

Highlights

Global	<p>Wall Street ended mixed yesterday as tech stocks softened and the 10-year UST bond yield fell slightly to 2.06% as investors were sidelined ahead of the US-China trade talks and the BOJ meeting today, as well as the upcoming FOMC rate decision and Friday's US labour market report. Over in the UK, the GBP and gilts continued to trade on growing no-deal Brexit anxiety, even though PM Boris Johnson attempted to calm fears. For today, we expect BOJ to stay static and conserve their limited firepower, but watch for its quarterly refresh of growth and inflation forecasts (where the latter may be tweaked lower) and any suggestions of possible reactions to a kneejerk JPY strengthening post-FOMC. Note US president Trump tweeted that the Fed "probably will do very little" compared to the EU and China and "a small rate cut is not enough".</p> <p>Asian markets may tread water today, awaiting headlines from BOJ. The economic data calendar kicks into full swing today with US' personal income and spending, Conference Board consumer confidence, pending home sales, and core PCE deflator, Eurozone's economic confidence, German CPI, France's preliminary 2Q19 GDP growth and Thailand's June manufacturing production.</p>
US	The Dallas Fed factory index was negative for the third consecutive month at -6.3 in July, compared to -12.1 in June. This reflected weakness in delivery times, unfilled orders, prices received and the manufacturers' outlook.
CN	China unveiled 21 measures to lower the corporate leverage. The equity financing will be the focus via debt for equity swap or broadening channel for equity investment by savings and private capital.
UK	UK PM Boris Johnson said he will not start talks with EU leaders on Brexit unless they first agree to his demand to reopen the deal struck with Theresa May, but so far they have refused.
SG	The \$2.3b re-opening of the 5-year SGS bond fetched a cut-off yield of 1.74% with a bid-cover ratio of 2.2x. The next scheduled SGS bond auction will be a re-opening of the 10-year SGS bond, with the size announcement on 21 August and the auction on 28 August for issue on 2 September. Meanwhile, SBF CEO has warned that "we need to adjust" growth expectations. Separately, MAS said that Singapore credit agencies' ratings can still be recognised in Europe even though the EU no longer considers them equivalent because they can still be endorsed by their EU counterparts.
CMD	Brent has averaged around \$63.50/bbl since last Monday and in the absence of further catalysts, may continue to hover around this level in the very short-term. Asia refinery margins on gasoline, gasoil and fuel oil continue to post profits, with the exception of naphtha which has been in the red since October 2018. Uncertainty from OPEC+ has also been reduced following their commitment to its supply curbs until March 2020. This leaves the geopolitical tension of Iran with the West as the wildcard. Crude oil net long spec position on NYMEX at 398k contracts are still nearer to the recent low (352k) than the top (547k), so the upside risks may be bigger than the downside risks at the moment, from this perspective.

Major Markets

- **US:** The S&P 500 index closed down 0.2% as tech stocks weighed down on benchmarks. 10y UST yields dropped for a second day to 2.06% ahead of the expected rate cut from the July FOMC meeting on Thursday. Besides the FOMC meeting, investors will be looking for updates on the trade war from the US-CN trade talks happening today in Shanghai. In the near term, the S&P 500 index is expected to trade flat within the 3000-3040 range.
- **Singapore:** The STI retreated again by 0.052% to close at 3346.39 yesterday and may continue to consolidate towards the 3329 support unless BOJ surprises on the dovish side. With UST bonds supported ahead of the FOMC's expected rate cut, notwithstanding the higher-than-expected Treasury Department's financing estimates which may translate into a T-bill deluge, SGS bonds may also trade with a modest biddish tone today.
- **Malaysia:** According to Bloomberg, The Ministry of International Trade and Industry has said that Malaysia will elevate its palm oil issues with the EU to the dispute settlement mechanism under the WTO.
- **Indonesia:** The Ministry of Finance has reported that they have sold Rp3.22tn of retail savings bonds, exceeding the Rp2tn target. Reportedly, the Ministry of Finance plans to undertake four more rounds of retail bonds offerings in August, September, October and November.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors traded 0-2bps higher, while the belly and longer tenors traded 0-2bps lower. 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 widened 2bps to 473bps. 10Y USTs was unchanged at 2.07%, as investors adopt a wait-and-see stance ahead of the FOMC meeting outcome on Wednesday. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread tightening to -2bps.
- **New Issues:** Shinhan Financial Group Co Ltd has priced a USD500mn 10.5NC5 Tier 2 bond at T+150bps, tightening from IPT of T+175bps area. Sino-Ocean Land Treasure IV Ltd (Guarantor: Sino-Ocean Group Holding Ltd) has priced a USD600mn 10-year bond at T+287.5bps, tightening from IPT of T+320bps area. Malayan Banking Berhad has priced a USD850mn 5-year FRN at 3-month US LIBOR+80bps, in line with final guidance. National Australia Bank Ltd has priced a USD1.5bn 15NC10 Tier 2 bonds at T+188bps, tightening from IPT of T+200bps area. Hong Yang Group Co., Ltd has priced a USD100mn 2-year bond at 11.5%. Export-Import Bank of India has scheduled investor roadshows commencing on 30 July for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.044	0.03%	USD-SGD	1.3703	0.05%
USD-JPY	108.780	0.09%	EUR-SGD	1.5271	0.19%
EUR-USD	1.1145	0.15%	JPY-SGD	1.2597	-0.06%
AUD-USD	0.6902	-0.13%	GBP-SGD	1.6743	-1.30%
GBP-USD	1.2219	-1.33%	AUD-SGD	0.9457	-0.11%
USD-MYR	4.1270	0.18%	NZD-SGD	0.9086	-0.03%
USD-CNY	6.8934	0.20%	CHF-SGD	1.3819	0.22%
USD-IDR	14020	0.09%	SGD-MYR	3.0080	-0.06%
USD-VND	23213	0.01%	SGD-CNY	5.0271	0.12%

