

Global Markets Daily

RBI To Hike 25bp

USD Advanced Overnight

USD ended Jul on a bright note, advancing overnight after inflation, income growth and consumer spending rose in Jun, which underscored the strength of the US economy. This was even though the Fed's preferred inflation gauge, core PCE, rose by just 0.1% in Jun (May: +0.2%). The Dow Jones gained overnight on strong corporate earnings led by Apple, as were equity markets in Europe. Oil prices slipped lower overnight on the rise in US crude inventories with WTI slipping back below USD70/bbl and Brent to around USD74/bbl. UST yields ended mixed with 2Y rising to 2.67% while 10Y lower to 2.96%.

RBI To Hike By 25bp

Today is decision day for the RBI and we believe that RBI should hike 25bps. The last they did was in Jun and RBI had said that the policy stance was neutral after the hike meaning it could head up or down. There are reasons for the central bank to be cautious as industrial production had been subdued even if its PMI-mfg numbers are solid. RBI's own industrial outlook survey also showed some signs of softening, suggesting that there is limited room to how much the RBI can raise policy rates. And yet it cannot choose to not do so given the fact that CPI has reached 5%, above its target of 4% never mind that it has a rather wide range of +/-2% around that central target. Keeping the rupee stable (or at least stemming it from significant depreciation) is part of big part of keeping price pressure in check. Failing to hike 25bps which is what is widely expected could see rupee weaken much further. So, our view is for RBI to hike 25bps and that could just be the last of its rate hike for the year. RBI will not likely to sit on its hands entirely as it can still defend the rupee using its FX reserves. However, rupees' direction is pretty much dictated by sentiments, USD, rainfall that has concomitant impact on food inflation, RMB and most importantly crude Brent price. A move to raise the policy rates tomorrow is merely in line with expectation and hardly likely to move USDINR much lower.

Regional CPIs, PMIs; US ADP Due Today

Key events we are eyeing today include US ADP and ISM mfg; EU, JN, UK, MY, PH, ID Mfg PMIs; NZ labour report; ID CPI; CN Caixin Mfg PMI; KR, ID, TH CPI, RBI meeting.

FX: Overnight Closing Prices					
Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.1691	↓ -0.13	USD/SGD	1.3615	↑ 0.04
GBP/USD	1.3124	↓ -0.07	EUR/SGD	1.5918	↓ -0.09
AUD/USD	0.7424	↑ 0.23	JPY/SGD	1.2171	↓ -0.71
NZD/USD	0.6818	↓ -0.07	GBP/SGD	1.787	↓ -0.03
USD/JPY	111.86	↑ 0.74	AUD/SGD	1.0106	↑ 0.25
EUR/JPY	130.79	↑ 0.62	NZD/SGD	0.9282	↓ -0.06
USD/CHF	0.9903	↑ 0.21	CHF/SGD	1.3749	↓ -0.18
USD/CAD	1.3006	↓ -0.23	CAD/SGD	1.0468	↑ 0.25
USD/MYR	4.0652	↑ 0.14	SGD/MYR	2.9859	↑ 0.08
USD/THB	33.205	↓ -0.21	SGD/IDR	10590	↑ 0.10
USD/IDR	14414	↓ -0.01	SGD/PHP	39.005	↓ -0.12
USD/PHP	53.101	↓ -0.17	SGD/CNY	5.0085	↓ 0.00

Implied USD/SGD Estimates @ 1 Aug-18, 9.00AM

Upper Band Limit	Mid-Point	Lower Band Limit
1.3490	1.3762	1.4035

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg

Leslie Tang
(65) 6320 1378
leslietang@maybank.com.sg

Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Christopher Wong
(65) 6320 1347
wongkl@maybank.com.sg

G7: Events & Market Closure

Date	Ctry	Event
30 Jul	JN	BOJ Meeting
2 Aug	US, UK	FOMC, BoE Meetings

AXJ: Events & Market Closure

Date	Ctry	Event
30 Jul	TH	Market Closure
1 Aug	IN	RBI Meeting

G7 Currencies

- **DXY Index - ADP Tonight.** USD firmed on better than expected Chicago PMI, consumer confidence data and ahead of the slew of key data releases (ADP on Wed, NFP and Fri) and FoMC meeting (2am SG/KL time on 2 Aug) More importantly USD firmed in response to news report that Trump Administration is proposing increasing the tariff % from 10% to 25% on the \$200bn worth of Chinese imports previously announced. Fear of trade war tensions re-escalating kept USD supported. This is pretty much in line with what we have been emphasizing - *environment of US data outperformance, Fed's hawkish rhetoric and lingering concerns of trade war are supportive of the USD*. But we also believe that this USD support could be derailed if either one or more of the above variables falls out from the equation. There are also talks of Fed nearing its end on policy normalisation and if this becomes the central topic of discussion, USD strength could be thwarted. This basically supports the basis we been trying to build on policy convergence (between Fed and ECB) at some stage, possibly into the turn of the year. DXY was last seen at 94.55 levels. Bearish momentum on daily chart remains intact. 21 DMA looks on track to cut 50 DMA to the downside - short term bearish signal potentially forming. We maintain our tactical bias to fade rally this week. Resistance at 95, 95.50 (triple top). Support at 94 levels (23.6% fibo retracement of Apr low to Jun high). An extended move lower towards 93.12 (38.2% fibo) should not be ruled out. Focus for the week on ISM Mfg, ADP employment (Jul) for Wed; FoMC meeting decision; Durable Goods, Factory Orders (Jun) for Thu; NFP, Wage growth, Unemployment rate, ISM non-Mfg (Jul); Trade (Jun); services PMI (Jul) for Fri.
- **EURUSD - PMI Mfg on Tap Today.** EUR slipped overnight on EU-US data divergence. US Chicago PMI, consumer confidence beat estimates while Euro-area 2Q GDP came in lower than expected. Trade war tensions on US-China (at risk of re-escalating pending comments from China) further fueled the USD rebound. EUR fell from sub-1.1750 to under 1.17. Pair was last seen at 1.1685 levels. Mild bullish momentum on daily chart shows signs of waning. Immediate support at 1.1670 (50 DMA) before 1.16levels. Resistance at 1.1760 (23.6% fibo retracement of 2018 high to low). Focus for the week on PMI Mfg (Jul) on Wed; Trade (Jun) on Thu; Retail Sales (Jun); Services PMI (Jul) on Fri. Looking out, we see risk that the ECB may need to normalize policies earlier than expected should (1) inflation data, in particular core CPI continues to surprise to the upside while (2) growth and activity data continues to hold up. Moreover Draghi's term as ECB President ends sometime in 4Q 2019 and the talk about Bundesbank President Weidmann (long-time critic of ECB's ultra-loose policies whom could push for faster pace of policy normalisation) possibly succeeding Draghi could quietly and gradually brew the upward pressure for EUR. We favour positioning ahead for ECB-Fed policy convergence at some stage, given that Fed tightening may be priced in while markets run the risk of underpricing the ECB's policy normalisation trajectory. We reiterate our bias to accumulate on dips.

