

Highlights

Global	<p>As the global bond rout deepens, pushing the 10-year UST bond yield to 2.37%, risk-off sentiments may cast a shadow over Asian bourses. Adding to the market concerns of a synchronised withdrawal of monetary policy accommodation - ECB's Nowotny opined that QE is not a permanent policy tool and "it's right to see sovereign-bond purchases critically", whilst Weidmann also commented that "the continued economic recovery is opening the perspective of a monetary-policy normalization". Meanwhile BOE's McCafferty also warned of the need to withdraw some current stimulus and there could be a couple of interest-rate hikes over the next few years if growth continues as currently forecast.</p> <p>Keep an eye on today's economic data calendar which would revolve around US' nonfarm payrolls and unemployment rate (with consensus eyeing 175k and 4.3%) even though the ADP report showed a slower pace of job creation (158k versus 230k previously), as well as German and UK' industrial and manufacturing production, Malaysia and Taiwan's trade data, and foreign reserves data across Asia. Adding to the newsflow are G20 summit rhetoric (expect noise about North Korea amid other agenda items covering free trade, climate change and migration) and the FOMC's monetary policy report to Congress ahead of Fed chair Yellen's testimony next week.</p>
US	<p>Fed's Fischer opined that a cautious approach to investments "may in part reflect the uncertainty about the policy environment" and "mitigating the damping effect of uncertainty by providing more clarity on the future direction of government policy is highly desirable". On the economic front, initial jobless claims rose 4k to 248k, while the May trade deficit narrowed to US\$46.5b as exports (+0.4%) hit its highest since April 2015 whereas imports fell 0.1% amid softer autos and consumer goods demand.</p>
ID	<p>Government sees 2017 budget deficit at 2.92% of GDP. Coordinating Minister for Economic Affairs, Darmin Nasution, reportedly said that 2018's budget deficit is expected to narrow to 2.67% of GDP due to unrealized spending from ministries, special fund allocations and rural funds.</p>
MA	<p>Malaysia sold MYR3bn worth of 2024 bonds yielding 3.919%. The central bank said that demand for the issuance exceeded offer amount by 2.87 times. According to Bloomberg, this marks the highest bid-to-cover ratio since May 2015's 2027 offering.</p>
Commodities	<p>Gold edged slightly higher as the dollar and Wall Street fell overnight. Crude oil prices edged higher as well as market-watchers digested the deeper-than-expected fall in crude oil (-6.3 million barrels) and gasoline (-3.7 million barrels) inventories. Despite the stronger oil production (+88kbpd) seen in the same period, the relatively higher crude oil and gasoline implied demand suggest robust energy demand during the on-going driving season.</p>

