

Highlights

Global	FOMC kept its policy settings static as widely expected and the succinct FOMC statement highlighted that “economic activity has been rising at a strong rate” and “the labor market has continued to strengthen”, which in turn sets the stage for the next 25bp rate hike at the September meeting. The UST bond market sold off as the curve steepened with the 10-year yield above 3% for the first time in close to two months amid refunding concerns (with long-term debt issuance at US\$78b which is the highest since 2010 to cope with the fiscal expansion) and as the ADP data showed the US economy added 219k jobs in July (the largest one-month gain since February which in turn lifted hopes for Friday’s nonfarm payroll expectations of 193k). However, news that the Trump administration is considering hiking the proposed 10% tariffs to 25% for the US\$200b of Chinese imports, which China’s Foreign Affairs Ministry responded with a warning of “counter-measures”, will likely continue to weigh on risk appetite in the interim. Note the Senate has approved a foreign investment review that imposes new hurdles for technology and real-estate transactions on national security grounds. With Wall Street and crude oil prices retreating overnight amid the risk-off sentiments, Asian markets may also consolidate today, awaiting BOE’s likely 25bp rate hike and the BOE inflation report with governor Carney’s press conference (likely with dovish guidance going ahead). Other economic data releases include US’ initial jobless claims, factory orders and Challenger job cuts.
US	US’ manufacturing ISM fell from 60.2 in June to 58.1 in July, with the new orders gauge also lower at 60.2, but the employment index rose to 56.5. Meanwhile, construction spending also unexpectedly declined 1.1% mom in June, following a revised 1.3% surge in May.
IN	RBI hiked for the second consecutive meeting for both its repurchase and reverse repo rate by 25bps to 6.5% and 6.25% respectively in a 5-1 vote, warning that “the trade skirmishes evolved into tariff wars and now we are possibly at the beginning of currency wars”. RBI also noted that “economic activity has continued to be strong” and “we have to ensure we run a tight ship on the risks we control to maximize the chances of macro-economic stability”.
PM I	Manufacturing PMIs mostly softened across Asia with the exception of Malaysia (49.7 versus 49.5) and Indonesia (50.5 versus 50.3).
SG	DBS reported net income rose 20% to \$1.37b in 2Q, as net interest income rose 18% to \$2.22b but non-interest income fell 32% due to lower trading income and gains from investment securities.
CMD	Crude oil prices fell to its lowest in almost six weeks on sustained strong US oil production (10.9 million bpd for the week ended 27 th July) while crude oil inventories unexpectedly rose by 3.8 million barrels given weaker implied demand. Elsewhere, Saudi Arabia raised supplies to 10.7 million bpd, while Russia is said to have increased its crude oil production to 11.2 million bpd in July, the highest seen since Oct 2016. As discussed in our July’s Commodities Outlook report, we continue to iterate a sell on rally strategy, given the continued weakening of crude oil fundamentals since early 2Q18.

