

Highlights

Global	<p>With the US out for holiday yesterday, markets were left bereaved of cues overnight and turned their attention to Europe. Talk that some unnamed ECB members are reluctant to leave a rate hike till end-19 and are instead eyeing September or October 2019 saw the EUR erasing losses against the USD. However, German Chancellor Merkel warned that tariffs on European cars would be “much more serious” than steel and aluminium tariffs, hence “it’s worth every effort to try and defuse this conflict so it doesn’t turn into a war...but of course it takes two sides to do that”. Meanwhile, US president Trump’s latest tweet put pressure on OPEC to “reduce pricing now!”</p> <p>Asian bourses are likely to range trade today, as investors await further cues from the 13 June FOMC minutes which may set the context going into Friday’s labour market report, as well as the highly anticipated (or feared) US tariffs on US\$34 billion of Chinese imports that will likely kick in tomorrow. Today’s economic data calendar comprises of US’ non-manufacturing ISM, initial jobless claims, ADP employment change and Challenger job cuts, German factory orders, Malaysian trade, Taiwan CPI and Thai consumer confidence. Speakers include BOJ’s Masai, RBA’s Heath, BOE’s Carney, ECB’s Mersch, Nowotny and Nouy, and Bundesbank’s Weidmann.</p>
PMI	<p>The services and composite PMI prints improved for the UK to 55.1 and 55.2 respectively for June, while the final prints for Eurozone were also revised to 55.2 and 54.9. China’s Caixin services and composite PMIs also printed higher at 53.9 and 53.0 in June, up from 52.3 and 52.9 respectively. Even India’s services PMI rebounded from 49.6 to 52.6 to bring the composite PMI to 53.3 (previously 50.4). These suggested healthy domestic demand momentum in those regions which may sustain into 3Q18.</p>
SG	<p>MAS MD warned that “the recovery in the property market is welcome but it should not decouple from economic fundamentals” and policymakers are “closely monitoring developments in the residential property market, and remain committed to ensuring a sustainable market”. He commented that “monetary policy is predicated on baseline projections of growth and inflation... It does not aim to pre-empt tail-risk scenarios” and “future adjustments to monetary policy will depend on how the economy evolves and our updated assessments of inflation and growth prospects.” Interestingly, he opined that “the threat of a disruptive trade war has risen, but remains a tail risk for now” and “the Singapore economy is expected to remain on a steady expansion path in 2018... Overall GDP growth is expected to come in at around 2.5–3.5% in 2018.” Meanwhile, COE premiums sank in the first July tender, with categories A and B at \$25k and \$31k respectively.</p>
CN	<p>The Ministry of Commerce said in a statement that China will not fire the first shot to implement tariffs earlier on 6 July due to time differences. This suggests that China’s retaliation is a defensive move rather than an aggressive move. RMB rallied further on Wednesday with the USDCNY retreating to 6.6200 as a result of profit taking.</p>
CMD	<p>Palm oil prices continue to fade lower, printing below its MYR2,300/MT and its lowest in a week. Bloomberg surveys indicate that June’s exports will fall 8.5% to 1.18 million tons, a third straight month of declines and weakest since February 2017. Should that come to pass, it will likely reinforce the weak demand outlook for crude palm oil into 2H18.</p>

