

**Highlights**

<b>Global</b>	<p>As US president Trump continued to pile up the heat on key trading partners, with the latest accusation of China and EU of “manipulating their currencies and interest rates lower” and renewed his threat to eventually slap up to US\$500b of tariffs on Chinese imports. US Treasury Secretary Mnuchin reiterated the call for trade on “fair and reciprocal terms” and also warned that “there’s no question that the weakening of the currency creates an unfair advantage for them...we’re going to very carefully review whether they have manipulated the currency”, which clearly raises the stakes for the next semi-annual foreign-exchange policy report in October. Meanwhile, G20 finance ministers and central bank chiefs pushed back, with France urging the US to “return to reason” and “we refuse to negotiate with a gun to the head”. Expectedly, Wall Street closed on a lacklustre note on Friday with the 10-year UST bond yield higher and the USD weaker on prospects of a prolonged trade and now possibly currency war. Market players will likely closely monitor China’s policy reaction, especially on the RMB front in the interim. Asian markets are likely to also trade with a cautious tone today. Today’s economic data calendar is relatively light and comprises mainly of S’pore’s June CPI prints, Taiwan’s industrial production and unemployment, and US’ existing home sales and Chicago Fed national activity index. For the week ahead, watch ECB policy decision on 26 July (likely to be static but watch Draghi’s press conference for any hints of 2019 rate hike plans), as well as 2Q GDP growth estimates for South Korea on 26 July (market consensus forecast: 3.0% yoy and 0.7% qoq sa) and US (forecast: 4.3% qoq annualised) on 27 July.</p>
<b>SI</b>	<p>S’pore’s June headline and core inflation are expected to print at 0.7% yoy (0.2% mom nsa) and 1.5% yoy later today, which will mark a pickup for the headline CPI from May’s 0.4% yoy (0.6% mom nsa).</p>
<b>CH</b>	<p>Risk sentiment improved last week on the back of rumoured central bank window guidance to support credit bonds and less tight than expected drafted asset management rules for commercial banks issued by banking regulator. China’s credit bond tightened 10-20 bps across the curve while commercial bank shares jumped driving the benchmark index higher.</p>
<b>MA</b>	<p>Malaysian Finance Minister Lim Guan Eng downgraded expectations for economic growth for this year to about 5 percent. His forecast is a notch lower versus BNM’s forecast of 5.5-6%.</p>
<b>KR</b>	<p>Exports rose 9.3% yoy in the first 20 days of July, up from June’s -4.8% yoy print. Elsewhere, look out for Korea’s 2Q18 growth print later this week, where we pencil 3.1% yoy (+0.9% qoq sa).</p>
<b>CMD</b>	<p>Dollar weakness seen in last week’s closing gave wings to dollar-denominated commodity prices, including energy, precious metals and base metals. The PGMs, especially platinum and palladium, which have been battered lower in the last weeks, erased Thursday’s losses to \$829.5/oz and \$888.9/oz, respectively. Gold as well pointed north into early trading hours today, suggesting that initial market concerns for the yellow metal to touch its \$1,200/oz support were likely overdone. Still, despite higher oil prices in the last week, oil prices gapped lower in early trading hours today, with WTI trading below its \$70/bbl once again despite lower US oil rig counts (-5 to 1,046 for the week ended 20<sup>th</sup> July).</p>

