

Highlights

Global	<p>US President Trump hinted at a less confrontational approach towards China, following Treasury Secretary Mnuchin's earlier comments that China is not the only target. Trump said "it's not just Chinese. We don't want China or other countries". Meanwhile, Canada is said to be preparing steel quotas and tariffs to safeguard against potential steel imports from global producers including China trying to avoid US tariffs. Wall Street closed higher despite lingering trade war concerns, whilst the USD gained and US Treasury bonds traded in a range with the 10-year yield at 2.88%. Still, the current slide in China's Shanghai stock index (now in bear market territory) and the RMB, and the growing onshore defaults are unsettling some investors, which could cap Asian bourses' likely attempt to trade firmer today. On tap are US' durable goods orders, wholesale inventories and pending home sales, RBNZ's policy decision (likely to keep the OCR static at 1.75%), BOE governor Poloz's speech on any hints of the 11 July rate hike intentions, and BOE governor Carney's speech on the financial stability report.</p>
US	<p>The Conference Board consumer confidence index fell from 128.8 to 126.4 in June, with the present situation confidence and the consumer confidence expectations both slipping amid tepid wage gains, elevated fuel prices and a step-up in trade war concerns. Meanwhile, the S&P house prices in 20 cities rose 6.6% yoy in April, following a 6.7% yoy gain in March, amid lingering inventory shortfalls. The Richmond Fed manufacturing index rose from 16 to 20 in June, amid higher new order volumes and shipments.</p>
UK	<p>New BOE member Haskel warned of risks if the MPC hikes too fast, which in turn weighed on the GBP.</p>
SG	<p>Spore's manufacturing output rose a better than expected 11.1% yoy (0.4% mom nsa) in May, which is an improvement from April's 9.1% yoy (0.5% mom nsa) and marked the strongest expansion pace since January 2018 (17.1% yoy). Excluding biomedical, manufacturing output also expanded by 9.8% yoy (-1.2% mom nsa). All manufacturing clusters expanded in May, led by biomedical manufacturing (17.7% yoy, namely pharmaceuticals at 19.2% yoy) and electronics output (17.1% yoy, with robust semiconductor output growth of 26.9% yoy offsetting weakness in other electronics industries). The January – May industrial output remained resilient at 11.3% yoy. However, looking ahead the growth trajectory may get more challenging – first due to the heightened US-Sino trade tensions which could impact regional manufacturing production chains if the list of tariffs continue to grow; second the electronics industry slowdown is becoming more apparent outside of semiconductors, and last but not least, the June-September 2017 base effects are higher.</p>
CMD	<p>Oil prices surged overnight on US demand for oil importers to cut Iranian oil imports to zero by November this year, while US oil inventories reportedly fell 9.23 million barrels according to the American Petroleum Institute. Some risk-buying in other growth-related commodities including base metals were also seen, with copper, nickel and aluminium futures climbing higher overnight. Note that we published our Commodities 2H18 Outlook (26 June 2018).</p>