- **GBPUSD - Still Need a Break Above 1.3180 for Bulls to Gain Traction.** GBP remains soggy amid USD rebound overnight. Pair was last seen at 1.3110 levels. Mild bullish momentum seen on daily chart but still lacks a strong conviction. Resistance at 1.3170/80 levels (21 DMA) needs to be broken for further upside to gather traction towards 1.3250 (50 DMA). Support at 1.3060 and 1.3010 (interim double bottom). Caution that a decisive break below the interim double bottom could see the pair test 1.29. Focus for the week on Nationwide house price, Mfg PMI (Jul) for Wed; Construction PMI (Jul); BoE Meeting, Quarterly Inflation Report for Thu; Services PMI (Jul) for Fri. BoE MPC meets on Thu. Markets have re-priced the odds of a 25bps rate hike to 0.75%. OIS-futures implied a more than 90% chance of rate hike at the upcoming meeting (up from under 50% in mid-Jun). This validates our long-held and out-of-consensus call for BoE to raise rate at the August MPC meeting as growth momentum remains intact (barring weather-related disruption to 1Q activity) while labor market remains tight with unemployment rate at 43Y low. Wage growth could re-accelerate as public sector salary cap may be lifted. Times reported that PM May is planning to announce that state-employed staff including teachers, doctors and police officers could get a pay rise this year as government's pay cap (at 1%) could be lifted. While some argued that this could be a move to shore up support for potential election (given that May's leadership has been coming under pressure), we think the immediate impact on wage increase or inflation should be of focus. This could add to upward pressure on wage growth and facilitates the BoE to raise rate at its upcoming meeting on 2 Aug, possibly a short term positive impulse for GBP. But finer details should be scrutinized - if all staff in public sector benefit or is this restricted to a selective group of people and how soon this could come, etc.
- **USDJPY - Supported By BOJ Decision.** USDJPY regained some lost ground from the earlier slippages, climbing higher back towards the 112-levels after *BOJ left its policy parameters largely unchanged yesterday the policy balance rate at -0.1% and 10-year JGB yield target at around zero percent. The central bank though did make minor tweaks to its policy for the first time since QQE with yield curve control was introduced in Sep 2016, including shifting purchases of exchange-traded funds (ETFs) towards assets linked to the Topix from the Nikkei and allowing greater flexibility in bond operations and asset purchases to ensure sustainability of the current framework. It also introduced forward guidance for policy rates, saying extremely low levels of short- and long-term interest rates will remain for an extended period of time. At the same time, the central bank will also allow the 10-year JGB yield some leeway to move up and down depending on developments in economic activity and prices. In a nod to the profitability of commercial banks, the BOJ reduced the amount to which rate applies from JPY10tn.* Supportive of the pair's move higher was the USD move higher overnight on strong US data. This morning though the rise in 10Y JGB yield to 0.082% (as market tests the BOJ's tolerance for top side of 10Y JGB) from yesterday's close of 0.062% amid softer UST yields is putting downside pressure on the pair. Last seen around 111.84-levels. Bearish bias on the daily chart is waning, and

stochastics shows tentative signs of turning higher. Weekly chart remains bullish bias, while stochastics shows tentative signs of turning lower from overbought conditions. This suggests risk could be tilting to the upside. Resistance is around 112.70-levels ahead of 113.40-levels (2018 high). Support nearby around 111.50 (21DMA) before 110.60 (50DMA). Remaining week has Nikkei PMI mfg (Jul F) on Wed; BOJ Amama speaks (Kyoto) on Thu; Nikkei PMI services & composite (Jul), BOJ minutes of 14-15 Jun policy meeting on Fri.

