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**Highlights**

<b>Global</b>	<p>Another soft session overnight for Wall Street as Fed chair Powell warned of downside risks to the US economy but stopped short of hinting of imminent rate cuts and the White House administration downplayed hopes of a trade deal with China ahead of the highly anticipated Trump-Xi meeting this weekend. The US supposedly will not accept any further conditions on tariffs as part of re-opening negotiations, but is said to be prepared to delay fresh tariffs for now. In addition, US president Trump threatened that “any attack by Iran on anything American will be met with great and overwhelming force”, after Iranian President Rouhani accused the Trump administration of “mental retardation”. UST bonds rallied with the 10-year yield back below 2% to 1.994% (lowest since November 2016).</p> <p>Asian markets may consolidate today, awaiting RBNZ and BOT policy decisions (both likely to remain static at 1.5% and 1.75% respectively, but watch if any dovish hints). Today’s economic calendar comprises US’ durable goods orders and wholesale inventories, German GfK consumer confidence, S’pore’s industrial production and Malaysia’s May CPI. Fed’s Daly, ECB’s Mersch, and BOE’s Carney, Cunliffe, Tenreyro and Saunders are speaking.</p>
<b>US</b>	<p>Powell warned of “crosscurrents” with “apparent progress on trade turning to greater uncertainty and with incoming data raising renewed concerns about the strength of the global economy”. In a message consistent with the FOMC meeting last week, he reinforced that “if you see weakness, it’s better to come in earlier than later”. However, Bullard opined that a 50bp cut was unwarranted. Meanwhile, new home sales unexpectedly shrank 7.8% mom to 626k annual pace, despite declining mortgage rates and falling house prices. The Conference Board’s consumer confidence also retreated from 131.3 in May to 121.5 in June, as both the present situation and expectations gauges fell to 162.6 and 94.1 respectively, down from 170.7 and 105.0 previously.</p>
<b>SG</b>	<p>Industrial production likely shrank -1.4% yoy (+0.3% mom sa) in May, compared to 0.1% yoy (+2.4% mom sa) in April. Electronics is likely to continue to underperform. For the auction of \$1.9b (with MAS taking \$200m) new 20-year SGS bond maturing on 1 July 2039 which closes at noon today, we see fair value around 2.45% region. As this is the last long-dated scheduled SGS bond issue this year, demand from lifers should be decent. The previous 20-year SGS bond auction history suggest that when yields are trading below 2.4% handle such as for the May 2017 and August 2016 auctions, the bid-cover ratio may be between 1.8-2.2x, albeit those auctions were for smaller auction sizes of \$800m-\$1.5b. Moreover, the net issue size of \$1.7 billion for the new 20-year SGS bond is on the larger end of the spectrum, so it will boil down to competing corporate issues (such as perpetuals) and the yield differential pickup they offer that could lure some potential demand away.</p>

## Major Markets

- **US:** The S&P 500 index closed 0.95% lower on Tuesday. Fed officials Jerome Powell and James Bullard dampening expectations of aggressive rate cuts added downward pressure on US equity indices. Equities for the rest of the week will likely be trading on headline news from the upcoming G20 as well as any changes in the US-Iran headlines. Any positivity from the Trump-Xi meeting may push the S&P 500 index higher, possibly back to its recent record high of 2,954.2.
- **China:** China's corporate bond issuance has been negatively affected by the structural liquidity problem caused by Baoshang Bank woes. However, the credit line expansion of some large security brokers this week may help to ease the funding difficulty of smaller NBFIs and in turn ease the pressure on corporate bond issuances. This together with the PBoC's latest injection of liquidity pushed down onshore interbank rates to multi-year lows this week. We believe China still has various tools to contain risks associated with structural liquidity issues. Elsewhere, China Minsheng Investment's offshore USD bond was fully repaid yesterday. This is the first time for a guarantor to repay China's offshore USD bond. It combined with the expectations of Fed rate cut may support the offshore financing of Chinese private companies. Three Chinese banks reportedly face US action in North Korean sanctions probe. Though these banks denied the rumour, it raises concerns about US-China relationship. Now both sides seem less likely to reach any material deal at this week's meeting.
- **Singapore:** The STI declined again by 0.22% to close at 3304.27 yesterday and may test below the 3300 support handle today amid lingering concerns over US-Iran and US-China tensions as well as weak morning cues from Nikkei and Kospi. Although the UST bond yield curve bull-flattened overnight, SGS bonds may be hesitant to follow through with the \$1.9b new 20-year SGS bond auction later today.
- **Malaysia:** The Edge reports that Finance Minister Lim Guan Eng has said that the government has no intention of imposing new taxes in the upcoming 2020 budget and any taxes is "just a follow up" of what was announced in the 2020 budget. Meanwhile, Malaysia's May headline inflation data will be released later today with our expectations that it will be at 0.2% yoy.
- **Indonesia:** According to Bloomberg, Finance Minister Sri Mulyani has said that she believes economic growth will slow this year and she would be happy if Bank Indonesia (BI) lowered interest rates to stoke economic growth. The news portal also reported that she had emphasized that the central bank is independent without interference from the president. The Finance Minister also sees that BI has "a lot of room" to "manoeuvre within the second half of the year" and that the central bank "will find the right timing". In our view, we believe that BI is likely to cut by 25bps possibly in 3Q 2019.
- **Hong Kong:** Exports and imports continued to drop by 2.4% yoy and 4.3% yoy respectively in May. The decline in exports to China extended to 4.1% yoy while the exports to USA dropped by 15% yoy, possibly due to trade war escalations. On the other hand, imports from major trading partners declined on a broad basis, indicating that internal demand remained sluggish. Imports from Mainland China decreased by 4% yoy. On commodities, import of electrical machinery and office machines shrank by 5.3% yoy and 14.3% yoy respectively while exports of these two items also dropped by 2.0% yoy and 15.7% yoy respectively. It reflected that Asia's electronic value-chain has continued to be negatively affected by the trade war. Moving forward, we hold on our

