

## Highlights

<b>Global</b>	<p><b>Global risk appetite may be constrained by US president Trump's lashing out at China as a "rip off" and for failing to buy sufficient agricultural goods</b> which dampened market expectations for the ongoing US-China trade talks. Meanwhile, UK PM Boris Johnson also insisted on the removal of the Irish backstop from the withdrawal agreement and it's up to EU leaders to compromise, hence heightening the risk of a no-deal Brexit on 31 October. Elsewhere, BOJ left its policy settings static yesterday, but trimmed its growth and core inflation forecasts and committed to expanding stimulus "without hesitation" if the recovery is jeopardised and "there is a greater chance the momentum for hitting its price target is lost". Wall Street slipped on renewed trade tensions, while UST bonds continued to tread water with the 10-year UST bond yield at 2.06% ahead of FOMC. If the FOMC delivers the widely expected 25bps cut, it may be "buy the rumour sell the fact" unless there is a surprise 50bps cut and/or Fed chair Powell clearly articulates that they are not done yet with the insurance cuts beyond the next 25bp cut.</p> <p><b>Asian markets are likely to see some consolidative pressure today</b> given the less than market-friendly signals from Trump and Johnson, but the downside is likely supported by the imminent FOMC rate cut (note Trump again called for a "large cut"). The economic data calendar today with China's manufacturing and non-manufacturing PMIs, Australia's CPI, US' ADP employment change, 2Q19 GDP growth readings out from Eurozone, HK and Taiwan, German unemployment change and retail sales, Thai trade, UK Nationwide house prices and S'pore's bank loans data.</p>
<b>US</b>	<p>Personal income grew at a steady clip of 0.4% in Jun, while personal spending softened from a revised 0.5% in May to 0.3%. Still, the acceleration in wages and salaries to 0.5% should be supportive of consumption in 2H19. Meanwhile, the Conference Board consumer confidence improved from 124.3 to a eight month high of 135.7 as Americans turned more upbeat about income prospects. Pending home sales also surged by 2.8% mom, the most in three months, and core PCE deflator rose 0.2% mom (1.6% yoy) in June.</p>
<b>EU</b>	<p>Eurozone's economic confidence fell from 103.3 in Jun to 102.7 in Jul.</p>
<b>CN</b>	<p>The latest Politburo meeting reckoned that the economy is facing increasing downward pressure. The top policy makers reiterated the "six stability" to counter the impact of external headwinds. However, the most notable policy shift from the meeting is that China will not use property market as short term stimulus tools to support the growth. This is in line with the recent tightening tone in China's property market. Given property investment is expected to decelerate further in the second half, we expect China's growth to slow down, though the deceleration may be countered by proactive fiscal policy and flexible monetary policy. We maintain our view that China may cut the reserve requirement ratio to support the growth.</p>
<b>SG</b>	<p>Bank loans may stabilise around the 1-2% yoy handle in June after printing at 1.4% in April and 2.1% in May. The uptick in the private residential property market in 2Q19 may still provide some support to the weak economic momentum and softening business confidence.</p>

## Major Markets

- **US:** Markets edged down slightly, with the S&P 500 index closing lower by 0.3%. Stock prices dropped on Trump's criticism of China early in the session, but pared some of the losses later on when he said that he had recently spoke with Xi about the trade issues. For today, trade talks are likely to continue swaying investor sentiment, and the FOMC decision early tomorrow morning will likely move markets as well.
- **Singapore:** The STI added 0.12% to close at 3350.54 yesterday, but may remain caught between the trade concerns and the Fed's impending rate cut. STI range is tipped at 3329-3381. With UST bonds in a holding pattern ahead of the FOMC's expected rate cut, SGS bonds may also remain modestly bid today after longer tenors led gains yesterday.
- **Malaysia:** According to Reuters, Malaysia is set to replace Indonesia as the top palm oil supplier to India in 2019 as India charges lower import tax on refined palm oil shipments from Malaysia. The news portal mentioned that in January, India had slashed the import duty on refined palm oil shipments from 54% to 50% but as a result of a comprehensive economic cooperation agreement between India and Malaysia, the Malaysian shipments are subject to only a 45% duty.
- **Indonesia:** Bank Indonesia (BI) Governor Perry Warjiyo reiterated that "there is room for accommodative monetary policy in future". He also mentioned that "macro prudential policy to remain accommodative to push loan disbursement and boost economic financing". Our view is that we expect BI to cut the benchmark rate by another 25bps this year. Meanwhile, the Indonesia Deposit Corporation (or also known as LPS) has cut the maximum guaranteed deposit rate to 6.75% from 7%. This may help contribute to lower funding costs for banks.
- **Thailand:** Thailand is poised to record its largest monthly foreign fund outflows from its bond space in 32 months, with -\$787mil having flown out in the first 30 days of the month, according to Bloomberg data. As the Bank of Thailand continues to view the baht's strength as an increasing concern, the appeal of baht-denominated bonds may have started to dim despite its regional safe haven status.
- **Oil:** Oil prices moved higher, with Brent rising 1.6% and WTI gaining 2.1% to \$64.72/bbl and \$58.05/bbl respectively. A preliminary report from the API showed that US crude oil inventories dropped for the seventh consecutive week, resulting in a narrowing of the Brent-WTI spread. Since reaching a high of 485.5mil bbl in early June, crude oil stockpiles in the US have declined to 445.0mil barrels – a 40mil barrel decrease in the space of six weeks. We maintain our bullish view on energy prices in the medium term.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve was unchanged yesterday. 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 1bps to 472bps. 10Y USTs fell 1bps to 2.06%, after the US reported encouraging consumer spending and consumer confidence data. Spread between 3-month treasury bills and 10-year treasury notes remains inverted, with the spread tightening to -1bps.
- **New Issues:** China Aoyuan Group Ltd has priced a USD250mn re-tap of its existing CAPG 7.95%'23s at 6.5%, tightening from initial guidance of 6.66% area. Dexin China Holdings Company Ltd has priced a USD200mn 2-year bond at 14.0%, in line with IPT. Lotte Property & Development Co., Ltd (Guarantor: Kookmin Bank) has priced a USD300mn 3-year FRN at 3-month US LIBOR+77.5bps, tightening from IPT of 3-month US LIBOR+105bps area. Korea Land & Housing Corporation has priced a USD100mn 3-year FRN at 3-month US LIBOR+66bps, and a USD100mn 2-year FRN at 3-month US LIBOR+47bps. Emirates NBD PJSC has priced a SGD20mn 7-year bond at 3.06%.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.050	0.01%	USD-SGD	1.3705	0.01%
USD-JPY	108.610	-0.16%	EUR-SGD	1.5288	0.11%
EUR-USD	1.1155	0.09%	JPY-SGD	1.2616	0.15%
AUD-USD	0.6872	-0.43%	GBP-SGD	1.6653	-0.54%
GBP-USD	1.2152	-0.55%	AUD-SGD	0.9418	-0.41%
USD-MYR	4.1270	--	NZD-SGD	0.9064	-0.24%
USD-CNY	6.8845	-0.13%	CHF-SGD	1.3839	0.14%
USD-IDR	14025	0.04%	SGD-MYR	3.0123	0.14%
USD-VND	23202	-0.05%	SGD-CNY	5.0208	-0.13%

