

Highlights

Global	<p>The Turkish crisis continues to develop, with limited market concerns of potential contagion to some exposed European banks. Turkish president Erdogan warned of “economic warfare” as US president Trump hiked the metal tariffs on the country, and the lira briefly bottoming out after the banking regulator limited swap transactions. Meanwhile, China’s PBOC said it would not use the RMB as a tool to cope with trade tensions and will avoid “strong” economic stimulus. Wall Street closed lower on Friday, with the S&P500 snapping a five week streak of gains, while the flight to quality drove the 10-year UST bond yield to 2.87%.</p> <p>Asian markets are likely to trade with a cautious tone to start the week as the economic data calendar is essentially empty today with no key important cues due. For the week ahead, watch BI policy decision on 15 August (likely to be unchanged at 5.25% in another breather for now) and RBA governor’s semi-annual testimony to the Economics Committee on 17 August. Brexit talks also resume on Thursday, with EU favouring September whereas UK favouring a late-fall deadline.</p>
US	<p>Headline inflation rose 0.2% mom (2.9% yoy) in July, while core inflation rose 0.2% mom (2.4% yoy), but domestic inflationary concerns took a backseat to the Turkish headlines for now.</p>
SG	<p>2Q18 GDP growth was revised up marginally to 3.9% yoy (0.6% qoq saar), from the flash of 3.8% yoy (1.0% qoq saar). This is below our forecast for 4.3% yoy (1.9% qoq saar) as well as market expectations, albeit the 1Q18 growth was revised higher to 4.5% yoy (2.2% qoq saar). MTI also kept its 2018 full-year growth forecast unchanged at 2.5-3.5%.</p>
MA	<p>Former Prime Minister Najib Tun Razak has claimed that the new government may have spent the “missing” RM18bn intended for the GST refunds. Najib mentioned that the government “may have spent funds from the consolidated revenue account” and that “these funds are supposed to be channelled to a GST refunds trust account for its monthly expenditure”. Prime Minister Mahathir Mohamad has responded by saying “if the money is not missing show us where it went to”. Meanwhile, Malaysia’s 2Q 2018 GDP growth result would be due this Thursday 16th August 2018. We believe the second quarter will most likely be the strongest period for this year with our expectations for a slowdown in the second half of 2018.</p>
CMD	<p>Crude oil prices fell for its sixth straight week into mid-August, surpassing its longest losing streak in three years. The fall in energy prices are largely attributed to mounting US-Sino trade concerns amid rising supply risks given that IEA’s statement that “OPEC, and strategic alliances like Russia have boosted output.” Still, oil prices rose on Friday’s close given the think tank’s warning that tough sanctions against Iran and the consequent fall in Iranian oil supplies could prove falling oil prices temporal. Elsewhere, market-watchers will also be watching for OPEC’s Monthly Oil Report (MOMOR) later this evening which will likely cast further light on how the cartel views oil prices into the week ahead. Note that gold slipped to its one-year low on dollar strength.</p>