views that the global trade outlook and HK's trade performance will remain under pressure as existing tariff is unlikely to get removed any time soon.

- **South Korea:** Bank of Korea Governor Lee Ju-Yeol reaffirmed that the central bank stands ready to act appropriately to challenges in economic outlook. While he declined to comment if a rate cut is forthcoming in the next few months, he said that he was aware his speech at the BoK's 69th anniversary has increased expectations of looser monetary policy. South Korea's core inflation in May sank to a 20-year low of 0.8% - a level not seen since the 1998 Asian Financial Crisis. We believe that the BoK may choose to reduce rates only late in the year if it eventually chooses to do so, choosing to preserve its ammunition for a more severe downturn.
- **Oil:** Crude oil prices were mixed yesterday, with Brent up +0.3% and WTI down -0.1%. WTI prices rose to as high as \$58.84/bbl after reports show an unexpected decline in crude oil, gasoline and petroleum inventories in the US, but eventually closed slightly more than a dollar lower at \$57.83/bbl. Brent eked out gains after falling -0.5% yesterday. Overall, crude oil prices continue to hover sideways as the energy market awaits further developments from the Trump-Xi meeting at the G20 summit this week as well as OPEC+ production decision early next week.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve was little changed yesterday, with the shorter tenors and belly trading 0-1bps lower, while the longer tenors traded 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 494bps. 10Y UST yields fell 3bps to 1.99%, after US Federal Reserve Chairman Jerome Powell stated that downside risks to the US economy have increased recently, strengthening the case for policy makers to cut interest rates in the near future. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, with the spread widening to -11bps.
- **New Issues:** Kookmin Bank has priced a USD500mn AT1 NC5-perpetual bond at 4.35%, tightening from IPT at 4.7% area. Qingdao Jiazhouwan Development Co., Ltd has priced a USD300mn 3-year bond at 5.8%. CMB International Leasing Management Ltd has priced a USD900mn 5-year bond at T+140bps, and a USD100mn 10-year bond at T+170bps. Redsun Properties Group Ltd has priced a USD250mn 3.25NC2 bond at 11.875%, tightening from IPT of 12.125% area. Huafa 2019 I Co., Ltd (guarantor: Zhuhai Huafa Group Co., Ltd) has priced a USD300mn 5-year bond at 4.25%, tightening from IPT of 4.55% area. China VAST Industrial Urban Development Company Ltd has priced a USD180mn 2-year bond at 13.0%, tightening from IPT of 13.25% area. SMC Global Power Holdings Corp. has priced a USD500mn NC5-perpetual bond at 6.0%, tightening from IPT of 6.2% area. KWG Group Holdings Ltd has priced a USD625mn 5NC2 bond at 5.875%.

### • Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	96.140	0.17%	<b>USD-SGD</b>	1.3545	0.07%
<b>USD-JPY</b>	107.200	-0.09%	<b>EUR-SGD</b>	1.5397	-0.19%
<b>EUR-USD</b>	1.1367	-0.28%	<b>JPY-SGD</b>	1.2638	0.19%
<b>AUD-USD</b>	0.6961	-0.03%	<b>GBP-SGD</b>	1.7187	-0.34%
<b>GBP-USD</b>	1.2689	-0.42%	<b>AUD-SGD</b>	0.9429	0.04%
<b>USD-MYR</b>	4.1445	0.10%	<b>NZD-SGD</b>	0.8994	0.40%
<b>USD-CNY</b>	6.8798	0.04%	<b>CHF-SGD</b>	1.3885	-0.29%
<b>USD-IDR</b>	14125	-0.13%	<b>SGD-MYR</b>	3.0617	0.05%
<b>USD-VND</b>	23298	0.05%	<b>SGD-CNY</b>	5.0853	0.10%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3930	--	<b>O/N</b>	2.3493	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4018	--
<b>3M</b>	-0.3430	--	<b>2M</b>	2.3495	--
<b>6M</b>	-0.3080	--	<b>3M</b>	2.3329	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.2099	--
<b>12M</b>	-0.2100	--	<b>12M</b>	2.1788	--

#### 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%	23.0%	77.0%
09/18/2019	0.0%	100.0%	19.3%	68.3%	12.4%
10/30/2019	0.0%	100.0%	38.0%	47.0%	7.7%
12/11/2019	0.0%	100.0%	42.7%	26.2%	3.6%
01/29/2020	0.0%	100.0%	37.3%	18.7%	2.4%
03/18/2020	0.0%	100.0%	32.7%	14.7%	1.8%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	57.83	-0.1%	Corn (per bushel)	4.4750	0.2%
Brent (per barrel)	65.05	0.3%	Soybean (per bushel)	9.035	-0.6%
Heating Oil (per gallon)	1.9234	0.8%	Wheat (per bushel)	5.3575	-0.4%
Gasoline (per gallon)	1.8772	1.2%	Crude Palm Oil (MYR/MT)	1,948.0	-1.0%
Natural Gas (per MMBtu)	2.3080	0.2%	Rubber (JPY/KG)	234.3	0.4%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,042	1.4%	Gold (per oz)	1,414.9	0.0%
Nickel (per mt)	12,300	1.3%	Silver (per oz)	15.300	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,548.22	-179.32
<b>S&amp;P</b>	2,917.38	-27.97
<b>Nasdaq</b>	7,884.72	-120.98
<b>Nikkei 225</b>	21,193.81	-92.18
<b>STI</b>	3,304.27	-7.26
<b>KLCI</b>	1,676.61	0.48
<b>JCI</b>	6,320.45	31.98
<b>Baltic Dry</b>	1,258.00	--
<b>VIX</b>	16.28	1.02

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.67 (-)	1.73 (-)
<b>5Y</b>	1.79 (-)	1.72 (-0.02)
<b>10Y</b>	2.02 (+0.01)	1.99 (-0.03)
<b>15Y</b>	2.29 (+0.02)	--
<b>20Y</b>	2.38 (+0.02)	--
<b>30Y</b>	2.59 (+0.02)	2.52 (-0.03)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.75	0.12
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.39
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/26/2019 10:00	NZ RBNZ Official Cash Rate	Jun-26	1.50%	--	1.50%
06/26/2019 15:05	TH BoT Benchmark Interest Rate	Jun-26	1.75%	--	1.75%
06/26/2019 20:30	US Durable Goods Orders	May P	-0.20%	--	-2.10%
06/25/2019 06:30	VN CPI YoY	Jun	2.60%	--	2.88%
06/26/2019 13:00	SI Industrial Production YoY	May	-1.80%	--	0.10%
06/26/2019 20:30	US Wholesale Inventories MoM	May P	0.50%	--	0.80%
06/26/2019 13:00	SI Industrial Production SA MoM	May	-1.10%	--	2.40%
06/26/2019 20:30	US Cap Goods Orders Nondef Ex Air	May P	0.10%	--	-1.00%
06/26/2019 01:15	EC ECB's Coeure Speaks in Frankfurt				
06/25/2019 06:30	VN Retail Sales YTD YoY	Jun	--	--	11.60%
06/25/2019 06:28	IN BoP Current Account Balance	1Q	-\$6.05b	--	-\$16.90b
06/25/2019 06:30	VN Industrial Production YoY	Jun	--	--	10.00%

Source: Bloomberg

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