Major Market

- **US:** Wall Street advanced on Tuesday, mainly led by an energy stock rally as oil rebounded on expectations of import cuts following upcoming US sanctions on Iran. Tech equity also gained after a brief sell-off that was seen a day earlier. The latest consumer confidence data indicated pessimism in the face of sustained trade tensions, echoed by a slowdown in home purchases as households try to maintain asset liquidity. The Nasdaq composite gained 0.39%, while the Dow climbed 0.12% and S&P 500 gained 0.22%. VIX settled lower to 15.92 on Tuesday, vs Monday's 17.33. Meanwhile on the Treasury front, the 2y and 10y yields remained relatively unchanged at 2.533% and 2.876%, respectively.
- **Singapore:** The recent May prints for the manufacturing and electronics PMIs remained healthy at 52.7 and 52.3 respectively, but are likely to ease in the coming months in line with the June pullbacks seen in US and Eurozone manufacturing PMIs. Manufacturing growth momentum could decelerate into 3Q18 before recovering in 4Q18 to clock a full-year 2018 growth pace of around 4.5% yoy.
- Meanwhile, the STI, which had recovered 0.61% to close up at 3280.87 yesterday, may capitalise on hints of a less confrontational US approach to China and Wall Street's overnight gains to climb further today. The STI' support and resistance are tipped at 3260 and 3316 respectively. With UST bonds trading in a narrow range overnight, the SGS bond market is likely be somewhat rangebound ahead of the 20-year SGS re-opening auction which closes at noon today.
- **Hong Kong:** Exports and imports rose on a broad basis respectively by 15.9% yoy and 16.5% yoy in May. This indicates that the trading activities remained resilient, in line with the strong performance of China's trade sector in the same month. Notably, imports from China and the US increased by 18.4% yoy and 6.6% yoy respectively. Meanwhile, overseas shipments to China and the US advanced by 19.2% yoy and 12.5% yoy respectively. However, we are concerned that the data might have been distorted. As market fret that US-China trade conflicts will materialize in the second half of this year, trading activities might have been front-loaded. From July onwards, the data would paint a clearer picture as new tariff will take effect starting 6 July. As Trump administration targets at China's high-tech industry, the escalating trade tensions could gradually take a toll on the whole electronic value chain of Asia. This would in turn threaten HK's trade sector which is concentrated in cross-border shipments of high-tech products. All in all, we are wary that possible slowdown in trade expansion would translate into a moderate drag on the economy in the medium term.
- **Indonesia:** The country holds regional elections today of which 17 governors, 39 mayors and 115 regents will be elected. The elections include gubernatorial elections for the four most populous provinces which are West Java, East Java, Central Java and North Sumatra as well as the multi-ethnic province of West Kalimantan. Meanwhile, the Finance Ministry has reported that the government has reaped IDR685.09 trillion in state revenue for May, mainly supported by a greater collection in non-oil and gas income taxes and value-added taxes. This represented a growth of 13.29% compared to April. However, the budget deficit for May reached IDR94.43 trillion as spending hit IDR779.51 trillion.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading within 1bps across most tenors (with the exception of the 12-year swap rates trading 1-2bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 144bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 483bps. 10Y UST yields rose 2bps initially to 2.90% due to expectations of the US central bank continuing to raise interest rates. 10Y UST yields reversed 2bps subsequently to close at 2.88% as concerns lingered that a trade war could harm economic growth.
- **New issues:** Huarong Finance 2017 Co Ltd has priced a USD950mn deal across two-tranches (guaranteed by China Huarong International Holdings Ltd), with the USD400mn 3-year FRN priced at 3mL+117.5bps, tightening from its initial price guidance of 3mL+145bps and the USD550mn 5-year FRN priced at 3mL+132.5bps, tightening from its initial price guidance of 3mL+160bps. Huarong Finance 2017 Co Ltd has also priced a USD150mn re-tap of its HRAM 4.75%'27 bond (keepwell/EIPU provider: China Huarong Asset Management Co Ltd) at CT9+245bps, tightening from its initial price guidance of CT9+265bps area. Toyota Motor Corp has hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.676	0.41%	USD-SGD	1.3631	0.07%
USD-JPY	110.060	0.26%	EUR-SGD	1.5877	-0.40%
EUR-USD	1.1648	-0.48%	JPY-SGD	1.2388	-0.18%
AUD-USD	0.7394	-0.27%	GBP-SGD	1.8024	-0.36%
GBP-USD	1.3225	-0.42%	AUD-SGD	1.0076	-0.23%
USD-MYR	4.0225	0.12%	NZD-SGD	0.9352	-0.46%
USD-CNY	6.5793	0.59%	CHF-SGD	1.3758	-0.31%
USD-IDR	14179	0.14%	SGD-MYR	2.9548	0.22%
USD-VND	22923	0.15%	SGD-CNY	4.8292	0.63%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9316	--
2M	-0.3380	--	1M	2.1029	--
3M	-0.3240	--	2M	2.1696	--
6M	-0.2690	--	3M	2.3370	--
9M	-0.2140	--	6M	2.5025	--
12M	-0.1810	--	12M	2.7659	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
08/01/2018	22.7%	22.7%	0.0%	0.0%	0.0%
09/26/2018	77.8%	61.6%	16.2%	0.0%	0.0%
11/08/2018	79.0%	59.4%	18.7%	0.9%	0.0%
12/19/2018	90.9%	37.7%	41.7%	10.9%	0.5%
01/30/2019	91.8%	34.8%	41.3%	14.0%	1.5%
03/20/2019	95.7%	22.1%	38.2%	27.1%	7.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	70.53	3.60%	Copper (per mt)	6,648.0	0.20%
Brent (per barrel)	76.31	2.11%	Nickel (per mt)	14,723.5	0.38%
Heating Oil (per gallon)	2.1290	1.36%	Aluminium (per mt)	2,177.8	0.17%
Gasoline (per gallon)	2.0746	1.13%			
Natural Gas (per MMBtu)	2.9390	0.55%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,277.0	-0.57%
			Rubber (JPY/KG)	171.5	0.00%
Precious Metals	Futures	% chg			
Gold (per oz)	1,259.9	-0.71%			
Silver (per oz)	16.331	-0.46%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,283.11	30.31
S&P	2,723.06	5.99
Nasdaq	7,561.63	29.62
Nikkei 225	22,342.00	3.85
STI	3,280.87	20.03
KLCI	1,675.86	-2.24
JCI	5,825.65	-33.43
Baltic Dry	1,333.00	--
VIX	15.92	-1.41