Major Markets

- **US:** The sell-off in European government bonds following a somewhat hawkish ECB minutes sent reverberations around asset markets on Thursday. US equities marked the biggest lost since May, slumping below its 50-day MA levels. The Nasdaq Composite led losses with a 1.00% decline, while the S&P 500 and Dow also fell 0.94% and 0.74% respectively. All eleven sectors of the S&P 500 fell, with heaviest losses in telecoms and real estate stocks. Meanwhile, longer-term Treasuries were also sold off in sympathy. 10y benchmark yields spiked higher by 4-5 bps to stand at 2.37% at NY close, with the intraday high reaching 2.39%. 2y yields were marginally lower at 1.39%.
- **Singapore:** With the sea of red ink washing across most global equity bourses, STI also declined 0.69% to close at 3226.34 yesterday and may continue to retreat today given the overnight slippage in Wall Street and morning declines in Kospi. STI's support and resistance are tipped at 3220 and 3240. With the UST bond yield curve steepening further, SGS bonds may face similar pressures today. The 3-month SOR has surged to 0.91586%, narrowing the gap with its 3-month SIBOR counterpart (1.00333%) to less than 9bps, down from the 35bp gap seen in late June.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in OLAMSP 5.5%-PERPs, HSBC 4.7%-PERPs, and mixed interest seen in LMRTSP 6.6%-PERPs. In the broader dollar space, the spread on JACI IG Corporates rose by 2bps to 186bps, while the yield on JACI HY Corporates fell by 1bps to 6.87%. 10y UST yields rose 4bps to 2.37% as hawkish ECB minutes spurred a global bond selloff.
- **New Issues:** Sumitomo Mitsui Financial Group has priced a USD4.25bn three-tranche deal, with the USD2bn 5-year bond priced at CT5+85bps, tightening from initial guidance of CT5+105bps; the USD500mn 5-year bond priced at 3mL+78bps; and the USD1.75bn 10-year bond priced at CT10+100bps, tightening from initial guidance of CT10+125bps. The expected issue ratings are 'NR/A1/NR'. Longfor Properties Co Ltd has priced a USD450mn 5-year bond at CT5+205bps, tightening from initial guidance of CT5+235bps. The expected issue ratings are 'NR/NR/BBB-'. Commonwealth Bank of Australia has priced a USD1.5bn 30-year bond at CT30+103bps, tightening from initial guidance of CT30+120bps. SoftBank Group Corp has scheduled investor meetings for potential USD perpetuals issuance from 7 Jul. The expected issue ratings are 'B+/NR/NR'.
- **Rating Changes:** Moody's has affirmed Mitsubishi Corporation's (Mitsubishi) issuer and senior unsecured debt ratings at 'A2' with a negative outlook. The rating action reflects Mitsubishi's volatile business profile due to its large investments in metals and energy commodities that causes its cash flow to be more variable than those of other Japanese trading companies. Moody's has affirmed ITOCHU Corporation's (ITOCHU) issuer rating at 'Baa1' while changing the outlook to positive from stable. The rating action reflects Moody's view that ITOCHU's cash flow has been more stable than those of other Japanese trading companies and the company appears poised to continue its recent deleveraging trend.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.802	-0.51%	USD-SGD	1.3822	0.10%
USD-JPY	113.220	-0.04%	EUR-SGD	1.5788	0.71%
EUR-USD	1.1423	0.63%	JPY-SGD	1.2208	0.15%
AUD-USD	0.7586	-0.22%	GBP-SGD	1.7928	0.38%
GBP-USD	1.2971	0.29%	AUD-SGD	1.0484	-0.13%
USD-MYR	4.3000	0.05%	NZD-SGD	1.0057	-0.09%
USD-CNY	6.8015	-0.01%	CHF-SGD	1.4392	0.47%
USD-IDR	13392	0.20%	SGD-MYR	3.1082	0.05%
USD-VND	22735	-0.02%	SGD-CNY	4.9182	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1739	--
2M	-0.3440	--	1M	1.2233	--
3M	-0.3310	--	2M	1.2556	--
6M	-0.2740	--	3M	1.3030	--
9M	-0.2040	--	6M	1.4571	--
12M	-0.1600	--	12M	1.7512	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.24 (+0.01)	1.39 (-0.01)	-0.59 (+0.02)	-0.37 (+0.04)	-0.13 (+0.01)
5Y	1.54 (-0.01)	1.94 (+0.02)	-0.08 (+0.07)	0.01 (+0.07)	0.92 (+0.09)
10Y	2.15 (-0.02)	2.37 (+0.04)	0.56 (+0.09)	0.92 (+0.10)	2.26 (+0.11)
15Y	2.35 (-0.03)	--	0.82 (+0.08)	1.26 (+0.09)	2.85 (+0.12)
20Y	2.41 (-0.03)	--	1.08 (+0.07)	1.57 (+0.08)	2.97 (+0.11)
30Y	2.47 (-0.03)	2.90 (+0.05)	1.34 (+0.07)	1.85 (+0.08)	3.39 (+0.11)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
26/07/2017	0.0%	0.7%	99.3%	0.0%	0.0%
20/09/2017	16.0%	0.6%	83.4%	16.0%	0.0%
01/11/2017	16.7%	0.6%	82.8%	16.5%	0.1%
13/12/2017	51.6%	0.3%	48.1%	44.5%	7.1%
31/01/2018	52.5%	0.3%	47.2%	44.6%	7.7%
21/03/2017	67.8%	0.2%	32.0%	45.4%	19.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	45.52	0.86%	Copper (per mt)	5,867.6	0.06%
Brent (per barrel)	48.11	0.67%	Nickel (per mt)	9,037.0	-0.95%
Heating Oil (per gallon)	1.4819	0.23%	Aluminium (per mt)	1,934.8	0.78%
Gasoline (per gallon)	1.5287	1.75%			
Natural Gas (per MMBtu)	2.8880	1.69%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,561.0	0.91%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	196.5	-0.51%
Gold (per oz)	1,223.3	0.13%			
Silver (per oz)	15.983	0.55%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,320.04	-158.13
S&P	2,409.75	-22.79
Nasdaq	6,089.46	-61.39
Nikkei 225	19,994.06	-87.57
STI	3,226.34	-22.37
KLCI	1,770.53	2.37
JCI	5,849.58	24.52
Baltic Dry	847.00	--
VIX	12.54	1.47

