

Highlights

Global	<p>Wall Street saw a late rally to eke out fresh record highs, whilst the USD pared losses on a stronger-than-expected US' CPI inflation print. Meanwhile, UST bonds sold off and pushed the 10-year yield to 2.15%, with the longer tenors worst hit due to a weak 30-year bond auction which saw the yield climbing to 2.64% (highest since 30 May), despite Fed chair Powell reiterating his dovish message in his second day of congressional testimony, which sets the stage for a 25bp rate cut at the 30 July FOMC meeting.</p> <p>Asian markets may tread water today after US president Trump tweeted to complain that China "is letting us down in that they have not been buying the agricultural products from our great Farmers that they said they would. Hopefully they will start soon!" The economic data calendar comprises China's trade data, US' PPI, Eurozone's industrial production, Thailand's foreign reserves and S'pore's retail sales (our forecast: -4.7% yoy and -3.7% mom sa versus April's -1.8% yoy and +0.5% mom sa). Fed's Evans and ECB's Visco and Vlieghe are also speaking.</p>
US	<p>Headline CPI rose 0.1% mom (1.6% yoy), weighed down by falling gasoline prices, but core CPI accelerated to 0.3% mom (2.1% yoy), lifted by apparel prices and firmer shelter prices. Powell opined that "the relationship between unemployment and inflation became weak", and while the US economy is "in a very good place", the Fed wants to "use our tools to keep it there". He added that "we're learning that the natural rate of unemployment is lower than we thought...so monetary policy hasn't been as accommodative as we had thought". Separately, Williams said that the central bank wants to "extend this expansion, and have monetary policy in the right place to do that". However, Bostic noted he was sceptical about the need for a rate cut as "I am not seeing the storm clouds generating a storm yet" and Barkin suggested it is "hard to make a case for stepping on the gas". Our house view is that a 50bp rate cut at the July FOMC would be too much to stomach and a 25bp cut is the path of least resistance.</p>
CN	<p>In response to US Commerce Ministry's decision to remove existing tariff on 110 Chinese products, China's Commerce Department said it also set up the tariff waiver system for company to apply for. China's utilized foreign direct investment rose by 7.2% yoy in the first half of 2019 despite the rising uncertainty from the trade war.</p>
SG	<p>2Q19 GDP growth slowed more than expected to near stalling speed at 0.1% yoy (-3.4% qoq saar) based on flash estimates, with broad-based sequential weakness seen across all key sectors. This is the slowest yoy growth seen since 2Q09 and the worst qoq saar performance since 3Q12. The main drag was from manufacturing which contracted for the second straight quarter by 3.8% yoy (-6.0% qoq saar, marking its third consecutive qoq decline), while construction also slowed a tad to 2.2% yoy (-7.6%), albeit services was stable at 1.2% yoy (-1.5% qoq saar). This brought 1H19 GDP growth to a paltry 0.6% yoy, which is the weakest first half growth since 1H09, and warrants a closer watch on the upcoming October monetary policy meeting where the odds of an easing may have risen.</p>