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.01)	2.53 (-)
5Y	2.30 (+0.02)	2.75 (-0.01)
10Y	2.56 (+0.02)	2.88 (-)
15Y	2.82 (+0.02)	--
20Y	2.88 (+0.02)	--
30Y	2.94 (+0.02)	3.03 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	40.05	-0.06
EURIBOR-OIS	3.35	0.75
TED	42.93	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/26/2018 05:00	SK Consumer Confidence	Jun	--	105.5	107.9	--
06/26/2018 07:50	JN PPI Services YoY	May	1.00%	1.00%	0.90%	1.00%
06/26/2018 13:00	SI Industrial Production YoY	May	10.00%	11.10%	9.10%	--
06/26/2018 13:00	SI Industrial Production SA MoM	May	-0.20%	0.40%	0.20%	0.50%
06/26/2018 16:30	UK UK Finance Loans for Housing	May	38149	39244	38049	38327
06/26/2018 16:30	HK Exports YoY	May	8.50%	15.90%	8.10%	--
06/26/2018 16:30	HK Imports YoY	May	11.30%	16.50%	11.10%	--
06/26/2018 16:30	HK Trade Balance HKD	May	-49.1b	-43.2b	-46.9b	--
06/26/2018 17:52	ID Motorcycle Sales	May	--	589304	580921	--
06/26/2018 17:52	ID Local Auto Sales	May	--	100468	102256	102153
06/26/2018 21:00	US S&P CoreLogic CS 20-City MoM SA	Apr	0.40%	0.20%	0.53%	0.40%
06/26/2018 21:00	US S&P CoreLogic CS 20-City YoY NSA	Apr	6.80%	6.56%	6.79%	6.73%
06/26/2018 21:00	US S&P CoreLogic CS US HPI NSA Index	Apr	--	200.86	198.94	198.86
06/26/2018 22:00	US Richmond Fed Manufact. Index	Jun	15	20	16	--
06/26/2018 22:00	US Conf. Board Consumer Confidence	Jun	128	126.4	128	128.8
06/27/2018 06:45	NZ Trade Balance NZD	May	100m	294m	263m	193m
06/27/2018 06:45	NZ Exports NZD	May	5.25b	5.42b	5.05b	4.96b
06/27/2018 06:45	NZ Imports NZD	May	5.10b	5.12b	4.79b	4.77b
06/27/2018 06:45	NZ Trade Balance 12 Mth YTD NZD	May	-3743m	-3598m	-3762m	-3830m
06/27/2018 09:00	NZ ANZ Business Confidence	Jun	--	--	-27.2	--
06/27/2018 09:30	CH Industrial Profits YoY	May	--	--	21.90%	--
06/27/2018 11:00	TH Mfg Production Index ISIC NSA YoY	May	3.10%	--	3.99%	--
06/27/2018 11:00	TH Capacity Utilization ISIC	May	--	--	61.58	--
06/27/2018 14:00	UK Nationwide House PX MoM	Jun	0.20%	--	-0.20%	--
06/27/2018 14:00	UK Nationwide House Px NSA YoY	Jun	1.70%	--	2.40%	--
06/27/2018 14:45	FR Consumer Confidence	Jun	100	--	100	--
06/27/2018 16:00	EC M3 Money Supply YoY	May	3.80%	--	3.90%	--
06/27/2018 16:00	IT Manufacturing Confidence	Jun	107	--	107.7	--
06/27/2018 16:00	IT Consumer Confidence Index	Jun	113.3	--	113.7	--
06/27/2018 16:00	IT Economic Sentiment	Jun	--	--	104.7	--
06/27/2018 18:00	IT PPI MoM	May	--	--	-0.70%	--
06/27/2018 19:00	US MBA Mortgage Applications	Jun-22	--	--	5.10%	--
06/27/2018 20:30	US Advance Goods Trade Balance	May	-\$69.0b	--	-\$68.2b	-\$67.3b
06/27/2018 20:30	US Wholesale Inventories MoM	May P	0.20%	--	0.10%	--
06/27/2018 20:30	US Retail Inventories MoM	May	--	--	0.60%	0.50%
06/27/2018 20:30	US Durable Goods Orders	May P	-1.00%	--	-1.60%	--
06/27/2018 20:30	US Durables Ex Transportation	May P	0.50%	--	0.90%	--
06/27/2018 20:30	US Cap Goods Orders Nondef Ex Air	May P	0.50%	--	1.00%	--
06/27/2018 20:30	US Cap Goods Ship Nondef Ex Air	May P	0.30%	--	0.90%	--
06/27/2018 22:00	US Pending Home Sales MoM	May	0.50%	--	-1.30%	--
06/27/2018	MU Unemployment Rate	May	--	--	1.90%	--
06/26/2018 06:30	VN CPI YoY	Jun	4.35%	--	3.86%	--
06/26/2018 06:30	VN Imports YTD YoY	Jun	8.80%	--	8.20%	--
06/26/2018 06:30	VN Exports YTD YoY	Jun	15.70%	--	15.80%	--
06/26/2018 06:30	VN GDP YTD YoY	2Q	6.95%	--	7.38%	--
06/26/2018 06:30	VN Industrial Production YoY	Jun	--	--	7.10%	--

Source: Bloomberg

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