- **NZDUSD - Range-Bound.** NZD fell on 2Q labour report - unemployment rate unexpectedly rose while average hourly earnings unexpectedly fell. Pair was last seen at 0.6810 levels. Bullish momentum on daily chart remains intact but stochastics shows signs of fatigue. Downside risks not ruled out intra-day. Immediate support at 0.6790 (21 DMA) before 0.6770. Resistance at 0.6830 before 0.6870 (50 DMA). Suggest 0.6780 - 0.6830 range intra-day.
- **AUDUSD - Double Bottom Taking Its Time To Play Out.** AUDUSD was last seen around 0.7420. We keep to the view that the double bottom price pattern formed at around 0.7310 is taking its time to play out. In an environment of a USD correction (lower), AUDUSD may have a chance to test the 0.75-figure. Overnight session ended with the USD mildly firmer in a lead up to the FOMC meeting which should be a non-event. 4-hourly chart shows that intra-day action could be to the downside. That mild USD strength keeps this pair in a softening bias this morning. The number of net non-commercial futures positions for the AUD was seen at -45.5K, the lowest since Dec 2015. We do not see this as sustainable but recovery is not expected to be sharp as well given trade war risks. Eye the 0.7480 (upper bound of trend channel)/0.75-figure for signs of a breakout in the near term). Commodity index for Jul is due today, trade data for Jun and retail sales on Fri.
- **USDCAD - Death-Cross, Downsides Beckon.** This pair continued to press lower overnight and was last seen around 1.3020. Pair was bid at first in Asian session yesterday when there were rumours of Canada being excluded from the NAFTA talks. However, pair came back lower as USD softened for the rest of the session. Growth print for Canada also exceeded expectations, giving boost to the currency. Last seen around 1.3020, the 21-dma is still poised to cut the 50-dma to the downside and perhaps even other longer moving averages close by like the 100-dma and 200-dma. Support still seen around 1.2990 held overnight. USDCAD can still head towards the 1.2960 and perhaps even to 1.28 as bears gather steam. We still have Jun trade data on Fri.

Asia ex Japan Currencies

- **SGD trades around 1.05% above the implied mid-point of 1.3762. The top is estimated at 1.3490 and the floor at 1.4035.**
- **USDSGD - *Consolidating.*** USDSGD is little changed this morning amid softer UST yields. Putting downside pressure on the pair though is the firmer yuan this morning despite threats by the Trump administration to hit China imports to the US with a higher 25% tariff. In the environment of uncertain global trade policies and other key risk events upcoming, including US ADP (tonight), FOMC meeting (tomorrow early morning) and US payrolls (Fri), pair should remain in consolidative trades within its current 1.3572-1.3678 range. We note that a double-top could be forming around 2018 high of 1.3746 - bearish reversal signal - and we watch for a break of the 1.3570 support-levels, the lower bound of its current trading range for confirmation of this formation. Last seen around 1.3623-levels, daily momentum and stochastics indicators remain bearish bias. Bullish momentum on the weekly chart remains intact but waning, while stochastics shows tentative signs of turning lower from overbought conditions. Resistance around 1.3678-levels ahead of 1.3745-levels (2018 high, double-top). Support remains around 1.3570 (23.6% fibo retracement of the 2018 high to low) before 1.3540 (50DMA). Remaining week has PMI (Jul) on Thu; Nikkei PMI (Jul) on Fri.
- **AUDSGD - *Going Nowhere?*** AUDSGD remained in tight swivels within the 1.0020-1.0160 range. Break of the 1.0200 opens the way towards the next resistance is seen around 1.0243 (200-dma). Momentum indicators are rather neutral at this point but the descent of the 200-dma towards the other faster moving averages could mean that the AUDSGD is close to the end of its range-bound moves. Risks to the upside.
- **SGDMYR - *Rising Into Near Overbought Conditions.*** SGDMYR remains better bid; last seen at 2.9850 levels. Mild bullish momentum on daily chart remains intact while stochastics is rising into near overbought conditions. We monitor further price action (if it breaches key resistance) for confirmation of further upside after forming a rounding bottom pattern. Immediate resistance at 2.99 (200DMA). A decisive close above 200 DMA could point to further upside towards 3.0180 (50% fibo retracement of the Nov high to low). Failure to push on amid overbought conditions may see retracement risks to the downside. Support at 2.9740 (21 DMA), 2.9640 (100 DMA).
- **USDMYR - *Watch 21DMA Still Key Support.*** USDMYR remains supported amid USD strength; last seen at 4.0640 levels. Daily momentum turned mild bearish while stochastics is falling from overbought conditions. Downside risks not ruled out. 21 DMA at 4.0510 is a key support. Further downside towards 4.02 not ruled out if 21 DMA is breached. Resistance at 4.07 should continue to hold in the interim.

- **1m USDKRW NDF - Range.** 1m USDKRW NDF firmed amid fears of re-escalation in trade tensions between US-China. Pair was last seen at 1116 levels. Mild bearish momentum on daily chart remains intact while stochastics is falling into oversold conditions. Downside risks still intact though trade tensions could negate. Support at 1111.5 (38.2% fibo retracement of Jun low to Jul high). Resistance at 1122 (23.6% fibo). Suggest intra-day range of 1111 - 1120.
- **USDCNH - Trade War Premium Detected.** USDCNH had a roller coaster ride overnight, tumbling from north of 6.84 to sub-6.78 levels. This 7 big figure move could just be the trade war premium as market players reacted to some rumours that Mnuchin and China Vice Premier Liu He were in talks to look for ways to reengage in negotiations. However, USDCNH clawed back some of its losses by early Asia this morning when there was another rumour of a plan by the Trump administration to raise the proposed tariff on U\$200bn from 10% to 25%. Last seen around 6.8240. FOMC rate decision is due tonight but nothing much is expected. The move higher could also be a lead up to the decision. There is also no press conference. We expect some reiterations on how strong the US economy is accompanied by some acknowledgements of the risks that the trade war entails. **USDCNY reference rate at 6.8293, 128 pips higher than the previous 6.8165.** Eyes are on 3-month SHIBOR that continues to fall, last seen at 3.174%, a sign that the lending rates continue to remain cheaper. China approves CNY622.1bn RQFII quota and U\$103.2bn QDII quota as of 30 Jul. The Politburo released a communique stating that policy makers will focus on supporting economic growth to combat risks from deleveraging efforts and the current trade war with the US. Greater priority on infrastructure construction was urged. In separate news, PBoC is said to have named two nice Vice Governors. Elsewhere, Shenzhen government has put out a statement that bars home owners from selling a property only after three years of holding it. The city also stops home purchases by corporations and organizations.
- **1M USDINR NDF - Testing Lower on Crude Declines.** This pair comes off and we look for declines in oil to keep this pair on the downmove, last seen around 68.80. Look for this pair to head down towards the 50-dma around 68.47 and perhaps even make a break-out of the 68.40-69.50 range to the downside. Next support at 68-figure before 67.45. RBI should hike 25bps today. The last they did was in Jun and RBI had said that the policy stance was neutral after the hike meaning it could head up or down. There are reasons for the central bank to be so cautious of course as its industrial production had been rather subdued even if its PMI-mfg numbers are solid. RBI's own industrial outlook survey (IOS in short) also showed some signs of softening. This suggests that there is limited room to how much the RBI can raise policy rates. And yet it cannot choose to not do so given the fact that CPI has reached 5%, above its target of 4% never mind that it has a rather wide range of +/-2% around that central target. Keeping the rupee stable (or at least stemming it from significant depreciation) is part of big part of keeping price pressure in check. Failing to hike 25bps which is what is widely expected could see rupee weaken much further. So, our view is for