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.33	-0.05
EURIBOR-OIS	2.65	-0.17
TED	26.02	--

Government CDS (USD)

	5Y	% Change
Germany	14.867	-2.14%
France	22.004	1.11%
Italy	146.744	1.33%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
07/06/2017	07:50	JN Japan Buying Foreign Bonds	Jun-30	--	-¥772.8b	¥321.8b	¥325.5b
07/06/2017	07:50	JN Foreign Buying Japan Bonds	Jun-30	--	¥75.8b	-¥1463.9b	-¥1464.3b
07/06/2017	07:50	JN Foreign Buying Japan Stocks	Jun-30	--	-¥14.0b	-¥26.3b	--
07/06/2017	09:30	AU Trade Balance	May	A\$1000m	A\$2471m	A\$555m	A\$90m
07/06/2017	14:00	GE Factory Orders MoM	May	1.90%	1.00%	-2.10%	-2.20%
07/06/2017	14:00	GE Factory Orders WDA YoY	May	4.50%	3.70%	3.50%	3.30%
07/06/2017	15:30	GE Markit Germany Construction PMI	Jun	--	55.1	55.3	--
07/06/2017	16:10	GE Markit Germany Retail PMI	Jun	--	54.5	55	--
07/06/2017	16:10	EC Markit Eurozone Retail PMI	Jun	--	53.2	52	--
07/06/2017	16:10	FR Markit France Retail PMI	Jun	--	56.3	53.3	--
07/06/2017	16:10	IT Markit Italy Retail PMI	Jun	--	47.1	45.5	--
07/06/2017	19:00	US MBA Mortgage Applications	Jun-30	--	1.40%	-6.20%	--
07/06/2017	19:30	US Challenger Job Cuts YoY	Jun	--	-19.30%	9.70%	--
07/06/2017	20:15	US ADP Employment Change	Jun	188k	158k	253k	230k
07/06/2017	20:30	CA Building Permits MoM	May	1.00%	8.90%	-0.20%	0.50%
07/06/2017	20:30	CA Int'l Merchandise Trade	May	-0.50b	-1.09b	-0.37b	-0.55b
07/06/2017	20:30	US Initial Jobless Claims	Jul-01	243k	248k	244k	--
07/06/2017	20:30	US Continuing Claims	Jun-24	1940k	1956k	1948k	1945k
07/06/2017	20:30	US Trade Balance	May	-\$46.3b	-\$46.5b	-\$47.6b	--
07/06/2017	21:45	US Bloomberg Consumer Comfort	Jul-02	--	48.5	48.6	--
07/06/2017	21:45	US Markit US Services PMI	Jun F	53	54.2	53	--
07/06/2017	21:45	US Markit US Composite PMI	Jun F	--	53	53	--
07/06/2017	22:00	US ISM Non-Manf. Composite	Jun	56.5	57.4	56.9	--
07/07/2017	08:00	JN Labor Cash Earnings YoY	May	0.40%	--	0.50%	--
07/07/2017	12:00	MA Exports YoY	May	23.40%	--	20.60%	--
07/07/2017	12:00	MA Trade Balance MYR	May	6.89b	--	8.75b	--
07/07/2017	13:00	JN Leading Index CI	May P	104.5	--	104.2	--
07/07/2017	14:00	GE Industrial Production SA MoM	May	0.20%	--	0.80%	--
07/07/2017	14:00	GE Industrial Production WDA YoY	May	4.00%	--	2.90%	--
07/07/2017	14:30	AU Foreign Reserves	Jun	--	--	A\$88.5b	--
07/07/2017	14:45	FR Trade Balance	May	-5100m	--	-5535m	--