## Major Market

- **US:** Wall Street closed lower on Friday as President Trump criticised Fed's rate hike decisions, pushing the dollar down with stock prices sliding along with it. The Dow declined 0.03% to 25,058.12. The S&P500 slid 0.09% to 2,801.83, while the Nasdaq composite fell 0.07% to 7,820.20. The VIX Index fell to 12.86 on Friday, as compared to 12.87 on Thursday. On the Treasury front, the 2y yield rose to 2.593% (+0.2bp), while the 10y yield gained 5.5bp to reach 2.893%.
- Watch earnings release of major tech companies, including that of Alphabet, Facebook and Qualcomm.
- **Singapore:** There is a \$1.7bn re-opening of the 7-year SGS bond maturing June 2026, with MAS taking \$100mn and the auction closing at noon on 27 July. The bond is closed around 2.36% on Friday and is likely to see yields climb today. The previous 7-year SGS bond tender was \$1.3bn back in August 2017 which fetched a bid-cover ratio of 2.55x and a cut-off yield of 1.95%.
- The STI rose 0.62% to close at 3297.82 on Friday, but looks likely to slip today amid weak cues from Wall Street on Friday as investors seek shelter from a Trump administration that is keen to ratchet up the noise level on trade and currency war. With the UST yield curve re-steepening on Friday, as longer-dated bonds sold off more, SGS bonds may follow suit today.
- **China:** The latest drafted asset management rules for commercial banks fuelled the rally of banking shares last Friday as the less tight than expected rules show regulator's flexibility to balance between de-leverage and stable growth against the backdrop of dramatic shift of funding structure and rising uncertainty in the global economy.
- **Macau:** Inflation accelerated further from 2.97% to 3.11% in June. For the two heavily-weighted items, food price index grew at a slightly faster pace by 2.57% yoy amid the higher charges for eating out while the housing & fuels inflation picked up to 1.89% due to the rising rentals for dwelling and energy prices. Meanwhile, driven by low base effect and the increasing prices of women's clothing, the clothing & footwear inflation surged to 8.43%, the highest since late 2011. Given the higher rentals for parking meter rates, the inflation of transport edged up to 6.3%. Moving forward, benign local sentiments and sustainable global economic growth may lend supports to bolster inflation. As the domestic labor market is expected to remain tight, sanguine wage growth may translate into inflationary pressure. In this case, we hold onto our view that overall CPI will hover around 2.5% in the rest of 2018.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading around 1-2bps lower while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 144bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 524bps. Overall, 10Y UST yields rose 5bps to close at 2.89% on the back of mounting fears that US President Donald Trump's criticism on the rate hikes would encourage the Fed to slow down the pace of rate hikes and possibly contribute to an overheating economy.
- **New Issues:** Weifang Urban Construction and Development Investment Group Co Ltd has scheduled for investor meetings from 23 July for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	94.476	-0.72%	<b>USD-SGD</b>	1.3631	-0.56%
<b>USD-JPY</b>	111.410	-0.94%	<b>EUR-SGD</b>	1.5972	0.10%
<b>EUR-USD</b>	1.1724	0.70%	<b>JPY-SGD</b>	1.2231	0.36%
<b>AUD-USD</b>	0.7415	0.73%	<b>GBP-SGD</b>	1.7897	0.33%
<b>GBP-USD</b>	1.3136	0.94%	<b>AUD-SGD</b>	1.0105	0.17%
<b>USD-MYR</b>	4.0620	-0.05%	<b>NZD-SGD</b>	0.9280	0.41%
<b>USD-CNY</b>	6.7697	-0.08%	<b>CHF-SGD</b>	1.3730	0.06%
<b>USD-IDR</b>	14495	0.37%	<b>SGD-MYR</b>	2.9705	0.13%
<b>USD-VND</b>	23045	-0.03%	<b>SGD-CNY</b>	4.9651	0.64%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3690	--	<b>O/N</b>	1.9135	0.0012
<b>2M</b>	-0.3370	-0.0010	<b>1M</b>	2.0690	-0.0120
<b>3M</b>	-0.3210	--	<b>2M</b>	2.1794	-0.0002
<b>6M</b>	-0.2690	--	<b>3M</b>	2.3416	-0.0055
<b>9M</b>	-0.2160	--	<b>6M</b>	2.5243	-0.0030
<b>12M</b>	-17.9%	--	<b>12M</b>	280.2%	-0.6%

#### Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	18.6%	18.6%	0.0%	0.0%	0.0%
09/26/2018	89.7%	73.5%	16.3%	0.0%	0.0%
11/08/2018	90.6%	68.3%	20.9%	1.3%	0.0%
12/19/2018	96.2%	33.1%	49.3%	13.1%	0.8%
01/30/2019	96.5%	30.7%	48.0%	16.0%	1.8%
03/20/2019	98.3%	16.6%	39.0%	32.6%	9.2%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.46	1.44%	Coffee (per lb)	1.107	1.70%
Brent (per barrel)	73.07	0.68%	Cotton (per lb)	0.8708	-0.54%
Heating Oil (per gallon)	2.1044	0.68%	Sugar (per lb)	0.1112	1.37%
Gasoline (per gallon)	2.0690	1.25%	Orange Juice (per lb)	1.7095	0.59%
Natural Gas (per MMBtu)	2.7570	-0.43%	Cocoa (per mt)	2,322	1.31%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,075.9	2.24%	Wheat (per bushel)	5.1600	2.33%
Nickel (per mt)	13,464.0	1.41%	Soybean (per bushel)	8.648	0.38%
Aluminium (per mt)	2,024.0	1.87%	Corn (per bushel)	3.6900	1.10%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,231.1	0.58%	Crude Palm Oil (MYR/MT)	2,194.0	0.05%
Silver (per oz)	15.549	0.95%	Rubber (JPY/KG)	170.8	-1.39%

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,058.12	-6.38
<b>S&amp;P</b>	2,801.83	-2.66
<b>Nasdaq</b>	7,820.20	-5.10
<b>Nikkei 225</b>	22,697.88	-66.80
<b>STI</b>	3,297.83	20.25
<b>KLCI</b>	1,754.67	-4.57
<b>JCI</b>	5,872.78	1.71
<b>Baltic Dry</b>	1,689.00	32.00
<b>VIX</b>	12.86	--

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.86 (+0.01)	2.59 (--)
<b>5Y</b>	2.15 (--)	2.76 (+0.03)
<b>10Y</b>	2.42 (-0.02)	2.89 (+0.06)
<b>15Y</b>	2.71 (-0.01)	--
<b>20Y</b>	2.76 (-0.01)	--
<b>30Y</b>	2.82 (-0.02)	3.03 (+0.07)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	35.30	-0.08
<b>EURIBOR-OIS</b>	3.65	-0.23
<b>TED</b>	37.31	0.51