Major Markets

- **US:** Wall Street closed lower on Friday, as concerns of spill-over effects from the Turkish turmoil weighed on equity sentiment. The Dow fell 0.77% to 25,313.14, while the S&P500 slipped to 2,833.28 (-0.71%). The Nasdaq composite dipped 0.67% to close lower at 7,839.11 on weak tech stocks. The VIX Index rose to 13.16 on Friday, as compared to 11.27 on Thursday. On the Treasury front, the 2y yield fell 4.1bp to 2.604%, while the 10y yield dipped to 2.873% (-5.3bp).
- **Singapore:** With the UST bonds rally last Friday, led by the belly of the curve, expect the SGS bond market to also gain today. Meanwhile, the STI fell 1.26% on Friday's closing below its psychologically important 3,300 handle and marked its lowest in a week. Losses were seen in Jardine Cycle & Carriage (-3.1%), Keppel Corp (-2.9%) and Venture Corp (-2.9%), although gains seen in Starhub (+0.6%) and ComfortDelGro (+0.4%) cushioned the fall.
- Retail sales rose a stronger than expected 2.0% yoy (1.2% mom sa) in June, mainly lifted by auto sales. Excluding autos, retail sales rose a more tepid 0.2% yoy (-1.8% mom) in June. The key driver for the June outperformance was motor vehicles which surged 9.7% yoy (+16.5% mom sa). Car buyers were likely attracted back to the car showrooms amid the declining COE premiums which fell to \$34.11k in late June and bottomed at \$25k in early July for category A, whilst category B also fell to \$33.9k and in late June and bottomed at \$31k in early July. Other retail segments that did well in June were petrol service station receipts (9.3% yoy), medical goods & toiletries (5.8% yoy), recreational goods (5.7% yoy, which was mainly from sporting equipment during the World Cup period) and wearing apparel & footwear (2.4% yoy). However, sales of computer & telecommunications equipment (-8.5% yoy) as well as watches & jewellery (-9.6% yoy) could possibly suggest that the Great Singapore Sale (GSS) had little impact on consumer appetite for such items and/or the World Cup phenomenon (once in four years) had diverted shoppers' attention away during this period. We anticipate that retail sales could average 0.2% yoy for 2018, which is very subdued compared to the 1.8% yoy seen last year. For 1H18, retail sales grew a very tepid 0.2% yoy, compared to 0.9% yoy for the same period last year. This assumes that 2H18 retail sales would not see any significant pick-up. This is given the more cautious economic outlook amid the global trade tensions.
- **Indonesia:** According to Bloomberg, Indonesia's central bank is committed to intervene to mitigate potential contagion from any financial crisis in Turkey. Bloomberg had reported that Nanang Hendarsah, Executive Director for Monetary Management at Bank Indonesia (BI) had also said that a measured presence in the foreign exchange and bond markets will still be needed to prevent any volatility in exchange rates and drop in government bond prices. BI will be holding its board of governor's meeting this week on 14th and 15th August 2018.
- **Hong Kong:** GDP growth decelerated from the downwardly adjusted 4.6% yoy in 1Q18 to 3.5% yoy in 2Q18. Despite the slowdown, GDP growth remained resilient, led by strong growth of private consumption (+6.1% yoy), government spending (+4.4% yoy), goods exports (+4.6% yoy) and services exports (+6.1% yoy). Moving into 2H18, we expect economic growth to slow down further due to trade war concerns and global monetary tightening. Specifically, any escalation of US-China trade war would directly affect HK's trade activities as HK serves as the major re-export port connecting China and the US. Besides, trade war could have many indirect impacts. First, it may cloud Asia's economy and hit Asian currencies. As such, HK's tourism activities may lose

some growth momentum. Second, trade war fears may weigh down local consumer sentiment with a bearish stock market and the possibly weakening hiring sentiments. Elsewhere, given the Fed's gradual rate hikes and the plan of major central banks to tighten the policy, we see heightening risks of capital outflows from emerging markets including HK. This may weigh down HK stock market and push up HKD rates. As such, business and local consumer sentiments are likely to weaken. All in all, we expect GDP to expand by 3.6% yoy in 2018 if US-China trade tension does not escalate. Otherwise, the possibility of the GDP marking a slower growth of 3.2% yoy in 2018 cannot be ruled out.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 1-3bps lower while the longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 471bps. 10Y UST yields fell 5bps to close at 2.87% last Friday on the back of escalated tension between the US and Turkey after US President Donald Trump slapped higher tariffs on Turkish steel and aluminium imports.
- **New Issues:** Nimble City Ltd has priced a USD250mn 2NC1 bond (guaranteed by Beijing Properties (Holdings) Ltd) at 9%, in line with its initial price guidance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.357	0.89%	USD-SGD	1.3734	0.42%
USD-JPY	110.830	-0.23%	EUR-SGD	1.5676	-0.57%
EUR-USD	1.1413	-0.99%	JPY-SGD	1.2385	0.59%
AUD-USD	0.7302	-0.96%	GBP-SGD	1.7533	-0.03%
GBP-USD	1.2758	-0.51%	AUD-SGD	1.0031	-0.53%
USD-MYR	4.0860	0.28%	NZD-SGD	0.9038	-0.12%
USD-CNY	6.8466	0.38%	CHF-SGD	1.3800	0.25%
USD-IDR	14478	0.43%	SGD-MYR	2.9804	-0.29%
USD-VND	23275	-0.02%	SGD-CNY	4.9942	-0.13%

Equity and Commodity

Index	Value	Net change
DJIA	25,313.14	-196.09
S&P	2,833.28	-20.30
Nasdaq	7,839.11	-52.67
Nikkei 225	22,298.08	-300.31
STI	3,284.78	-41.96
KLCI	1,805.75	0.80
JCI	6,077.17	11.92
Baltic Dry	1,691.00	-3.00
VIX	13.16	1.89