07/07/2017	14:45	FR Industrial Production MoM	May	0.60%	--	-0.50%	--
07/07/2017	14:45	FR Industrial Production YoY	May	1.40%	--	0.60%	--
07/07/2017	14:45	FR Manufacturing Production MoM	May	0.60%	--	-1.20%	--
07/07/2017	14:45	FR Manufacturing Production YoY	May	1.40%	--	1.10%	--
07/07/2017	15:00	MA Foreign Reserves	Jun-30	--	--	\$98.7b	--
07/07/2017	15:30	UK Halifax House Price 3Mths/Year	Jun	3.10%	--	3.30%	--
07/07/2017	15:30	UK Halifax House Prices MoM	Jun	0.20%	--	0.40%	--
07/07/2017	15:30	TH Foreign Reserves	Jun-30	--	--	\$184.4b	--
07/07/2017	16:00	IT Retail Sales MoM	May	0.30%	--	-0.10%	--
07/07/2017	16:00	IT Retail Sales YoY	May	1.00%	--	1.20%	--
07/07/2017	16:00	TA Imports YoY	Jun	12.00%	--	10.20%	--
07/07/2017	16:00	TA Trade Balance	Jun	\$3.20b	--	\$3.46b	--
07/07/2017	16:00	TA Exports YoY	Jun	8.80%	--	8.40%	--
07/07/2017	16:30	UK Industrial Production MoM	May	0.40%	--	0.20%	--
07/07/2017	16:30	UK Industrial Production YoY	May	0.20%	--	-0.80%	--
07/07/2017	16:30	UK Manufacturing Production MoM	May	0.50%	--	0.20%	--
07/07/2017	16:30	UK Manufacturing Production YoY	May	1.00%	--	0.00%	--
07/07/2017	16:30	UK Visible Trade Balance GBP/Mn	May	-£10,850	--	-£10,383	--
07/07/2017	16:30	UK Trade Balance Non EU GBP/Mn	May	-£2,450	--	-£2,068	--
07/07/2017	16:30	UK Trade Balance	May	-£2,500	--	-£2,050	--
07/07/2017	17:00	SI Foreign Reserves	Jun	--	--	\$264.56b	--
07/07/2017	20:00	UK NIESR GDP Estimate	Jun	--	--	0.20%	--
07/07/2017	20:30	US Change in Nonfarm Payrolls	Jun	178k	--	138k	--
07/07/2017	20:30	CA Net Change in Employment	Jun	10.0k	--	54.5k	--
07/07/2017	20:30	CA Unemployment Rate	Jun	6.60%	--	6.60%	--
07/07/2017	20:30	US Change in Private Payrolls	Jun	170k	--	147k	--
07/07/2017	20:30	US Change in Manufact. Payrolls	Jun	5k	--	-1k	--
07/07/2017	20:30	US Unemployment Rate	Jun	4.30%	--	4.30%	--
07/07/2017	20:30	US Average Hourly Earnings YoY	Jun	2.60%	--	2.50%	--
07/07/2017	22:00	CA Ivey Purchasing Managers Index SA	Jun	58	--	53.8	--
07/07/2017		HK Foreign Reserves	Jun	--	--	\$402.7b	--
07/07/2017		PH Foreign Reserves	Jun	--	--	\$82.1b	--
07/07/2017		CH Foreign Reserves	Jun	\$3061.0b	--	\$3053.6b	--
07/07/2017		ID Foreign Reserves	Jun	--	--	\$124.95b	--
07/06/2017	07/13	VN Domestic Vehicle Sales YoY	Jun	--	--	-3.20%	--

Source: Bloomberg

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