

Highlights

Global	<p>US equity market retreated from a record high on mixed earnings report. The ECB was the main focus as it kept its benchmark interest rate unchanged but signalled that monetary stimulus may come. However, the outgoing President Draghi voiced concerns saying that the “outlook is getting worse and worse.” In addition, the ECB also fined tune its wording on inflation from previously stating “below but close to 2%” to “commitment to symmetry in the inflation aim”, reflecting the possibility of prolonged stimulus. However, it wasn’t clear about the nature and size of the stimulus that could be rolled out. Asian markets are likely to retreat today following the fall in their US counterparts. Watch out for US 2Q 2019 GDP later as consensus expectations are for a slowdown to 1.8% from 3.1%, the prior quarter. However, consensus also expect that personal consumption growth could pick-up to 4.0% from 0.9% in 1Q 2019. Other key data releases today include US core PCE, French PPI and German import price index.</p>
US	<p>Durable goods orders rebounded in June strongly to 2% though the May growth was revised down to -2.3% from -1.3%. Demand for core capital goods also increased, up by 1.9%. Nevertheless, the improvement in business sentiment may not be strong enough to offset the slowdown given slower inventory build-up.</p>
EU	<p>Germany economic data continued to miss the forecast with the IFO business climate index falling to 95.7, the lowest since April 2013. The weakness in the manufacturing sector was also spreading across the broader industrial sector according to the IFO, fuelling the concern about a possible technical recession.</p>
UK	<p>The new UK Prime Minister Boris Johnson has told European Commission (EC) President Jean-Claude Juncker that the UK’s withdrawal agreement would require amendments to pass parliament but the EC President has continued to insist that it is the best and only deal.</p>
CN	<p>China’s Commerce Ministry confirmed that the US and China trade delegation will meet in Shanghai on 30-31 July.</p>
MY	<p>The East Coast Rail Link (ECRL) project has resumed after a period of suspension. Transport Minister Anthony Loke also said that Malaysia is identifying new joint investment opportunities with China along the ECRL corridor.</p>

Major Markets

- **Indonesia:** New Bank Indonesia (BI) Deputy Governor Destry Damayanti has said that the “global easing of monetary policy will go quite long” and that she thinks “the room for easing will be quite long, will continue for quite some time for Indonesia”. She stated that she believes that lower global interest rates will also “push money to emerging markets” given that investors could be looking for high yields. Regarding undertaking economic reforms, she then further added, “This is actually the time to double down when we are benefitting from the calm situation.” Our view is that we expect Bank Indonesia to possibly cut the benchmark rate by only another 25bps for 2019, making it a total easing of 50bps this year.
- **Hong Kong:** Trade data surprised to the downside. Exports fell for the eighth consecutive month by 9% yoy while imports dropped for the seventh straight month by 7.5% yoy in June. By commodity, exports of electrical machinery, telecommunications and office machines tumbled by 8.9%yoy, 13.2% yoy and 21.2% yoy respectively while imports of these products also decreased. This could be attributed to the re-escalation of US-China trade war in May. Though US and China reached a truce at late June’s G20 summit and are set to resume trade talk this week, there is no sign that both sides plan to remove any existing tariff. It also seems unlikely for the technology war to end any time soon. Adding that global economic slowdown has dented global demand, Asia’s trade flows and electronic value chain may continue to take a hit. More notably, the front-loading of exports and imports during June to October 2018 has resulted in high base effect. Taken all together, we expect exports and imports to continue falling in the coming months and show single-digit negative growth over 2019.
- **Philippines:** The BSP said there is no rush to ease monetary policy, according to Monetary Board member Bruce Tolentino, and that the central bank will continue to be data dependent. This follows on the footsteps of Benjamin Diokno earlier this week, who said that the central bank will be patient and prudent in its policy steps. Given the increasing dovishness of other central banks, however, we are still of the opinion that the BSP will ease rates three more times before the end of 2019.
- **South Korea:** 2Q GDP expanded 2.1% YoY, beating our forecast of 1.7% and the market consensus of 1.9% yoy. Strong fiscal consumption growth of 7.3% yoy led to the strong growth showing, offsetting softness in investments and exports. The effects from the minimum wage and the Japan-South Korea trade tensions though likely mean that growth will continue to face stress in 2H. Overall, we revise full-year South Korea GDP growth to 1.9% from 1.8% due to better-than-expected 2Q growth and rebasing effects.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors and belly traded 2-3bps lower, while the longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 473bps. 10Y USTs gained 3bps to 2.08%, after ECB President Mario Draghi's comments were viewed as more hawkish than expected, stating that he sees a low risk of a recession in the Eurozone. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread at -1bps.
- **New Issues:** Honghua Group Ltd has priced a USD200mn 3-year bond at 6.375%, tightening from IPT at 6.9% area. Mong Duong Finance Holdings B.V. (an offshore financing SPV for AES-VCM Mong Duong Power Company Limited) has priced a USD678.5mn 9.8-year bond at 5.125%, tightening from IPT at 5.625% area. Coastal Emerald Ltd (Guarantor: China Shandong Hi-Speed Financial Group Ltd) has priced a USD500mn 3-year bond at 3.95% (tightening from IPT at 4.3% area) and a USD900mn NC5-Perpetual at 4.3% (tightening from IPT at 4.8% area). FWD Group Ltd has priced a USD250mn re-tap of its existing FWDGRP 5.75%'24s at 5.5%, in line with IPT. E-MART Inc. has priced a USD320mn 3-year FRN at 3-month US LIBOR+85bps. China Development Bank Corporation of Hong Kong has priced a USD100mn 3-year FRN at 3-month US LIBOR+54bps. Sino-Ocean Group Holding Ltd has scheduled investor meetings commencing on 26 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.818	0.09%	USD-SGD	1.3674	0.21%
USD-JPY	108.630	0.41%	EUR-SGD	1.5243	0.28%
EUR-USD	1.1147	0.06%	JPY-SGD	1.2588	-0.20%
AUD-USD	0.6951	-0.37%	GBP-SGD	1.7033	-0.01%
GBP-USD	1.2458	-0.21%	AUD-SGD	0.9505	-0.21%
USD-MYR	4.1143	-0.06%	NZD-SGD	0.9111	-0.43%
USD-CNY	6.8724	0.01%	CHF-SGD	1.3798	-0.42%
USD-IDR	13977	-0.14%	SGD-MYR	3.0151	-0.08%
USD-VND	23210	0.00%	SGD-CNY	5.0289	-0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.4010	-1.00%	O/N	2.3490	-0.15%
2M	-0.3360	-0.15%	1M	2.2411	-0.42%
3M	-0.3760	-0.42%	2M	2.2526	-0.55%
6M	-0.3680	-0.55%	3M	2.2558	-0.89%
9M	-0.1940	-0.89%	6M	2.1775	-0.18%
12M	-0.3210	-0.18%	12M	2.1789	-1.18%