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9125	-0.0037
2M	-0.3370	--	1M	2.0668	-0.0006
3M	-0.3190	--	2M	2.1864	-0.0060
6M	-0.2670	-0.0010	3M	2.3193	-0.0188
9M	-0.2110	0.0020	6M	2.5121	-0.0050
12M	-0.1690	0.0040	12M	2.8155	-0.0120

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (-)	2.60 (-0.04)
5Y	2.15 (-0.04)	2.74 (-0.06)
10Y	2.42 (-0.03)	2.87 (-0.05)
15Y	2.72 (-0.03)	--
20Y	2.74 (-0.04)	--
30Y	2.83 (-0.03)	3.03 (-0.04)

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%	96.0%	4.0%	0.0%	0.0%
11/08/2018	100.0%	96.0%	4.0%	0.0%	0.0%
12/19/2018	100.0%	36.5%	61.0%	2.5%	0.0%
01/30/2019	100.0%	35.0%	60.1%	4.8%	0.1%
03/20/2019	100.0%	17.5%	47.5%	32.4%	2.5%
05/01/2019	100.0%	16.1%	45.1%	33.7%	4.9%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	28.57	-0.32
EURIBOR-OIS	3.79	-0.07
TED	27.66	-1.83

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.63	1.23%	Coffee (per lb)	1.101	-0.63%
Brent (per barrel)	72.81	1.03%	Cotton (per lb)	0.8523	-2.33%
Heating Oil (per gallon)	2.1397	1.32%	Sugar (per lb)	0.1054	-2.77%
Gasoline (per gallon)	2.0392	1.97%	Orange Juice (per lb)	1.6180	-1.55%
Natural Gas (per MMBtu)	2.9440	-0.37%	Cocoa (per mt)	2,118	-0.52%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,046.2	-0.83%	Wheat (per bushel)	5.6950	-2.90%
Nickel (per mt)	13,738.0	-0.50%	Soybean (per bushel)	8.618	-4.67%
Aluminium (per mt)	2,088.0	1.25%	Corn (per bushel)	3.7175	-2.87%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,219.0	-0.07%	Crude Palm Oil (MYR/MT)	2,242.0	-0.18%
Silver (per oz)	15.295	-1.08%	Rubber (JPY/KG)	172.3	-1.26%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 07 Aug 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	52,204	30,780	21,424	Gold	-6,995	16,933	-23,928
Natural Gas	-109,165	-128,579	19,414	Cocoa	7,231	20,586	-13,355
Wheat	63,219	51,639	11,580	Nymex Crude	639,606	649,698	-10,092
Live Cattle	76,139	68,001	8,138	Coffee	-88,251	-81,399	-6,852
Sugar	-75,089	-77,886	2,797	Copper	2,124	7,905	-5,781
Platinum	-7,387	-7,146	-241	Heating Oil	38,190	41,431	-3,241
Lean Hogs	-7,456	-6,780	-676	Soybean	-41,461	-38,923	-2,538
Palladium	3,672	4,913	-1,241	Cotton	106,561	108,851	-2,290
RBOB Gasoline	110,810	112,191	-1,381	Silver	4,327	5,967	-1,640