Major Markets

- **US:** Wall Street ended mixed on Wednesday. The tech-rich Nasdaq composite jumped 0.46% to 7,707.29 on the back of strong tech stock performance, led by Apple which reported stellar earnings and boosted its shares to a new all-time high. Meanwhile, industrial stocks weighed on the Dow (-0.32%) and the S&P500 (-0.1%) as renewed 25% tariffs on Chinese imports worth \$200bn proposed by the Trump administration hurt trade sentiments. The VIX Index climbed to 13.15 on Wednesday, as compared to 12.83 on Tuesday. On the Treasury front, the 2y yield gained 0.8bp to 2.678%, while the 10y yield rose to 3.006% (+4.7bp), the highest in more than 2 months.
- **Singapore:** The STI extended gains by 0.27% to close at 3328.95 yesterday, but may decline today amid heightened US-Sino trade tensions, weak cues from overnight Wall Street and morning retreats in Nikkei and Kospi. STI could see support and resistance at 3300 and 3340 respectively. With the UST bond yield curve steepening amid the longer-tenor sell-off, the SGS bond market may similarly see selling pressure today.
- **Korea:** The Ministry of Land, Infrastructure and Transport commented that authorities are eying closely on Korea's domestic housing markets. Rising home prices in Seoul have been seen and the government will consider implementing taxes and financial regulation if overheating is seen.
- **Thailand:** Inflation accelerated into July, with headline CPI printing 1.46% yoy (vs June's 1.38%). This is in roughly in line with market expectations (1.49% yoy). Core inflation however dipped marginally to 0.79% (vs June's 0.83%). The stronger inflationary environment amid the relatively rosier economic fundamentals to-date should persuade policy-makers to inject a 25bp hike at year-end.
- **Malaysia:** Prime Minister Mahathir Mohamad met with China's Minister of Foreign Affairs Wang Yi yesterday. Wang Yi was quoted as saying, "Prime Minister Mahathir is a good friend of the Chinese people and such friendship goes back a long way. He has amicable feelings towards China because he understands and values China." According to China's Ministry of Foreign Affairs, Mahathir noted that a growing and more developed China brings greater and bigger opportunities for Malaysia. This meeting comes after Malaysia had suspended projects to be undertaken by Chinese state firms, namely the East Coast Rail Line (ECRL), the Multi-Product Pipeline (MPP) and Trans-Sabah Gas Pipeline (TSGP). Meanwhile, Singapore has welcomed Malaysia's suggestion to commence discussions on the high-Speed Rail project (HSR) after receiving a letter from Malaysia's Economic Affairs Minister Azmin Ali stating that the Malaysian government was studying the details of the HSR project and will commence discussions with Singapore soon. In other areas, Ahmad Nizam Salleh has been appointed Petronas chairman.
- **Indonesia:** BI has launched a new overnight benchmark rate known as Indonia for banks yesterday that is based on actual transactions. The benchmark will be set at 7.30pm local time daily based on interbank transactions from 8 a.m to 6 p.m and replaced the JIBOR, a rate derived from bank quotations. Meanwhile, headline inflation for July 2018 only slightly inched higher at 3.18% yoy (June 2018: 3.12% yoy).
- **Hong Kong:** Retail sales remained resilient and increased by 12% yoy to HK\$37.8 billion in June 2018. Sales of food, alcoholic drinks and tobacco rose at the fastest pace since February 2018 by 8.9% yoy. This is mainly attributed to the upbeat local

consumer sentiments which have been underpinned by the more than twenty-year low of unemployment rate as well as the positive salary prospects. On the other hand, sales of goods in department stores and those of luxurious goods advanced by 15% yoy and 27.8% yoy. This indicates robust tourism activities. Total visitor arrivals grew for the fifth consecutive month by 12.8% yoy to 4.74 million. However, we expect retail sales growth to slow down in the second half of this year. Firstly, fret about US-China trade war and expectations of gradual US rate hikes have weighed down the stock market. This could dent consumer sentiments. Secondly, China's growth has been slowing down while Asia's growth has been succumbed to downward risks from US-China trade war. Thirdly, low base effect will fade gradually in the coming months. All in all, we hold onto our view that total retail sales would expand by 5%-8% yoy in 2018.