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
07/20/2018 05:00	SK PPI YoY	Jun	--	2.60%	2.20%	--
<b>07/20/2018 07:30</b>	<b>JN Natl CPI YoY</b>	<b>Jun</b>	<b>0.80%</b>	<b>0.70%</b>	<b>0.70%</b>	--
07/20/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Jun	0.80%	0.80%	0.70%	--
07/20/2018 07:50	JN Japan Buying Foreign Bonds	Jul-13	--	-¥5.6b	¥817.9b	¥818.9b
07/20/2018 07:50	JN Japan Buying Foreign Stocks	Jul-13	--	¥273.0b	¥370.9b	¥380.9b
07/20/2018 07:50	JN Foreign Buying Japan Stocks	Jul-13	--	¥601.4b	¥74.3b	¥76.0b
07/20/2018 07:50	JN Foreign Buying Japan Bonds	Jul-13	--	¥653.6b	¥230.6b	¥230.8b
07/20/2018 10:56	MU CPI Composite YoY	Jun	--	3.11%	2.97%	--
07/20/2018 11:00	NZ Credit Card Spending YoY	Jun	--	5.70%	3.70%	--
07/20/2018 11:30	TH Customs Trade Balance	Jun	\$1300m	\$1579m	\$1204m	--
<b>07/20/2018 11:30</b>	<b>TH Customs Exports YoY</b>	<b>Jun</b>	<b>9.50%</b>	<b>8.19%</b>	<b>11.40%</b>	<b>11.59%</b>
07/20/2018 11:30	TH Customs Imports YoY	Jun	14.90%	10.83%	11.70%	10.80%
<b>07/20/2018 12:30</b>	<b>JN All Industry Activity Index MoM</b>	<b>May</b>	<b>0.00%</b>	<b>0.10%</b>	<b>1.00%</b>	--
07/20/2018 14:00	GE PPI YoY	Jun	3.00%	3.00%	2.70%	--
07/20/2018 14:00	GE PPI MoM	Jun	0.30%	0.30%	0.50%	--
07/20/2018 15:00	MA Foreign Reserves	Jul-13	--	\$104.6b	\$104.7b	--
07/20/2018 15:00	JN Convenience Store Sales YoY	Jun	--	1.10%	-1.20%	--
<b>07/20/2018 15:30</b>	<b>TH Foreign Reserves</b>	<b>Jul-13</b>	--	<b>\$205.9b</b>	<b>\$207.3b</b>	--
07/20/2018 16:00	EC ECB Current Account SA	May	--	22.4b	28.4b	29.6b
<b>07/20/2018 16:00</b>	<b>TA Export Orders YoY</b>	<b>Jun</b>	<b>7.40%</b>	<b>-0.10%</b>	<b>11.70%</b>	--
07/20/2018 16:00	IT Current Account Balance	May	--	--	3009m	--
07/20/2018 16:30	UK Public Finances (PSNCR)	Jun	--	13.3b	4.5b	4.7b
07/20/2018 16:30	UK Public Sector Net Borrowing	Jun	3.6b	4.5b	3.4b	3.9b
07/20/2018 16:30	UK PSNB ex Banking Groups	Jun	5.0b	5.4b	5.0b	4.7b
<b>07/20/2018 20:30</b>	<b>CA Retail Sales MoM</b>	<b>May</b>	<b>1.00%</b>	<b>2.00%</b>	<b>-1.20%</b>	<b>-0.90%</b>
07/20/2018 20:30	CA Retail Sales Ex Auto MoM	May	0.50%	1.40%	-0.10%	0.20%
<b>07/20/2018 20:30</b>	<b>CA CPI NSA MoM</b>	<b>Jun</b>	<b>0.00%</b>	<b>0.10%</b>	<b>0.10%</b>	--
<b>07/20/2018 20:30</b>	<b>CA CPI YoY</b>	<b>Jun</b>	<b>2.30%</b>	<b>2.50%</b>	<b>2.20%</b>	--
<b>07/23/2018 13:00</b>	<b>SI CPI YoY</b>	<b>Jun</b>	<b>0.60%</b>	--	<b>0.40%</b>	--
07/23/2018 13:00	SI CPI NSA MoM	Jun	0.00%	--	0.60%	--
07/23/2018 16:00	TA Industrial Production YoY	Jun	4.75%	--	7.05%	--
07/23/2018 16:00	TA Unemployment Rate	Jun	3.71%	--	3.69%	--
<b>07/23/2018 16:30</b>	<b>HK CPI Composite YoY</b>	<b>Jun</b>	<b>2.20%</b>	--	<b>2.10%</b>	--
07/23/2018 20:30	CA Wholesale Trade Sales MoM	May	0.70%	--	0.10%	--
07/23/2018 20:30	US Chicago Fed Nat Activity Index	Jun	0.25	--	-0.15	--
<b>07/23/2018 22:00</b>	<b>EC Consumer Confidence</b>	<b>Jul A</b>	<b>-0.7</b>	--	<b>-0.5</b>	--
<b>07/23/2018 22:00</b>	<b>US Existing Home Sales</b>	<b>Jun</b>	<b>5.45m</b>	--	<b>5.43m</b>	--
07/23/2018 22:00	US Existing Home Sales MoM	Jun	0.20%	--	-0.40%	--
07/23/2018	PH Budget Balance PHP	Jun	--	--	-32.9b	--

Source: Bloomberg

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

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