RBI to hike 25bps and that could just be the last of its rate hike for the year. RBI will not likely to sit on its hands entirely as it can still defend the rupee using its FX reserves. However, rupees' direction is pretty much dictated by sentiments, USD, rainfall that has concomitant impact on food inflation, RMB and most importantly crude brent price. A move to raise the policy rates today is merely in line with expectation and hardly likely to move USDINR much lower. We count on the USD slippages, positive risk sentiment, softer crude prices and to some extent RMB recovery for rupee bulls to revive materially.

- **1m USDIDR NDF - *Edging Higher***. 1m USDIDR NDF continues to trade higher amid firmer USD. Concerns over escalating Sino-US trade war that could weigh on commodity exports to China are supportive of the 1m NDF as is firmer USDCNH. Keeping the 1m NDF supported are other upcoming key risk events including US ADP tonight, FOMC meeting (tomorrow morning) and US payrolls (Fri). Even as 1m NDF grinds higher, it should remain within familiar trading range of 14340-14671 for now. Further net foreign portfolio inflows into Indonesian assets should weigh on the 1m NDF. Yesterday, foreign investors had purchased USD18.8mn in equities, whereas they had purchased USD66.1mn in debt on 30 Jul (latest data available). Spot USDIDR gapped higher at the opening to 14439 this morning from yesterday's close of 14414, playing catch-up to the USD overnight moves. Last seen around 14492-levels. Daily momentum indicators remains bearish bias but waning, and stochastics continues to fall towards overbought conditions. Weekly chart still shows waning bullish bias, while stochastics remains at overbought conditions. Risks tilted to the upside, we could see some pullback in the near term. Resistance is around 14560-levels ahead of 14670-levels (2018 high). Support remains at 14340. Note that BI is expected to remain in the market to curb IDR and IndoGB volatility intraday. JISDOR was fixed at 14413 yesterday, 4bp higher than the fixing on Mon. CPI, Nikkei PMI (Jul) are on tap today. **Note that the BI policy meeting decision has been rescheduled from 16 Aug to 15 Aug to take into account President Jokowi's address to the nation and 2019 state budget speech in parliament on 16 Aug.** In the news, President Jokowi called on all government agencies to seek ways to boost USD inflows. Aside from promoting tourism and encouraging exporters to repatriate their USD export earnings back into IDR, the government also called for import substitution whenever possible.

- **1m USDPHP NDF - *Potential For Pullback***. 1m USDPHP NDF trades little change this morning. Putting downside pressure on the 1m NDF is the softer yuan this morning. Expectations of a rate hike at the 9 Aug BSP meeting though could put downside pressure on the 1m NDF, and keep the 1m NDF on a slow grind higher. This follows comments by BSP Governor Nestor Espenilla yesterday that the BSP stood "firm in its intent to take decisive and measured policy actions" to keep inflation in check and to bring it back to the target bank next year. The end to further RRR cuts also removes a pressure point for further upside 1m NDF moves. Continuing supported risk sentiments led foreign investors to purchase USD4.8mn in equities yesterday and further foreign portfolio inflows should put downside

pressure on the 1m NDF and cap the 1m NDF move higher. Still, 1m NDF continues to be supported ahead of other key risk events including US ADP tonight, FOMC meeting (tomorrow morning) and US payrolls (Fri). Spot USDPHP gapped lower at the opening to 53.035 this morning from yesterday's close of 53.101 amid softer USD overnight. Last seen around 53.19-levels. Mild bearish bias on the daily chart remains intact but is waning, and stochastics is now at oversold conditions. Bullish bias on the weekly chart has dissipated, while stochastics shows signs of turning lower from overbought conditions. This suggests that there is potential for a near term pullback ahead. Resistance is at 53.30 (50DMA), 53.50 (21DMA). Support around 52.90 (23.6% fibo retracement of the Jan-Jun rally). Nikkei PMI mfg (Jul) is on tap later today.