- **Macau:** Gross gaming revenue grew at the slowest pace since February 2018 by 10.3% yoy to MOP25.3 billion in July 2018. The slowdown was mainly due to high base effect and World Cup betting. Though World Cup betting has come to an end, we still expect gaming revenue growth to continue decelerating in the coming months due to high base effect. Besides, should the government tighten the screws on money laundering, VIP segment will face some downside risks. Higher interest rates could also deter junket operators from extending cheap credits to high-rollers. On a positive note, strong revival of the tourism sector has provided impetus for the mass-market segment of the gaming sector. Infrastructure improvement and new hotel openings will lend more support to the tourism sector and bring more recreational gamblers to the gaming centers. However, the relatively low betting amount of the casual gamblers may constrain the growth of mass market gaming revenue. Furthermore, we are wary that global uncertainties related to trade tensions would dampen the growth prospect as well as the outbound tourism of Asian countries.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading around 1bps higher while the longer tenors traded 2-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 466bps. 10Y UST yields rose 5bps to close at 3.0%, the first time in nearly two months after strong jobs data in the US above estimates and the announcement that the US government intends to increase its borrowing from the bond market in the next quarter which will cause a supply pressure.
- **New Issues:** Power Finance Corp Ltd has hired banks for its potential 10-year USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.661	0.11%	USD-SGD	1.3618	0.02%
USD-JPY	111.730	-0.12%	EUR-SGD	1.5879	-0.25%
EUR-USD	1.1660	-0.27%	JPY-SGD	1.2189	0.15%
AUD-USD	0.7404	-0.27%	GBP-SGD	1.7875	0.03%
GBP-USD	1.3127	0.02%	AUD-SGD	1.0083	-0.23%
USD-MYR	4.0665	0.03%	NZD-SGD	0.9249	-0.36%
USD-CNY	6.8230	0.09%	CHF-SGD	1.3726	-0.17%
USD-IDR	14440	0.18%	SGD-MYR	2.9857	-0.01%
USD-VND	23290	0.03%	SGD-CNY	5.0087	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9154	--
2M	-0.3360	--	1M	2.0814	--
3M	-0.3190	--	2M	2.1791	--
6M	-0.2680	--	3M	2.3486	--
9M	-0.2170	--	6M	2.5305	--
12M	-0.1780	--	12M	2.8278	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	92.0%	8.0%	0.0%	0.0%
11/08/2018	100.0%	87.0%	12.6%	0.4%	0.0%
12/19/2018	100.0%	27.4%	63.6%	8.8%	0.3%
01/30/2019	100.0%	25.2%	60.7%	13.1%	1.0%
03/20/2019	100.0%	10.6%	40.1%	40.7%	8.0%
05/01/2019	100.0%	9.0%	35.8%	40.6%	12.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.66	-1.60%	Coffee (per lb)	1.081	-1.68%
Brent (per barrel)	72.39	-2.51%	Cotton (per lb)	0.8834	-1.40%
Heating Oil (per gallon)	2.0974	-1.62%	Sugar (per lb)	0.1048	-0.66%
Gasoline (per gallon)	2.0451	-3.95%	Orange Juice (per lb)	1.6915	1.05%
Natural Gas (per MMBtu)	2.7580	-0.86%	Cocoa (per mt)	2,129	-4.10%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,057.2	-2.97%	Wheat (per bushel)	5.5825	0.81%
Nickel (per mt)	13,509.5	-3.18%	Soybean (per bushel)	9.018	-1.88%
Aluminium (per mt)	2,036.0	-1.51%	Corn (per bushel)	3.7950	-1.81%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,227.6	-0.49%	Crude Palm Oil (MYR/MT)	2,212.0	0.82%
Silver (per oz)	15.452	-0.69%	Rubber (JPY/KG)	169.9	-0.29%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,333.82	-81.37
S&P	2,813.36	-2.93
Nasdaq	7,707.29	35.50
Nikkei 225	22,746.70	192.98
STI	3,328.95	9.10
KLCI	1,788.31	4.06
JCI	6,033.42	96.98
Baltic Dry	1,747.00	--
VIX	13.15	0.32