Equity and Commodity

Index	Value	Net change
DJIA	27,221.35	28.90
S&P	3,020.97	-4.89
Nasdaq	8,293.33	-36.88
Nikkei 225	21,616.80	-41.35
STI	3,346.39	-17.37
KLCI	1,642.69	-5.27
JCI	6,299.04	-26.20
Baltic Dry	1,937.00	--
VIX	12.83	0.67

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3950	0.40%	O/N	2.3504	0.14%
2M	-0.3360	0.14%	1M	2.2370	-0.41%
3M	-0.3680	-0.41%	2M	2.2470	-0.56%
6M	-0.3620	-0.56%	3M	2.2658	1.00%
9M	-0.1940	1.00%	6M	2.2049	2.74%
12M	-0.3140	2.74%	12M	2.1966	1.77%

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.67 (--)	1.86 (+0.01)
5Y	1.74 (-0.01)	1.85 (--)
10Y	1.94 (--)	2.07 (-0.01)
15Y	2.16 (--)	--
20Y	2.25 (-0.01)	--
30Y	2.44 (--)	2.59 (--)

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%	21.0%	79.0%
09/18/2019	0.0%	100.0%	14.4%	60.7%	24.9%
10/30/2019	0.0%	100.0%	33.4%	46.0%	14.7%
12/11/2019	0.0%	100.0%	38.1%	34.2%	9.2%
01/29/2020	0.0%	100.0%	37.0%	26.9%	6.5%
03/18/2020	0.0%	100.0%	34.8%	22.4%	5.1%

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.70	0.27
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)	56.87	1.2%	Corn (per bushel)	4.1700	0.6%
Brent (per barrel)	63.71	0.4%	Soybean (per bushel)	8.858	0.3%
Heating Oil (per gallon)	1.9106	0.3%	Wheat (per bushel)	5.0350	1.5%
Gasoline (per gallon)	1.8634	-0.6%	Crude Palm Oil (MYR/MT)	2,008.0	0.6%
Natural Gas (per MMBtu)	2.1410	-1.3%	Rubber (JPY/KG)	227.8	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,018	0.9%	Gold (per oz)	1,420.4	0.1%
Nickel (per mt)	14,350	1.8%	Silver (per oz)	16.368	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date	Time	Event	Survey	Actual	Prior	Revised
07/30/2019	JN	BOJ Policy Balance Rate	Jul-30	-0.10%	--	-0.10%
07/30/2019 07:30	JN	Jobless Rate	Jun	2.40%	2.30%	2.40%
07/30/2019 07:30	JN	Job-To-Applicant Ratio	Jun	1.62	1.61	1.62
07/30/2019 07:50	JN	Industrial Production MoM	Jun P	-1.70%	-3.60%	2.00%
07/30/2019 13:30	FR	GDP YoY	2Q P	1.40%	--	1.20%
07/30/2019 17:00	EC	Consumer Confidence	Jul F	-6.6	--	-6.6
07/30/2019 20:00	GE	CPI YoY	Jul P	1.50%	--	1.60%
07/30/2019 20:00	GE	CPI EU Harmonized YoY	Jul P	1.20%	--	1.50%
07/30/2019 20:30	US	Personal Income	Jun	0.40%	--	0.50%
07/30/2019 20:30	US	Personal Spending	Jun	0.30%	--	0.40%
07/30/2019 22:00	US	Conf. Board Consumer Confidence	Jul	125	--	121.5
07/30/2019 22:00	US	Pending Home Sales MoM	Jun	0.50%	--	1.10%

Source: Bloomberg

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