- **USDTHB - Bearish Bias.** USDTHB trades softer amid expectations of further foreign portfolio inflows. Yesterday, foreign investors purchased USD54.8mn and USD110.6mn in equity and debt yesterday. Supported risk sentiments today is likely to keep foreign flows coming. Softer yuan is also weighing on the pair. Softer gold prices (given the negative relationship between the USDTHB and gold) though should cap the pair's upmove. Last seen around 33.178-levels. Momentum indicators show bearish bias on the daily chart, and stochastics still falling towards oversold conditions. Bullish momentum on the week chart remains intact but waning, while stochastics is still at overbought conditions. This suggests potential downside risks ahead. Support is around 33.130-levels before 32.950 (23.6% fibo retracement of the Mar to Jul rally). Resistance around 33.275-levels (21DMA) ahead of 33.425-levels. Remaining week has CPI, Nikkei PMI mfg (Jul) today; foreign reserves (27 Jul) on Fri.

alaysia Fixed Income

Rates Indicators

Analysts

MGS	Previous Bus. Day	Yesterday's Close	Change (bps)
3YR MJ 11/21	3.56	3.55	-1
5YR MI 4/23	*3.76/74	3.75	Unchanged
7YR MK 3/25	3.98	3.97	-1
10YR MS 6/28	4.09	4.07	-2
15YR MT 11/33	4.55	4.53	-2
20YR MX 6/38	4.78	4.77	-1
30YR MZ 7/48	*4.93/90	4.91	-1
IRS			
6-months	3.70	3.70	-
9-months	3.71	3.71	-
1-year	3.71	3.71	-
3-year	3.76	3.75	-1
5-year	3.84	3.84	-
7-year	3.98	3.98	-
10-year	4.17	4.15	-2

Winson Phoon
 (65) 6231 5831
 winsonphoon@maybank-ke.com.sg

Se Tho Mun Yi
 (603) 2074 7606
 munyi.st@maybank-ib.com

Source: Maybank KE

*Indicative levels

- Government bonds strengthened on the back of a dovish BOJ, which reiterated its commitment to maintain interest rates at low levels for an extended period. This spurred some foreign buying in domestic bonds. In addition, demand for ultra-long end government bonds picked up due to fairly attractive yields in a benign inflation environment.
- MYR IRS market remained muted with no rates reported dealt again. IRS rates lowered slightly on selective tenors, with the 3y IRS down roughly 1bp at 3.75%. 3M KLIBOR unchanged at 3.69%.
- Corporate bonds consolidated due to the month end. GG levels were unchanged, while AA credits saw robust demand, especially TNB-related project financing, though market was largely on the bid side. JEPs traded 4-7bps tighter at the belly, while YTL Power traded about 1bp tighter. Rest of the curves were unchanged.

Singapore Fixed Income

Rates Indicators

SGS	Previous Bus. Day	Yesterday's Close	Change (bps)
2YR	1.90	1.90	-
5YR	2.18	2.19	+1
10YR	2.45	2.46	+1
15YR	2.74	2.76	+2
20YR	2.77	2.79	+2
30YR	2.87	2.89	+2

Source: Maybank KE

- SGS prices opened marginally higher in a lull, cautious market ahead of the BOJ meeting. USTs rose in a knee-jerk reaction to BOJ's dovish statement, but high short term funding rates depressed SGS and paying in short dated forwards later added pressure to SGS and SGD IRS. Dealers unloaded SGS across maturities with the curve shifting 1-2bps higher. SGD IRS rebounded from intraday low to end about 1bp higher.
- Asian credits traded tighter on the back of short covering and real money bids. Sovereign bonds in the HY space such as Pakistan and Sri Lanka even traded 0.25pts up. In China IG, new China Merchants Bank bonds traded 5-10bps tighter given improved sentiment and concessions given in primary. Some Korea and China IGs saw mild profit taking, likely due to month-end consolidation and helped by lower UST yields. The selloff in US tech overnight resulted in defensive bids and widening bias for China tech credits.

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Yesterday's Close	Change (bp)
2YR	7.28	7.31	3.55
5YR	7.57	7.63	5.64
10YR	7.69	7.71	2.80
15YR	8.10	8.15	4.09
20YR	8.11	8.14	3.13
30YR	8.48	8.48	(0.16)

* Source: IBPA, Bloomberg, Maybank Indonesia

Analysts

Anup Kumar (Fixed Income Analyst)
(62) 21 2922 8888 ext 29692
akumar@maybank.co.id

Myrdal Gunarto (Economist)
(62) 21 2922 8888 ext 29695
MGunarto@maybank.co.id

- Indonesia bond market closed lower on Tuesday trading session ahead of the July CPI data release today and as WAY during the auction came in higher compared to previous day close. Our economist expects July inflation to slightly inch higher to 3.30% yoy. 5-yr, 10-yr, 15-yr and 20-yr benchmark series yield stood at 7.628%, 7.715%, 8.145% and 8.143% while 2y yield moved lower to 7.275%. During the day, FR0036 (1y) yield decline the most by 10bps while FR0043 (4y) yield increased the most by 6bps. Trading volume at secondary market was noted heavy at government segments amounting Rp24,637b with FR0063 as the most tradable bond. FR0063 total trading volume amounting Rp7,054b with 147x transaction frequency.
- Indonesian government conducted their bi-weekly conventional auction yesterday and received heavy incoming bids worth of Rp45.44t versus its target issuance of Rp10.00t or oversubscribed by 4.54x. However, DMO only awarded Rp20.00t bids for its 3mo, 1y, 5y, 10y and 15y offered series. Incoming bids were more clustered on the money market series ($\leq 1y$). 3mo SPN was sold at a weighted average yield (WAY) of 5.20400%, 1y SPN was sold at 6.16500%, 5y FR0063 was sold at 7.67052%, 10y FR0064 was sold at 7.80959% while 15y FR0065 was sold at 8.28976%. No bids were rejected during this auction. Bid-to-cover ratio during the auction came in at 1.55X - 4.74X. Foreigner demands during the auction were noted Rp11.43t or 25.2% of total incoming bids. However, only Rp4.66t bid (23.3% of total awarded bids) were awarded to foreign investors.
- Foreign ownership stood at Rp836.8t or 37.6% of total tradable government bond as of Jul 30th. Considering a 2-day's settlement, Foreigner booked net buy worth of Rp7.8t from begin month of Jul 18.
- Corporate bond traded moderate amounting Rp829b. SMFP04BCN3 (Shelf Registration IV Sarana Multigriya Finansial Phase III Year 2018; B serial bond; Rating: i_dAAA) was the most actively traded corporate bond with total trading volume amounted Rp110b yielding 6.030%.