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (+0.02)	2.68 (+0.01)
5Y	2.21 (+0.02)	2.88 (+0.03)
10Y	2.49 (+0.03)	3.01 (+0.05)
15Y	2.79 (+0.03)	--
20Y	2.81 (+0.03)	--
30Y	2.92 (+0.03)	3.13 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	33.12	0.01
EURIBOR-OIS	4.11	-0.04
TED	33.35	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/01/2018 01:00	NZ QV House Prices YoY	Jul	--	5.10%	5.70%	--
08/01/2018 06:30	AU AiG Perf of Mfg Index	Jul	--	52	57.4	--
08/01/2018 06:45	NZ Unemployment Rate	2Q	4.40%	4.50%	4.40%	--
08/01/2018 07:00	SK CPI YoY	Jul	1.70%	1.50%	1.50%	--
08/01/2018 08:00	SK Exports YoY	Jul	7.40%	6.20%	-0.10%	-0.20%
08/01/2018 08:00	SK Imports YoY	Jul	17.00%	16.20%	10.70%	10.80%
08/01/2018 08:00	SK Trade Balance	Jul	\$6800m	\$7006m	\$6321m	\$6240m
08/01/2018 08:30	JN Nikkei Japan PMI Mfg	Jul F	--	52.3	51.6	--
08/01/2018 08:30	SK Nikkei South Korea PMI Mfg	Jul	--	48.3	49.8	--
08/01/2018 08:30	TA Nikkei Taiwan PMI Mfg	Jul	--	53.1	54.5	--
08/01/2018 08:30	VN Nikkei Vietnam PMI Mfg	Jul	--	54.9	55.7	--
08/01/2018 08:30	ID Nikkei Indonesia PMI Mfg	Jul	--	50.5	50.3	--
08/01/2018 09:45	CH Caixin China PMI Mfg	Jul	50.9	50.8	51	--
08/01/2018 12:00	ID CPI NSA MoM	Jul	0.24%	0.28%	0.59%	--
08/01/2018 12:00	ID CPI Core YoY	Jul	2.74%	2.87%	2.72%	--
08/01/2018 12:00	ID CPI YoY	Jul	3.20%	3.18%	3.12%	--
08/01/2018 12:30	TH CPI YoY	Jul	1.49%	1.46%	1.38%	--
08/01/2018 12:30	TH CPI Core YoY	Jul	0.83%	0.79%	0.83%	--
08/01/2018 13:00	IN Nikkei India PMI Mfg	Jul	--	52.3	53.1	--
08/01/2018 14:00	UK Nationwide House PX MoM	Jul	0.10%	0.60%	0.50%	0.70%
08/01/2018 14:00	UK Nationwide House Px NSA YoY	Jul	1.80%	2.50%	2.00%	--
08/01/2018 14:30	AU Commodity Index SDR YoY	Jul	--	7.60%	6.60%	9.80%
08/01/2018 15:45	IT Markit/ADACI Italy Manufacturing PMI	Jul	53	51.5	53.3	--
08/01/2018 15:50	FR Markit France Manufacturing PMI	Jul F	53.1	53.3	53.1	--
08/01/2018 15:55	GE Germany Manufacturing PMI	Jul F	57.3	56.9	57.3	--
08/01/2018 16:00	EC Markit Eurozone Manufacturing PMI	Jul F	55.1	55.1	55.1	--
08/01/2018 16:30	UK Markit UK PMI Manufacturing SA	Jul	54.2	54	54.4	54.3
08/01/2018 16:30	HK Retail Sales Value YoY	Jun	13.00%	12.00%	12.90%	--
08/01/2018 16:30	HK Retail Sales Volume YoY	Jun	12.00%	9.80%	11.60%	11.50%
08/01/2018 17:00	IN RBI Repurchase Rate	Aug-01	6.50%	6.50%	6.25%	--
08/01/2018 17:00	IN RBI Reverse Repo Rate	Aug-01	6.25%	6.25%	6.00%	--
08/01/2018 17:00	IN RBI Cash Reserve Ratio	Aug-01	4.00%	4.00%	4.00%	--
08/01/2018 19:00	US MBA Mortgage Applications	Jul-27	--	-2.60%	-0.20%	--
08/01/2018 20:15	US ADP Employment Change	Jul	186k	219k	177k	181k
08/01/2018 21:30	CA Markit Canada Manufacturing PMI	Jul	--	56.9	57.1	--
08/01/2018 21:45	US Markit US Manufacturing PMI	Jul F	55.5	55.3	55.5	--
08/01/2018 22:00	US Construction Spending MoM	Jun	0.30%	-1.10%	0.40%	1.30%
08/01/2018 22:00	US ISM Manufacturing	Jul	59.4	58.1	60.2	--
08/02/2018 02:00	US FOMC Rate (Upper Bound)	Aug-01	2.00%	2.00%	2.00%	--
08/02/2018 07:50	JN Monetary Base YoY	Jul	--	--	7.40%	--
08/02/2018 07:50	JN Japan Buying Foreign Bonds	Jul-27	--	--	¥209.2b	--
08/02/2018 09:30	AU Trade Balance	Jun	A\$900m	--	A\$827m	--
08/02/2018 16:30	UK Markit/CIPS UK Construction PMI	Jul	52.8	--	53.1	--
08/02/2018 17:00	EC PPI MoM	Jun	0.30%	--	0.80%	--
08/02/2018 19:00	UK Bank of England Bank Rate	Aug-02	0.75%	--	0.50%	--
08/02/2018 19:00	UK BOE Asset Purchase Target	Aug	435b	--	435b	--
08/02/2018 20:30	US Initial Jobless Claims	Jul-28	220k	--	217k	--
08/02/2018 20:30	US Continuing Claims	Jul-21	1750k	--	1745k	--
08/02/2018 21:00	SI Purchasing Managers Index	Jul	--	--	52.5	--
08/02/2018 21:45	US Bloomberg Consumer Comfort	Jul-29	--	--	59	--
08/02/2018 22:00	US Factory Orders	Jun	0.70%	--	0.40%	--
08/02/2018 22:00	US Durable Goods Orders	Jun F	--	--	1.00%	--
08/02/2018 22:00	US Durables Ex Transportation	Jun F	--	--	0.40%	--

Source: Bloomberg

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