

Highlights

Global	<p>Wall Street had another record session on Friday led by the tech stock rally, whilst UST bonds were little changed (10-year at 2.07%) and the USD strengthened after White House adviser Kudlow ruled out plans to intervene in FX markets. US president Trump has threatened France with a “substantial reciprocal action” to France’s 3% tax on digital revenue affecting US firms retroactive to January, insisting that “we tax our companies, they don’t tax our companies”. Trump also criticised the WTO for not cracking down on countries like China for declaring developing nation status. Elsewhere, another weekend of demonstrations in Hong Kong has prompted the HK and Macau Affairs Office to schedule a news conference in Beijing today (which was reported by SMCP to be a first since the 1997 handover).</p> <p>Asian markets may tread water today amid a light economic data calendar. For the week ahead, key will be US-China trade talks starting tomorrow in Shanghai for the first face-to-face talks since the stalemate in May (albeit market expectations for a breakthrough have been dialled down, especially after Trump’s comments that China will probably wait until after the 2020 elections to reach a trade deal), the BOJ policy decision tomorrow (where Kuroda’s briefing will be keenly watch for any hints of further policy easing in the wake of ECB’s dovish tilt last week), the FOMC rate decision on Wednesday (where the better than expected GDP growth is not expected to deter a 25bp rate cut, but Fed chair Powell’s potential signals on further rate cuts will be critical), and BOE policy meeting on Thursday (likely static but may continue to flag downside risks to a no-deal Brexit scenario amid a more hardline Johnson cabinet shakeout), and US’ labour market report on Friday (where the nonfarm payrolls, unemployment rate and average hourly earnings are tipped at 155k, 3.6% and 3.2% respectively). US and SG earnings season also continues, with Apple, Spotify, etc on tap.</p>
US	<p>2Q GDP growth came in at 2.1% qoq, slower than 1Q19’s 3.1% qoq but beating market expectations for 1.8% qoq, as personal consumption rose 4.3% (strongest since 4Q17) which offset weakness in business investments (-0.6%), residential investment (-1.5%) and net exports (as exports fell 5.2% and imports were nearly flat at 0.1%).</p>
CN	<p>In its latest 2018 annual report, China’s currency regulator SAFE unveiled for the first time that its 10-year average return for its foreign exchange reserve from 2005-2014 was 3.68%. The percentage of assets denominated in US dollar fell from 79% in 2005 to 58% 2014, below global average of 65%. The annual report shows that China’s de-dollarization pace in its FX reserve was faster than previously expected. With China’s plan to increase its medium to long term asset allocation for its FX reserve, China may continue to increase its holdings of gold.</p>
SG	<p>MTI has rebutted Trump’s claims that Singapore takes advantage of the flexibility in negotiating agreements that developing countries in the WTO are allowed.</p>

Major Markets

- **US:** The S&P 500 index closed up 0.7% on Friday, again hitting a record high as technology shares climbed and a better than expected GDP print of 2.1% . Markets this week are likely to focus on the FOMC decision on Wednesday with a 25bps cut priced in. Other key events markets may also watch this week include the US – CH trade talks although a deal looks elusive and there are limited expectations of a breakthrough.
- **Singapore:** The STI lost 0.52% to close at 3363.76 on Friday and may consolidate between a 3357-3381 range. With UST bonds ending flat on Friday with a flatter curve bias despite the stronger-than-expected 2Q19 GDP growth data, SGS bonds may also tread water awaiting the \$2.3b (MAS taking \$200m) 5-year SGS bond re-opening later today.
- **Malaysia:** Prime Minister Mahathir Mohamad has said that Turkey could be an alternative trade partner as he mentioned that he sees in Turkey “a lot of potential for import of some of the things” that are imported from other countries.
- **Indonesia:** According to Bloomberg, the government is studying the idea of creating “diaspora bonds”, which would be targeted at its citizens living overseas. Luky Alfirman, Director General for Financing and Risk Management at the Ministry of Finance said that “the government plans to gradually decrease foreign ownership in bonds, not by limiting it, but by expanding domestic investors base” and also added that the government is reviewing the tax rates applicable on all financial market instruments, including bonds yield. Meanwhile, President Joko Widodo told the Associated Press that he has “no political burden” and vowed to push sweeping reforms.
- **Macau:** Unemployment rate was static at a more than four-year low of 1.7% during 2Q 2019. Zooming in, the employed population of gaming industry increased by 1.1% mom as robust tourism growth has lent strong support to gaming sector’s mass-market segment. In contrast, the employed population of retail sector dropped further by 1.5% mom as retail sector’s growth has been curbed by cautious consumption sentiments. Overnight visitor growth has been relatively moderate despite burgeoning tourism. The employed population of hotels, restaurants and similar activities dropped in three out of the past four three-month periods. Worse still, the employed population of construction sector fell for the fifth consecutive three-month period by 0.7% mom as most of the new infrastructure and entertainment projects have been completed successively. Elsewhere, median monthly employment earning slid 4.1% qoq to MOP16,300 in 2Q. In the near term, the unemployment rate may be sticky at 1.7%. However, with external uncertainties continuing to cloud Macau’s growth outlook and hurting the hiring sentiments of major industries, overall unemployment rate is expected to edge higher in the medium term.