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.1768	112.73	0.7460	1.3212	6.8840	0.6848	131.9900	83.9227
R1	1.1730	112.30	0.7442	1.3168	6.8446	0.6833	131.3900	83.4723
Current	1.1687	111.79	0.7419	1.3116	6.8118	0.6807	130.6500	82.9310
S1	1.1669	111.09	0.7405	1.3085	6.7702	0.6802	129.9500	82.3613
S2	1.1646	110.31	0.7386	1.3046	6.7352	0.6786	129.1100	81.7007

	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3649	4.0751	14435	53.2530	33.4903	1.6013	0.6050	2.9921
R1	1.3632	4.0701	14425	53.1770	33.3477	1.5966	0.5983	2.9890
Current	1.3618	4.0615	14438	53.1100	33.1700	1.5916	0.5965	2.9827
S1	1.3600	4.0576	14403	53.0530	33.1107	1.5891	0.5859	2.9811
S2	1.3585	4.0501	14391	53.0050	33.0163	1.5863	0.5803	2.9763

*Values calculated based on pivots, a formula that projects support/resistance for the day.

Equity Indices and Key Commodities		
	Value	% Change
Dow	25,415.19	0.43
Nasdaq	7,671.79	0.55
Nikkei 225	22,553.72	0.04
FTSE	7,748.76	0.62
Australia ASX 200	6,280.20	0.03
Singapore Straits Times	3,319.85	0.38
Kuala Lumpur Composite	1,784.25	0.79
Jakarta Composite	5,936.44	-1.52
Philippines Composite	7,672.00	-1.30
Taiwan TAIEX	11,057.51	0.22
Korea KOSPI	2,295.26	0.08
Shanghai Comp Index	2,876.40	0.26
Hong Kong Hang Seng	28,583.01	-0.52
India Sensex	37,606.58	0.30
Nymex Crude Oil WTI	68.76	-1.95
Comex Gold	1,233.60	0.17
Reuters CRB Index	194.53	-0.63
MBB KL	9.81	-0.41

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	1.6315	Oct-18	Modest and Gradual Appreciation
BNM O/N Policy Rate	3.25	5/9/2018	Neutral
BI 7-Day Reverse Repo Rate	5.25	15/8/2018	Tightening
BOT 1-Day Repo	1.50	8/8/2018	Neutral
BSP O/N Reverse Repo	3.50	9/8/2018	Tightening Bias
CBC Discount Rate	1.38	27/9/2018	Neutral
HKMA Base Rate	2.25	-	Tightening
PBOC 1Y Lending Rate	4.35	-	Tightening Bias
RBI Repo Rate	6.25	1/8/2018	Tightening
BOK Base Rate	1.50	31/8/2018	Tightening
Fed Funds Target Rate	2.00	2/8/2018	Tightening
ECB Deposit Facility Rate	-0.40	13/9/2018	Neutral
BOE Official Bank Rate	0.50	2/8/2018	Neutral
RBA Cash Rate Target	1.50	7/8/2018	Neutral
RBNZ Official Cash Rate	1.75	9/8/2018	Neutral
BOJ Rate	-0.10	19/9/2018	Easing
BoC O/N Rate	1.50	5/9/2018	Tightening