### Equity and Commodity

Index	Value	Net change
DJIA	27,198.02	-23.33
S&P	3,013.18	-7.79
Nasdaq	8,273.61	-19.71
Nikkei 225	21,709.31	92.51
STI	3,350.54	4.15
KLCI	1,642.69	--
JCI	6,377.00	77.96
Baltic Dry	1,922.00	--
VIX	13.94	1.11

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3940	--	O/N	2.3486	-0.17%
2M	-0.3360	-0.17%	1M	2.2344	-0.26%
3M	-0.3670	-0.26%	2M	2.2580	1.10%
6M	-0.3510	1.10%	3M	2.2555	-1.03%
9M	-0.1940	-1.03%	6M	2.1963	-0.86%
12M	-0.3140	-0.86%	12M	2.1980	0.14%

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.68 (--)	1.85 (-0.01)
5Y	1.74 (--)	1.84 (--)
10Y	1.93 (--)	2.06 (-0.01)
15Y	2.15 (--)	--
20Y	2.24 (-0.01)	--
30Y	2.43 (-0.01)	2.58 (-0.01)

### 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%	17.0%	83.0%
09/18/2019	0.0%	100.0%	11.4%	61.4%	27.2%
10/30/2019	0.0%	100.0%	30.5%	48.3%	16.8%
12/11/2019	0.0%	100.0%	37.8%	35.5%	10.0%
01/29/2020	0.0%	100.0%	37.0%	27.2%	6.7%
03/18/2020	0.0%	100.0%	34.4%	21.8%	5.0%

### Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.80	--
TED	35.36	--

### Secured Overnight Fin. Rate

SOFR	2.40
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### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.05	2.1%	Corn (per bushel)	4.1125	-1.4%
Brent (per barrel)	64.72	1.6%	Soybean (per bushel)	8.788	-0.8%
Heating Oil (per gallon)	1.9440	1.7%	Wheat (per bushel)	4.9725	-1.2%
Gasoline (per gallon)	1.8969	1.8%	Crude Palm Oil (MYR/MT)	2,008.0	--
Natural Gas (per MMBtu)	2.1370	-0.2%	Rubber (JPY/KG)	225.6	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,948	-1.2%	Gold (per oz)	1,429.7	0.7%
Nickel (per mt)	14,360	0.1%	Silver (per oz)	16.558	1.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
07/31/2019 17:00	EC GDP SA QoQ	2Q A	0.20%	0.40%	--
07/31/2019 19:00	US MBA Mortgage Applications	Jul-26	--	-1.90%	--
07/31/2019 16:30	HK GDP YoY	2Q A	1.50%	0.60%	--
07/31/2019 09:00	CH Manufacturing PMI	Jul	49.6	49.4	--
07/31/2019 17:00	EC GDP SA YoY	2Q A	1.00%	1.20%	--
07/31/2019 14:00	UK Nationwide House PX MoM	Jul	0.20%	0.10%	--
07/31/2019 15:30	TH BoP Current Account Balance	Jun	\$4727m	-\$376m	--
07/31/2019 09:30	AU CPI YoY	2Q	1.50%	1.30%	--
07/31/2019 20:15	US ADP Employment Change	Jul	150k	102k	--
07/31/2019 14:00	UK Nationwide House Px NSA YoY	Jul	0.10%	0.50%	--
07/31/2019 16:00	TA GDP YoY	2Q P	1.80%	1.71%	--
07/31/2019 20:30	CA GDP MoM	May	0.10%	0.30%	--
07/31/2019 21:45	US MNI Chicago PMI	Jul	51	49.7	--
07/31/2019 07:00	SK Industrial Production YoY	Jun	-2.00%	-2.90%	0.20%

Source: Bloomberg

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