Major Markets

- **Singapore:** The STI closed up 0.3% at 3244.89 yesterday, bucking declines in Asian bourses yesterday, and may attempt to trade with a marginally firmer tone today amid morning gains by Kospi. STI is likely to tread water between 3220-3280 again. SGS bonds rallied yesterday, led by the 20-year bond which saw its yield decline by 3bps. Statutory board PUB is supposedly planning a rare return with a \$300m 15-year bond offering, according to IFR.
- **Thailand:** Thailand aims to raise \$2.9 billion (THB50bn) of funds for infrastructure projects. Prapas Kong-led, director general of the State Enterprise Policy Office, commented that the funds will likely attract strong demand as it offers potential annual returns of about 5%. Elsewhere, Thai consumer confidence print is slated to be out later today, which has been printing above its optimistic 80.0 handle for the last two consecutive months.
- **Malaysia:** Former Prime Minister Najib Tun Razak has been charged for corruption and criminal breach of trust in a case linked to 1Malaysia Development Berhad (1MDB). The trial has been set for February and March 2019 and it will run for 19 days. Meanwhile, the East Coast Rail Line (ECRL) project owner Malaysia Rail Link Sdn Bhd (MRL) has told China Communications Construction Ltd (CCCC) to suspend all works on the project, citing national interest as a reason among others. Earlier, Finance Minister Lim Guan Eng has said that the project will actually cost RM81bn and the sum would have to be “reduced significantly” for the project to be financially viable.
- **Indonesia:** The Energy and Mineral Resources Ministry has scrapped a mandatory process for retailers to ask for the government’s permission to set retail fuel prices. Retailers are only required to report its fuel price hike plan to the government according to a spokesman from the ministry. However, the government continued to maintain a 10% maximum margin of the basic price.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenors trading 2-3bps lower while the longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 147bps and 532bps respectively as was 10Y UST yields as US markets were closed for Independence Day.
- **New Issues:** CDBL Funding 2 has scheduled for investor meetings from 5 July for its potential USD bond issuance (guaranteed by Metro Excel Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.531	-0.06%	USD-SGD	1.3651	0.02%
USD-JPY	110.490	-0.09%	EUR-SGD	1.5913	0.01%
EUR-USD	1.1657	-0.01%	JPY-SGD	1.2355	0.11%
AUD-USD	0.7386	--	GBP-SGD	1.8062	0.31%
GBP-USD	1.3230	0.28%	AUD-SGD	1.0084	0.04%
USD-MYR	4.0465	-0.08%	NZD-SGD	0.9230	0.11%
USD-CNY	6.6325	-0.15%	CHF-SGD	1.3748	-0.01%
USD-IDR	14363	-0.24%	SGD-MYR	2.9648	0.06%
USD-VND	23035	0.03%	SGD-CNY	4.8583	-0.13%

Equity and Commodity

Index	Value	Net change
DJIA	24,174.82	--
S&P	2,713.22	--
Nasdaq	7,502.67	--
Nikkei 225	21,717.04	-68.50
STI	3,244.89	8.99
KLCI	1,688.45	8.08
JCI	5,733.64	99.70
Baltic Dry	1,476.00	--
VIX	16.14	--