MYR Bonds Trades Details

MGS & GII	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
MGS 5/2011 3.580% 28.09.2018	3.580%	28-Sep-18	36	3.286	3.299	3.267
MGS 5/2015 3.759% 15.03.2019	3.759%	15-Mar-19	23	3.343	3.361	3.339
MGS 3/2004 5.734% 30.07.2019	5.734%	30-Jul-19	84	3.426	3.426	3.398
MGS 4/2014 3.654% 31.10.2019	3.654%	31-Oct-19	272	3.651	3.651	3.431
MGS 2/2009 4.378% 29.11.2019	4.378%	29-Nov-19	111	3.439	3.455	3.401
MGS 6/2012 3.492% 31.03.2020	3.492%	31-Mar-20	6	3.471	3.49	3.471
MGS 6/2013 3.889% 31.07.2020	3.889%	31-Jul-20	3	3.507	3.507	3.502
MGS 3/2015 3.659% 15.10.2020	3.659%	15-Oct-20	16	3.5	3.524	3.5
MGS 5/2017 3.441% 15.02.2021	3.441%	15-Feb-21	2	3.565	3.565	3.565
MGS 1/2011 4.16% 15.07.2021	4.160%	15-Jul-21	111	3.602	3.626	3.594
MGS 3/2014 4.048% 30.09.2021	4.048%	30-Sep-21	2.1	3.635	3.635	3.635
MGS 4/2016 3.620% 30.11.2021	3.620%	30-Nov-21	42	3.567	3.58	3.548
MGS 1/2017 3.882% 10.03.2022	3.882%	10-Mar-22	12	3.666	3.666	3.666
MGS 1/2012 3.418% 15.08.2022	3.418%	15-Aug-22	87	3.781	3.781	3.781
MGS 2/2015 3.795% 30.09.2022	3.795%	30-Sep-22	39	3.778	3.789	3.778
MGS 3/2013 3.480% 15.03.2023	3.480%	15-Mar-23	11	3.837	3.837	3.827
MGS 2/2018 3.757% 20.04.2023	3.757%	20-Apr-23	120	3.754	3.757	3.754
MGS 1/2016 3.800% 17.08.2023	3.800%	17-Aug-23	11	3.861	3.861	3.861
MGS 1/2014 4.181% 15.07.2024	4.181%	15-Jul-24	23	3.962	3.962	3.952
MGS 2/2017 4.059% 30.09.2024	4.059%	30-Sep-24	125	3.99	4.007	3.984
MGS 1/2018 3.882% 14.03.2025	3.882%	14-Mar-25	471	3.965	3.99	3.958
MGS 1/2015 3.955% 15.09.2025	3.955%	15-Sep-25	92	4.043	4.069	4.02
MGS 3/2011 4.392% 15.04.2026	4.392%	15-Apr-26	21	4.177	4.188	4.177
MGS 3/2016 3.900% 30.11.2026	3.900%	30-Nov-26	37	4.183	4.194	4.165
MGS 4/2017 3.899% 16.11.2027	3.899%	16-Nov-27	97	4.144	4.159	4.127
MGS 5/2013 3.733% 15.06.2028	3.733%	15-Jun-28	274	4.066	4.086	4.06
MGS 3/2010 4.498% 15.04.2030	4.498%	15-Apr-30	196	4.459	4.486	4.459
MGS 4/2011 4.232% 30.06.2031	4.232%	30-Jun-31	56	4.573	4.573	4.542
MGS 4/2013 3.844% 15.04.2033	3.844%	15-Apr-33	207	4.585	4.585	4.554
MGS 3/2018 4.642% 07.11.2033	4.642%	7-Nov-33	362	4.53	4.551	4.523
MGS 4/2015 4.254% 31.05.2035	4.254%	31-May-35	1	4.727	4.727	4.727
MGS 3/2017 4.762% 07.04.2037	4.762%	7-Apr-37	111	4.791	4.811	4.791
MGS 4/2018 08.06.2038	4.893%	8-Jun-38	46	4.772	4.786	4.771
MGS 5/2018 4.921% 06.07.2048	4.921%	6-Jul-48	71	4.921	4.921	4.895
PROFIT-BASED GII 1/2009 13.08.2019	3.910%	13-Aug-19	10	3.481	3.481	3.481
PROFIT-BASED GII 3/2012 30.09.2019	3.704%	30-Sep-19	305	3.488	3.488	3.479
GII MURABAHAH 2/2015 3.799% 27.08.2020	3.799%	27-Aug-20	50	3.601	3.601	3.601
GII MURABAHAH 2/2016 3.743% 26.08.2021	3.743%	26-Aug-21	3	3.742	3.742	3.742
GII MURABAHAH 3/2017 3.948% 14.04.2022	3.948%	14-Apr-22	202	3.804	3.809	3.795
GII MURABAHAH 1/2016 4.390% 07.07.2023	4.390%	7-Jul-23	130	3.91	3.917	3.91
GII MURABAHAH 3/2018 4.094% 30.11.2023	4.094%	30-Nov-23	140	3.858	3.869	3.858
GII MURABAHAH 2/2017 4.045% 15.08.2024	4.045%	15-Aug-24	40	4.015	4.017	4.015
GII MURABAHAH 1/2018 4.128% 15.08.2025	4.128%	15-Aug-25	50	4.054	4.07	4.054
GII MURABAHAH 3/2016 4.070% 30.09.2026	4.070%	30-Sep-26	4	4.172	4.193	4.172
GII MURABAHAH 1/2017 4.258% 26.07.2027	4.258%	26-Jul-27	40	4.184	4.188	4.184
GII MURABAHAH 2/2018 4.369% 31.10.2028	4.369%	31-Oct-28	485	4.192	4.195	4.189

GII MURABAHAH 6/2017 4.724% 15.06.2033	4.724%	15-Jun-33	70	4.606	4.611	4.606
GII MURABAHAH 5/2013 4.582% 30.08.2033	4.582%	30-Aug-33	93	4.628	4.644	4.628
GII MURABAHAH 4/2017 4.895% 08.05.2047	4.895%	8-May-47	20	4.937	4.937	4.937