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%	17.5%	82.5%
09/18/2019	0.0%	100.0%	11.7%	60.9%	27.4%
10/30/2019	0.0%	100.0%	33.0%	46.4%	15.6%
12/11/2019	0.0%	100.0%	38.3%	34.3%	9.4%
01/29/2020	0.0%	100.0%	37.0%	26.4%	6.4%
03/18/2020	0.0%	100.0%	34.3%	21.3%	4.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	56.02	0.3%	Corn (per bushel)	4.1850	-1.3%
Brent (per barrel)	63.39	0.3%	Soybean (per bushel)	8.825	-1.0%
Heating Oil (per gallon)	1.9143	0.3%	Wheat (per bushel)	4.9950	0.4%
Gasoline (per gallon)	1.8803	1.4%	Crude Palm Oil (MYR/MT)	1,985.0	2.0%
Natural Gas (per MMBtu)	2.2440	1.1%	Rubber (JPY/KG)	230.0	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,007	0.1%	Gold (per oz)	1,414.7	-0.6%
Nickel (per mt)	14,075	-3.3%	Silver (per oz)	16.339	-1.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	27,140.98	-128.99
S&P	3,003.67	-15.89
Nasdaq	8,238.54	-82.96
Nikkei 225	21,756.55	46.98
STI	3,381.26	12.82
KLCI	1,656.58	4.17
JCI	6,401.37	16.38
Baltic Dry	2,014.00	--
VIX	12.74	0.67

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (-0.03)	1.86 (+0.05)
5Y	1.74 (-0.02)	1.86 (+0.05)
10Y	1.93 (-0.01)	2.08 (+0.04)
15Y	2.16 (-0.01)	--
20Y	2.25 (-0.01)	--
30Y	2.44 (-0.01)	2.61 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.67	-2.15
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.41
------	------

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance	
08/02/2019 20:30	US Change in Nonfarm Payrolls	Jul	160k	--	224k	--	99.2126
08/01/2019 19:00	UK Bank of England Bank Rate	Aug-01	0.75%	--	0.75%	--	98.8506
08/01/2019 20:30	US Initial Jobless Claims	Jul-27	--	--	206k	--	98.4252
08/01/2019 02:00	US FOMC Rate Decision (Upper Bound)	Jul-31	2.25%	--	2.50%	--	97.6378
07/26/2019 16:00	IT Manufacturing Confidence	Jul	100.5	--	100.8	--	97.2973
08/01/2019 15:50	FR Markit France Manufacturing PMI	Jul F	--	--	50	--	97.1429
07/26/2019 20:30	US GDP Annualized QoQ	2Q A	1.80%	--	3.10%	--	96.8504
07/29/2019 15:00	SP CPI YoY	Jul P	--	--	0.40%	--	96.5517
08/01/2019 16:30	HK Retail Sales Value YoY	Jun	--	--	-1.30%	--	95.4545
08/01/2019 22:00	US ISM Manufacturing	Jul	52	--	51.7	--	95.2756
07/31/2019 17:00	IT CPI EU Harmonized YoY	Jul P	--	--	0.80%	--	94.5946
08/02/2019 22:00	US U. of Mich. Sentiment	Jul F	98.5	--	98.4	--	94.4882
07/31/2019 14:45	FR CPI YoY	Jul P	--	--	1.20%	--	94.2857
07/30/2019 22:00	US Conf. Board Consumer Confidence	Jul	125	--	121.5	--	93.7008
08/02/2019 22:00	US Durable Goods Orders	Jun F	--	--	2.00%	--	92.9134
08/01/2019 09:45	CH Caixin China PMI Mfg	Jul	49.7	--	49.4	--	92.6829
07/30/2019 09:30	AU Building Approvals MoM	Jun	0.30%	--	0.70%	--	92.6471

Source: Bloomberg

OCBC Treasury Research	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Howie Lee HowieLee@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).