Despite that, the employment situation of the major industries remained mixed. The jobless rate of financial sector fell from 2.4% to 2.2%, probably due to the stock market's rebound in June on hopes of US-China trade war de-escalation. On the flip side, the unemployment rate of trade sector increased to 2.6%, a level unseen since Feb-Apr 2018. The trade war escalation in May has weighed heavily on the trade sector where imports and exports continued to show negative growth. Besides, retail sector's unemployment rate was unchanged at 3.9%, the highest level since 3Q18. This was mainly attributed to the sluggish retail sales on cautious consumption. In fact, it normally takes six months to one year for the overall jobless rate (a lagging indicator) to reflect the economic condition. As of May 2019, HK's exports and retail sales have respectively dropped for seven and four consecutive months. As such, the possibility of slight increase in overall unemployment rate cannot be ruled out in the coming months. We hold onto our view that overall jobless rate will move towards 2.9% in late 2019.
- **South Korea:** South Korea's first 20 days exports have fallen -13.6% yoy, with the drag mainly coming from the electronics sector once more, which slid -30% yoy. The continuous contraction in South Korea's exports does not bode well for other export-oriented economies, and continues to signal that the global economy remains fragile.
- **Gold:** Prices of the precious metal rebounded near to its prior high at \$1,425.40/oz, as rising geopolitical tensions between Iran and US allies ratchet demand for a safe haven. The resistance of \$1,425 has been tested twice in the past week and is likely to require a strong catalyst to push above this level. We retain our bullish outlook on gold and continue to view \$1,500/oz as a possible level that gold may test in the short-term.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was bullish on Friday, with the shorter tenors and belly traded 1-2bps lower, while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 481bps. 10Y USTs gained 3bps to 2.06%, after investors dialled back expectations of a 50bps rate cut in July. Spread between 3-month treasury bills and 10-year treasury notes remains inverted though with the spread narrowing to -1bps.
- **New Issues:** Bright Scholar Education Holdings Ltd has scheduled investor meetings commencing on 22 July for its potential USD bond issuance. Dexin China Holdings Company Ltd has scheduled investor meetings commencing on 22 July for its potential USD bond issuance. Greenko Solar Energy Pvt Ltd has mandated banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.151	0.37%	USD-SGD	1.3604	0.27%
USD-JPY	107.710	0.38%	EUR-SGD	1.5265	-0.23%
EUR-USD	1.1221	-0.50%	JPY-SGD	1.2629	-0.13%
AUD-USD	0.7042	-0.47%	GBP-SGD	1.7007	-0.10%
GBP-USD	1.2502	-0.37%	AUD-SGD	0.9580	-0.20%
USD-MYR	4.1128	-0.02%	NZD-SGD	0.9196	-0.07%
USD-CNY	6.8821	0.03%	CHF-SGD	1.3856	0.23%
USD-IDR	13938	-0.16%	SGD-MYR	3.0259	0.02%
USD-VND	23247	0.13%	SGD-CNY	5.0573	0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4030	-0.50%	O/N	2.3620	-0.21%
2M	-0.3360	-0.21%	1M	2.2611	-2.64%
3M	-0.3750	-2.64%	2M	2.2598	-1.55%
6M	-0.3540	-1.55%	3M	2.2594	-2.49%
9M	-0.1940	-2.49%	6M	2.1443	-2.45%
12M	-0.3080	-2.45%	12M	2.1578	-2.49%

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%	16.5%	83.5%
09/18/2019	0.0%	100.0%	11.8%	64.2%	24.0%
10/30/2019	0.0%	100.0%	37.3%	44.6%	12.3%
11/12/2019	0.0%	100.0%	40.3%	31.3%	7.2%
01/29/2020	0.0%	100.0%	37.7%	24.4%	5.2%
03/18/2020	0.0%	100.0%	34.4%	19.6%	3.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	55.63	0.6%	Corn (per bushel)	4.3075	1.5%
Brent (per barrel)	62.47	0.9%	Soybean (per bushel)	9.015	2.3%
Heating Oil (per gallon)	1.8896	1.5%	Wheat (per bushel)	5.0250	1.8%
Gasoline (per gallon)	1.8405	0.3%	Crude Palm Oil (MYR/MT)	1,905.0	-0.6%
Natural Gas (per MMBtu)	2.2510	-1.6%	Rubber (JPY/KG)	230.0	1.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,065	1.4%	Gold (per oz)	1,426.7	-0.1%
Nickel (per mt)	14,730	-0.9%	Silver (per oz)	16.117	0.0%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,154.20	-68.77
S&P	2,976.61	-18.50
Nasdaq	8,146.49	-60.75
Nikkei 225	21,466.99	420.75
STI	3,377.96	16.91
KLCI	1,658.19	9.26
JCI	6,456.54	53.24
Baltic Dry	2,170.00	40.00
VIX	14.45	0.92

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (-)	1.82 (+0.06)
5Y	1.74 (-)	1.81 (+0.05)
10Y	1.95 (-)	2.06 (+0.03)
15Y	2.17 (+0.01)	--
20Y	2.26 (+0.01)	--
30Y	2.44 (+0.01)	2.58 (+0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	6.80	-1.50
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.46
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
07/29/2019 15:00	SP CPI YoY	Jul P	--	0.40%	--	96.5517
07/29/2019 15:00	SP CPI EU Harmonised YoY	Jul P	--	0.60%	--	93.1034
07/26/2019 20:30	US GDP Annualized QoQ	2Q A	1.80%	3.10%	--	96.8504
07/26/2019 16:00	IT Manufacturing Confidence	Jul	100.6	100.8	--	97.2973
07/25/2019 20:30	US Initial Jobless Claims	20-Jul	219k	216k	--	98.4252
07/25/2019 20:30	US Durable Goods Orders	Jun P	0.70%	-1.30%	--	92.9134
07/25/2019 15:00	AS Industrial Prod. WDA YoY	May	--	4.50%	--	90.9091
07/25/2019 07:00	SK GDP YoY	2Q P	1.90%	1.70%	--	94.1176
07/24/2019 22:00	US New Home Sales	Jun	660k	626k	--	90.5512
07/24/2019 21:45	US Markit US Manufacturing PMI	Jul P	51	50.6	--	90
07/24/2019 19:00	US MBA Mortgage Applications	19-Jul	--	-1.10%	--	92.3077
07/24/2019 15:15	FR Markit France Manufacturing PMI	Jul P	51.6	51.9	--	97.1429
07/24/2019 06:45	NZ Trade Balance NZD	Jun	100m	264m	--	89.3617
07/23/2019 13:00	SI CPI YoY	Jun	0.80%	0.90%	--	96.5517

Source: Bloomberg

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