Bond Market Updates

- **Market Commentary:** All tenors traded 1-2bps higher last Friday compared to Thursday. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 127bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 471bps. 10Y USTs fell 1bps to 2.07%, rebounding after stronger than expected GDP growth briefly lifted yields. Expectations of a more aggressive 50bps rate cut by the Federal Reserve in the upcoming July meeting also decreased. Spread between 3-month treasury bills and 10-year treasury notes was still inverted, with the spread widening to -4bps.
- **New Issues:** There were no new issues or mandates on Friday.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.010	0.20%	USD-SGD	1.3696	0.16%
USD-JPY	108.680	0.05%	EUR-SGD	1.5242	-0.01%
EUR-USD	1.1128	-0.17%	JPY-SGD	1.2605	0.14%
AUD-USD	0.6911	-0.58%	GBP-SGD	1.6964	-0.41%
GBP-USD	1.2384	-0.59%	AUD-SGD	0.9467	-0.40%
USD-MYR	4.1195	0.13%	NZD-SGD	0.9089	-0.24%
USD-CNY	6.8795	0.10%	CHF-SGD	1.3788	-0.07%
USD-IDR	14008	0.22%	SGD-MYR	3.0099	-0.17%
USD-VND	23211	0.00%	SGD-CNY	5.0210	-0.16%

Equity and Commodity

Index	Value	Net change
DJIA	27,192.45	51.47
S&P	3,025.86	22.19
Nasdaq	8,330.21	91.67
Nikkei 225	21,658.15	-98.40
STI	3,363.76	-17.50
KLCI	1,647.96	-8.62
JCI	6,325.24	-76.13
Baltic Dry	1,937.00	-10.00
VIX	12.16	-0.58

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3950	0.30%	O/N	2.3504	-0.32%
2M	-0.3360	-0.32%	1M	2.2370	-2.06%
3M	-0.3680	-2.06%	2M	2.2470	-2.79%
6M	-0.3620	-2.79%	3M	2.2658	-1.09%
9M	-0.1940	-1.09%	6M	2.2049	-0.56%
12M	-0.3140	-0.56%	12M	2.1966	-0.06%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.67 (+0.01)	1.85 (-0.01)
5Y	1.75 (+0.01)	1.85 (-0.01)
10Y	1.94 (-)	2.07 (-0.01)
15Y	2.16 (-)	--
20Y	2.25 (+0.01)	--
30Y	2.44 (-)	2.59 (-0.02)

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%	16.0%	84.0%
09/18/2019	0.0%	100.0%	10.6%	61.0%	28.4%
10/30/2019	0.0%	100.0%	32.4%	46.9%	16.1%
12/11/2019	0.0%	100.0%	38.4%	34.2%	9.5%
01/29/2020	0.0%	100.0%	37.1%	26.8%	6.6%
03/18/2020	0.0%	100.0%	34.5%	21.6%	4.9%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.43	0.96
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)	56.20	0.3%	Corn (per bushel)	4.1450	-1.0%
Brent (per barrel)	63.46	0.1%	Soybean (per bushel)	8.833	0.1%
Heating Oil (per gallon)	1.9044	-0.5%	Wheat (per bushel)	4.9600	-0.7%
Gasoline (per gallon)	1.8744	-0.3%	Crude Palm Oil (MYR/MT)	1,996.0	0.6%
Natural Gas (per MMBtu)	2.1690	-3.3%	Rubber (JPY/KG)	228.0	-0.9%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,963	-0.7%	Gold (per oz)	1,419.3	0.3%
Nickel (per mt)	14,100	0.2%	Silver (per oz)	16.325	-0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Time	Event		Survey	Actual	Prior	Revised
07/29/2019	VN	CPI YoY	Jul	2.50%	--	2.16%	--
07/29/2019	VN	Retail Sales YTD YoY	Jul	--	--	11.50%	--
07/29/2019	VN	Industrial Production YoY	Jul	--	--	9.60%	--
07/29/2019 07:50	JN	Retail Sales YoY	Jun	0.20%	--	1.20%	1.30%
07/29/2019 07:50	JN	Retail Sales MoM	Jun	-0.30%	--	0.30%	0.40%
07/29/2019 07:50	JN	Dept. Store, Supermarket Sales YoY	Jun	-0.60%	--	-0.50%	--
07/29/2019 15:00	SP	CPI YoY	Jul P	0.60%	--	0.40%	--
07/29/2019 16:00	IT	PPI YoY	Jun	--	--	1.80%	--
07/29/2019 16:30	UK	Mortgage Approvals	Jun	65.8k	--	65.4k	--
07/29/2019 16:30	UK	Money Supply M4 MoM	Jun	--	--	-0.10%	--
07/29/2019 16:30	UK	M4 Money Supply YoY	Jun	--	--	2.20%	--
07/29/2019 16:30	UK	Net Lending Sec. on Dwellings	Jun	3.5b	--	3.1b	--
07/29/2019 22:30	US	Dallas Fed Manf. Activity	Jul	-5	--	-12.1	--

Source: Bloomberg

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