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.9281	--
2M	-0.3370	--	1M	2.0859	--
3M	-0.3210	--	2M	2.1748	--
6M	-0.2700	--	3M	2.3373	--
9M	-0.2160	--	6M	2.5069	--
12M	-0.1810	--	12M	2.7731	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (-0.02)	2.52 (--)
5Y	2.23 (-0.02)	2.72 (--)
10Y	2.47 (-0.02)	2.83 (--)
15Y	2.71 (-0.03)	--
20Y	2.74 (-0.03)	--
30Y	2.83 (-0.02)	2.96 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	20.7%	20.7%	0.0%	0.0%	0.0%
09/26/2018	77.3%	62.5%	14.7%	0.0%	0.0%
11/08/2018	78.5%	60.3%	17.3%	0.8%	0.0%
12/19/2018	90.7%	38.4%	41.7%	10.2%	0.5%
01/30/2019	91.4%	36.1%	41.4%	12.7%	1.2%
03/20/2019	95.4%	23.4%	38.9%	25.9%	6.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	38.78	-0.48
EURIBOR-OIS	3.85	0.08
TED	37.60	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	74.14	--	Copper (per mt)	6,430.9	--
Brent (per barrel)	78.24	0.62%	Nickel (per mt)	14,067.5	-2.09%
Heating Oil (per gallon)	2.1642	--	Aluminium (per mt)	2,118.0	0.59%
Gasoline (per gallon)	2.1176	--			
Natural Gas (per MMBtu)	2.8700	--			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,298.0	-0.65%
			Rubber (JPY/KG)	171.1	-0.70%
Precious Metals	Futures	% chg			
Gold (per oz)	1,253.5	--			
Silver (per oz)	16.043	--			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/04/2018 01:00	NZ QV House Prices YoY	Jun	--	5.70%	6.90%	--
07/04/2018 05:00	SK Foreign Reserves	Jun	--	\$400.30b	\$398.98b	--
07/04/2018 06:30	AU AiG Perf of Services Index	Jun	--	63	59	--
07/04/2018 08:30	JN Nikkei Japan PMI Services	Jun	--	51.4	51	--
07/04/2018 08:30	JN Nikkei Japan PMI Composite	Jun	--	52.1	51.7	--
07/04/2018 09:00	NZ ANZ Commodity Price	Jun	--	-1.00%	1.50%	--
07/04/2018 09:30	AU Trade Balance	May	A\$1200m	A\$827m	A\$977m	A\$472m
07/04/2018 09:30	AU Retail Sales MoM	May	0.30%	0.40%	0.40%	0.50%
07/04/2018 09:45	CH Caixin China PMI Composite	Jun	--	53	52.3	--
07/04/2018 09:45	CH Caixin China PMI Services	Jun	52.7	53.9	52.9	--
07/04/2018 13:00	IN Nikkei India PMI Services	Jun	--	52.6	49.6	--
07/04/2018 13:00	IN Nikkei India PMI Composite	Jun	--	53.3	50.4	--
07/04/2018 15:45	IT Markit/ADACI Italy Services PMI	Jun	53.3	54.3	53.1	--
07/04/2018 15:45	IT Markit/ADACI Italy Composite PMI	Jun	53.2	53.9	52.9	--
07/04/2018 15:50	FR Markit France Services PMI	Jun F	56.4	55.9	56.4	--
07/04/2018 15:50	FR Markit France Composite PMI	Jun F	55.6	55	55.6	--
07/04/2018 15:55	GE Markit Germany Services PMI	Jun F	53.9	54.5	53.9	--
07/04/2018 15:55	GE Markit/BME Germany Composite PMI	Jun F	54.2	54.8	54.2	--
07/04/2018 16:00	SI Automobile COE Open Bid Cat A	Jul-04	--	25000	34110	--
07/04/2018 16:00	SI Automobile COE Open Bid Cat B	Jul-04	--	31000	33900	--
07/04/2018 16:00	SI Automobile COE Open Bid Cat E	Jul-04	--	31001	34400	--
07/04/2018 16:00	EC Markit Eurozone Services PMI	Jun F	55	55.2	55	--
07/04/2018 16:00	EC Markit Eurozone Composite PMI	Jun F	54.8	54.9	54.8	--
07/04/2018 16:30	UK Official Reserves Changes	Jun	--	\$716m	\$448m	--
07/04/2018 16:30	UK Markit/CIPS UK Services PMI	Jun	54	55.1	54	--
07/04/2018 16:30	UK Markit/CIPS UK Composite PMI	Jun	54.5	55.2	54.5	--
07/04/2018 19:00	US MBA Mortgage Applications	Jun-29	--	-0.50%	-4.90%	--
07/05/2018 07:50	JN Japan Buying Foreign Bonds	Jun-29	--	--	¥27.4b	--
07/05/2018 07:50	JN Japan Buying Foreign Stocks	Jun-29	--	--	¥97.5b	--
07/05/2018 07:50	JN Foreign Buying Japan Bonds	Jun-29	--	--	¥862.1b	--
07/05/2018 07:50	JN Foreign Buying Japan Stocks	Jun-29	--	--	¥483.5b	--
07/05/2018 08:30	HK Nikkei Hong Kong PMI	Jun	--	--	47.8	--
07/05/2018 09:00	PH CPI YoY 2012=100	Jun	4.80%	--	4.60%	--
07/05/2018 11:30	TH Consumer Confidence Economic	Jun	--	--	66.9	--
07/05/2018 12:00	MA Trade Balance MYR	May	10.50b	--	13.07b	--
07/05/2018 12:00	MA Imports YoY	May	0.20%	--	9.10%	--
07/05/2018 12:00	MA Exports YoY	May	6.40%	--	14.00%	--
07/05/2018 14:00	GE Factory Orders MoM	May	1.10%	--	-2.50%	--
07/05/2018 15:30	GE Markit Germany Construction PMI	Jun	--	--	53.9	--
07/05/2018 16:00	TA CPI YoY	Jun	1.54%	--	1.64%	--
07/05/2018 16:00	TA WPI YoY	Jun	--	--	5.61%	--
07/05/2018 16:10	IT Markit Italy Retail PMI	Jun	--	--	47.3	--
07/05/2018 16:10	FR Markit France Retail PMI	Jun	--	--	50.7	--
07/05/2018 16:10	GE Markit Germany Retail PMI	Jun	--	--	55.5	--
07/05/2018 16:10	EC Markit Eurozone Retail PMI	Jun	--	--	51.7	--
07/05/2018 16:20	TA Foreign Reserves	Jun	--	--	\$457.28b	--
07/05/2018 19:30	US Challenger Job Cuts YoY	Jun	--	--	-4.80%	--
07/05/2018 20:15	US ADP Employment Change	Jun	190k	--	178k	--
07/05/2018 20:30	US Initial Jobless Claims	Jun-30	225k	--	227k	--
07/05/2018 20:30	US Continuing Claims	Jun-23	1718k	--	1705k	--
07/05/2018 21:45	US Bloomberg Consumer Comfort	Jul-01	--	--	57.3	--
07/05/2018 21:45	US Markit US Services PMI	Jun F	56.5	--	56.5	--
07/05/2018 21:45	US Markit US Composite PMI	Jun F	--	--	56	--
07/05/2018 22:00	US ISM Non-Manf. Composite	Jun	58.3	--	58.6	--

Source: Bloomberg

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