Major Markets

- **US:** The S&P 500 index closed up 0.2% on Thursday, as Powell strengthened his signals of a rate cut. Powell's declaration that the relationship between inflation and unemployment "has gone away" downplays the strong CPI print last night. We expect the markets to continue trading on expectations of a July rate cut.
- **Singapore:** The STI added 0.30% to close at 3350.45 yesterday and may attempt to eke out further gains amid the Fed's dovish message. With the sharp overnight pullback in UST bonds overnight, SGS bonds may also see some upward pressure on yields today.
- **Indonesia:** Destry Damayanti is set to be appointed as Bank Indonesia's next senior deputy governor after winning parliamentary approval on Thursday. She will be sworn in later this month to replace Mirza Adityaswara. Destry has previously been an economist with Bank Mandiri and Mandiri Sekuritas as well as having been Chairman of the Economic Task Force of the SOE Ministry. She immediately faces calls from lawmakers to have a creative approach to policy making and "work out of the box".
- **Macau:** Housing transaction volume rose by 3.7 yoy in May (the first time since August 2018) to the highest level since February 2018 at 1077 deals. The average housing price increased for the third consecutive month by 0.5% yoy to MOP 113,715/square meter in May. The rosy housing data was mainly supported by three favorable factors, including eased concerns about higher borrowing costs, limited housing supply and the policies supporting local first-home buyers. Moving into June, we expect the housing market growth to slow down, mainly reflecting the shock from US-China trade war escalation. After that, however, housing market may rebound again thanks to the rising expectations of Fed rate cuts and eased US-China trade tension which has helped to improve investment sentiments. Nevertheless, we see little room for both housing price and housing transaction volume to go up further against the backdrop of uncertain economic outlook and lingering US-China trade war risks.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with the shorter tenors and belly trading 6-7bps lower and longer tenors trading 3-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 129bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 467bps. 10Y USTs gained 8bps to 2.14%, after the US recorded the largest gain in underlying consumer prices in 1.5 years, weakening the case for aggressive rate cuts by the Federal Reserve. Spread between 3-month treasury bills and 10-year treasury notes have ceased to be inverted, with the spread now at +0.5bps.
- **New Issues:** Mitsubishi UFJ Financial Group Inc. has priced a USD6.5bn debt offering in four tranches: a USD2.25bn 3-year bond at T+78bps (tightening from IPT of T+95bps area), a USD1.0bn 5-year bond at T+90bbps (tightening from IPT of T+105-110bps area), a USD1.75bn 10-year bond at T+105bps (tightening from IPT of T+120bps area), and a USD1.5bn 20-year bond at T+108bps area (tightening from IPT of T+125bps area). China Mengniu Dairy Company Limited has priced a USD500mn 5-year bond at T+125bps, tightening from IPT of T+160bps area. Chengdu Airport Xingcheng Investment Group Co., Ltd has priced a USD500mn 3-year bond at 6.5%, tightening from IPT of 6.8% area. NWD (MTN) Limited (guarantor: New World Development Company Limited) has priced a USD950mn 10-year bond at T+220bps, tightening from IPT of T+250bps area. Dawn Victor Ltd (guarantor: Peking University Resources Group Co., Ltd) has priced a USD350mn 363-day bond at 8.45%, tightening from IPT of 8.75% area. Shriram Transport Finance Co. Ltd has priced a USD250mn re-tap of its existing SHTFIN 5.95%'22s at 5.375%, tightening from IPT of 5.625% area. Haimen Zhongnan Investment Development International Co. Ltd has priced a USD100mn 3-year bond at 11.525%. China Development Bank Corporation of Hong Kong has priced two USD200mn 5-year FRN at 3-month US LIBOR+60bps. Thomson Medical Group Ltd has priced a SGD225mn 3-year bond at 4.8%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.050	-0.06%	USD-SGD	1.3572	-0.10%
USD-JPY	108.500	0.04%	EUR-SGD	1.5274	-0.07%
EUR-USD	1.1254	0.03%	JPY-SGD	1.2507	-0.12%
AUD-USD	0.6974	0.22%	GBP-SGD	1.6992	0.04%
GBP-USD	1.2521	0.15%	AUD-SGD	0.9465	0.13%
USD-MYR	4.1152	-0.53%	NZD-SGD	0.9041	0.13%
USD-CNY	6.8702	-0.04%	CHF-SGD	1.3705	-0.15%
USD-IDR	14067	-0.47%	SGD-MYR	3.0377	-0.11%
USD-VND	23203	-0.03%	SGD-CNY	5.0656	0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3890	0.50%	O/N	2.3548	0.46%
2M	-0.3360	0.46%	1M	2.3691	0.05%
3M	-0.3580	0.05%	2M	2.3636	0.58%
6M	-0.3290	0.58%	3M	2.3395	-0.12%
9M	-0.1940	-0.12%	6M	2.2624	0.56%
12M	-0.2530	0.56%	12M	2.2858	1.23%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.5-1.75%	1.75-2%	2-2.25%
07/31/2019	0.0%	100.0%	0.0%	16.5%	83.5%
09/18/2019	0.0%	100.0%	10.9%	60.7%	38.5%
10/30/2019	0.0%	100.0%	29.8%	48.4%	17.6%
12/11/2019	0.0%	100.0%	36.5%	37.3%	11.3%
01/29/2020	0.0%	100.0%	36.7%	30.5%	8.3%
03/18/2020	0.0%	100.0%	35.5%	36.1%	6.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.20	-0.4%	Corn (per bushel)	4.4775	3.1%
Brent (per barrel)	66.52	-0.7%	Soybean (per bushel)	8.963	0.4%
Heating Oil (per gallon)	1.9786	-0.6%	Wheat (per bushel)	5.3625	4.8%
Gasoline (per gallon)	1.9895	-0.8%	Crude Palm Oil (MYR/MT)	1,888.0	0.2%
Natural Gas (per MMBtu)	2.4160	-1.1%	Rubber (JPY/KG)	230.0	-0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,955	0.3%	Gold (per oz)	1,406.7	-0.4%
Nickel (per mt)	13,130	1.1%	Silver (per oz)	15.067	-0.5%

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

Equity and Commodity

Index	Value	Net change
DJIA	27,088.08	227.88
S&P	2,999.91	6.84
Nasdaq	8,196.04	-6.49
Nikkei 225	21,643.53	110.05
STI	3,350.45	10.03
KLCI	1,679.26	0.29
JCI	6,417.07	6.38
Baltic Dry	1,777.00	--
VIX	12.93	-0.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.62 (-0.06)	1.86 (+0.03)
5Y	1.70 (-0.05)	1.89 (+0.07)
10Y	1.92 (-0.05)	2.14 (+0.08)
15Y	2.14 (-0.05)	--
20Y	2.25 (-0.04)	--
30Y	2.43 (-0.04)	2.66 (+0.08)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.60	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.45
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
07/12/2019	CH Trade Balance	Jun	\$45.00b	--	\$41.65b	\$41.66b 89.8876
07/12/2019 02:00	US Monthly Budget Statement	Jun	-\$7.9b	-\$8.5b	-\$74.9b	-- 82.9268
07/12/2019 08:00	SI GDP YoY	2Q A	1.10%	--	1.20%	-- 79.3103
07/12/2019 08:00	SI GDP SAAR QoQ	2Q A	0.50%	--	3.80%	-- 76.9231
07/12/2019 12:00	MA Industrial Production YoY	May	3.50%	--	4.00%	-- 76.8504
07/12/2019 12:30	JN Industrial Production MoM	May F	--	--	2.30%	-- 98.4252
07/12/2019 12:30	JN Industrial Production YoY	May F	--	--	-1.80%	-- 75
07/12/2019 12:30	JN Capacity Utilization MoM	May	--	--	1.60%	-- 73.0769
07/12/2019 13:00	SI Retail Sales YoY	May	-3.00%	--	-1.80%	-- 72.093
07/12/2019 15:30	TH Foreign Reserves	Jul-05	--	--	\$215.8b	-- 70.7317
07/12/2019 20:00	IN Industrial Production YoY	May	2.90%	--	3.40%	-- 70.0787
07/12/2019 20:00	IN CPI YoY	Jun	3.13%	--	3.05%	--
07/12/2019 20:30	US PPI Final Demand MoM	Jun	0.00%	--	0.10%	--

Source: Bloomberg

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