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/10/2018 06:30	NZ BusinessNZ Manufacturing PMI	Jul	--	51.2	52.8	52.7
08/10/2018 07:50	JN PPI YoY	Jul	2.90%	3.10%	2.80%	--
08/10/2018 07:50	JN PPI MoM	Jul	0.20%	0.50%	0.20%	--
08/10/2018 07:50	JN GDP SA QoQ	2Q P	0.30%	0.50%	-0.20%	--
08/10/2018 07:50	JN GDP Annualized SA QoQ	2Q P	1.40%	1.90%	-0.60%	-0.90%
08/10/2018 07:50	JN GDP Nominal SA QoQ	2Q P	0.20%	0.40%	-0.40%	--
08/10/2018 07:50	JN GDP Deflator YoY	2Q P	0.00%	0.10%	0.50%	--
08/10/2018 09:30	AU RBA Statement on Monetary Policy					
08/10/2018 12:00	MA Industrial Production YoY	Jun	3.20%	1.10%	3.00%	--
08/10/2018 12:30	JN Tertiary Industry Index MoM	Jun	-0.30%	-0.50%	0.10%	0.20%
08/10/2018 13:00	SI Retail Sales SA MoM	Jun	--	1.20%	0.10%	--
08/10/2018 13:00	SI Retail Sales YoY	Jun	1.20%	2.00%	0.10%	0.20%
08/10/2018 13:20	VN Domestic Vehicle Sales YoY	Jul	--	3.60%	-5.20%	--
08/10/2018 14:45	FR Industrial Production MoM	Jun	0.50%	0.60%	-0.20%	--
08/10/2018 14:45	FR Industrial Production YoY	Jun	1.40%	1.70%	-0.90%	-0.60%
08/10/2018 14:45	FR Manufacturing Production MoM	Jun	0.00%	0.60%	-0.60%	-0.50%
08/10/2018 14:45	FR Manufacturing Production YoY	Jun	0.50%	1.60%	-0.70%	-0.40%
08/10/2018 15:30	TH Foreign Reserves	Aug-03	--	\$204.8b	\$204.9b	--
08/10/2018 16:00	IT Trade Balance Total	Jun	--	5071m	3378m	3366m
08/10/2018 16:30	UK Visible Trade Balance GBP/Mn	Jun	£11,950	£11,383	£12,362	£12,526
08/10/2018 16:30	UK Trade Balance Non EU GBP/Mn	Jun	£3,600	£2,940	£3,491	£3,627
08/10/2018 16:30	UK Trade Balance	Jun	£2,500	£1,861	£2,790	£3,141
08/10/2018 16:30	UK Industrial Production MoM	Jun	0.30%	0.40%	-0.40%	-0.20%
08/10/2018 16:30	UK Industrial Production YoY	Jun	0.70%	1.10%	0.80%	1.20%
08/10/2018 16:30	UK Manufacturing Production MoM	Jun	0.30%	0.40%	0.40%	0.60%
08/10/2018 16:30	UK Manufacturing Production YoY	Jun	1.00%	1.50%	1.10%	1.50%
08/10/2018 16:30	HK GDP YoY	2Q	3.90%	3.50%	4.70%	4.60%
08/10/2018 16:30	HK GDP SA QoQ	2Q	0.20%	-0.20%	2.20%	2.10%
08/10/2018 16:30	UK GDP QoQ	2Q P	0.40%	0.40%	0.20%	--
08/10/2018 16:30	UK GDP YoY	2Q P	1.30%	1.30%	1.20%	--
08/10/2018 17:30	ID BoP Current Account Balance	2Q	-\$7808m	-\$8028m	-\$5542m	-\$5717m
08/10/2018 20:00	IN Industrial Production YoY	Jun	5.50%	7.00%	3.20%	3.90%
08/10/2018 20:30	CA Net Change in Employment	Jul	17.0k	54.1k	31.8k	--
08/10/2018 20:30	US CPI MoM	Jul	0.20%	0.20%	0.10%	--
08/10/2018 20:30	CA Unemployment Rate	Jul	5.90%	5.80%	6.00%	--
08/10/2018 20:30	US CPI Ex Food and Energy MoM	Jul	0.20%	0.20%	0.20%	--
08/10/2018 20:30	US CPI YoY	Jul	2.90%	2.90%	2.90%	--
08/10/2018 20:30	US CPI Ex Food and Energy YoY	Jul	2.30%	2.40%	2.30%	--
08/11/2018 02:00	US Monthly Budget Statement	Jul	-\$75.4b	-\$76.9b	-\$42.9b	--
08/13/2018 06:45	NZ Food Prices MoM	Jul	--	0.70%	0.50%	--
08/13/2018 08:00	SI GDP SAAR QoQ	2Q F	1.40%	0.60%	1.00%	--
08/13/2018 08:00	SI GDP YoY	2Q F	4.10%	3.90%	3.80%	--
08/13/2018 16:00	IT CPI EU Harmonized YoY	Jul F	1.90%	--	1.90%	--
08/13/2018 20:00	IN CPI YoY	Jul	4.47%	--	5.00%	--
08/10/2018 08/15	CH Money Supply M2 YoY	Jul	8.20%	--	8.00%	--
08/12/2018 08/15	IN Exports YoY	Jul	--	--	17.60%	--
08/12/2018 08/15	IN Imports YoY	Jul	--	--	21.30%	--
08/10/2018 08/15	CH New Yuan Loans CNY	Jul	1275.0b	--	1840.0b	--

Source: Bloomberg

OCBC Treasury Research	
Macro Research Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com Alan Lau AlanLau@ocbc.com	Credit Research Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

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