Total **4,819**

Sources: BPAM

MYR Bonds Trades Details

PDS	Rating	Coupon	Maturity Date	Volume (RM 'm)	Last Done	Day High	Day Low
SME BANK IMTN 4.060% 20.03.2019	GG	4.060%	20-Mar-19	10	3.77	3.795	3.77
PASB IMTN (GG) 4.23% 16.06.2023 - Issue No. 25	GG	4.230%	16-Jun-23	20	4.218	4.218	4.218
DANAINFRA IMTN 4.270% 24.05.2024 - Tranche No 62	GG	4.270%	24-May-24	60	4.189	4.202	4.189
PASB IMTN (GG) 4.27% 06.06.2024 - Issue No. 30	GG	4.270%	6-Jun-24	20	4.232	4.232	4.232
JAMB.KEDUA IMTN 4.300% 28.05.2025	GG	4.300%	28-May-25	20	4.303	4.303	4.296
PASB IMTN (GG) 4.63% 05.02.2026 - Issue No. 23	GG	4.630%	5-Feb-26	20	4.312	4.312	4.309
PTPTN IMTN 12.03.2027	GG	4.450%	12-Mar-27	15	4.41	4.411	4.41
PTPTN IMTN 12.03.2032	GG	4.860%	12-Mar-32	30	4.771	4.771	4.739
PRASARANA IMTN 4.940% 08.03.2033 - Series 6	GG	4.940%	8-Mar-33	5	4.792	4.792	4.792
DANAINFRA IMTN 4.850% 03.05.2041 - Tranche No 47	GG	4.850%	3-May-41	15	5.02	5.026	5.02
SABAH STATE 4.275% 09.12.2019 - Issue No. 1	AAA	4.275%	9-Dec-19	1	4.341	4.341	4.341
GENM CAPITAL MTN 1827D 24.8.2020	AAA (S)	4.500%	24-Aug-20	10	4.617	4.627	4.617
GENM CAPITAL MTN 1826D 11.7.2023	AAA (S)	4.980%	11-Jul-23	3	4.85	4.85	4.85
SARAWAKHIDRO IMTN 4.43% 11.08.2026	AAA	4.430%	11-Aug-26	10	4.563	4.563	4.563
BPMB IMTN 4.62% 02.03.2027 - Issue No 11	AAA	4.620%	2-Mar-27	10	4.682	4.682	4.679
TNB WE 5.320% 28.07.2028 - Tranche 9	AAA IS	5.320%	28-Jul-28	10	4.688	4.692	4.688
RANTAU IMTN 0% 26.03.2029 - MTN 6	AAA (S)	5.200%	26-Mar-29	10	4.649	4.662	4.649
BPMB IMTN 4.98% 02.03.2032 - Issue No 12	AAA	4.980%	2-Mar-32	2	4.98	4.981	4.98
EKVE IMTN 6.050% 27.01.2034	AAA (R.C.)	6.050%	27-Jan-34	2	5.049	5.05	5.049
SABAHDEV MTN 4.30% 2556D 08.8.2019 - MTN 2	AA1	4.300%	8-Aug-19	10	4.619	4.634	4.619
SDBB MTN 1824D 16.8.2019 - Tranche No 11	AA1	4.780%	16-Aug-19	20	4.614	4.629	4.614
MAYBANK 4.120% 28.12.2023	AA1	4.120%	28-Dec-23	10	4.154	4.154	4.154
PUBLIC SUB-NOTES 4.85% 23.04.2027	AA1	4.850%	23-Apr-27	75	4.653	4.653	4.638
YTL POWER IMTN 5.050% 03.05.2027	AA1	5.050%	3-May-27	15	4.908	4.916	4.908
AISL Senior Sukuk Musyarakah 4.450% 06.03.2020	AA2	4.450%	6-Mar-20	10	4.415	4.434	4.415
SDPLANTATION IMTN 5.650% 24.03.2116	AA IS	5.650%	24-Mar-16	10	5.128	5.131	5.128
MCIL MTN 1826D 25.2.2019	AA3	4.800%	25-Feb-19	10	4.902	4.957	4.902
BGSM MGMT IMTN 6.600% 27.12.2019 - Issue No 5	AA3	6.600%	27-Dec-19	10	4.398	4.398	4.398
BGSM MGMT IMTN 5.250% 24.12.2020 - Issue No 8	AA3	5.250%	24-Dec-20	5	4.501	4.501	4.501
UEMS IMTN 5.060% 09.12.2022	AA- IS	5.060%	9-Dec-22	5	4.748	4.748	4.748
JEP IMTN 5.590% 04.06.2027 - Tranche 13	AA- IS	5.590%	4-Jun-27	30	4.83	4.83	4.83
AMBANK MTN 3651D 15.10.2027 (SUB-NOTES)	AA3	4.900%	15-Oct-27	120	5.026	5.034	5.026
JEP IMTN 5.620% 03.12.2027 - Tranche 14	AA- IS	5.620%	3-Dec-27	5	4.84	4.84	4.84
JEP IMTN 5.680% 04.12.2028 - Tranche 16	AA- IS	5.680%	4-Dec-28	5	4.87	4.87	4.87
SPRE IMTN 5.880% 17.07.2034	AA3	5.880%	17-Jul-34	1	5.53	5.531	5.53
LDF3 IMTN 6.230% 21.08.2037	AA- IS	6.230%	21-Aug-37	2	5.489	5.49	5.489
TF VARLIK IMTN 6% 28.06.2019	A1	6.000%	28-Jun-19	40	6.396	6.512	6.396
MUAMALAT IMTN 5.500% 25.11.2021	A IS	5.500%	25-Nov-21	5	5.099	5.099	4.772
AFFINBANK RM500M PERPETUAL AT1CS (T1)	A3	5.800%	29-Jul-18	2	5.339	5.568	5.339
Total				663			

Sources: BPAM

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Published by:



Malayan Banking Berhad
(Incorporated In Malaysia)

Foreign Exchange

Singapore

Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 6320 1379

Christopher Wong
Senior FX Strategist
Wongkl@maybank.com.sg
(+65) 6320 1347

Leslie Tang
Senior FX Strategist
leslietang@maybank.com.sg
(+65) 6320 1378

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 6320 1374

Fixed Income
Malaysia
Winson Phoon Wai Kien
Fixed Income Analyst
winsonphoon@maybank-ib.com
(+60) 3 20747176

Se Tho Mun Yi
Fixed Income Analyst
munyi.st@maybank-ib.com
(+60) 3 2074 7606

Indonesia

Juniman
Chief Economist, Indonesia
juniman@maybank.co.id
(+62) 21 2922 8888 ext 29682

Anup Kumar
Fixed Income Analyst
akumar@maybank.co.id
(+62) 21 2922 8888 ext 29602

Myrdal Gunarto
Industry Analyst
MGunarto@maybank.co.id
(+62) 21 2922 8888 ext 29695

Sales

Malaysia

Adoni Mastura Bte Mohamed Idris
Head of Global Markets, KL
adonimastura@maybank.com
(+60) 3 27869106

Singapore
Loo Hin Chong
Head of Corporate Sales, Singapore
Loohc@maybank.com.sg
(+65) 6320 1339

Indonesia
Sales, Indonesia
(+62) 21 29936399
(+62) 21 2300888 ext 22122

China (Shanghai)
Eddy Lui
GM Head, Greater China
eddy.lui@maybank.com.hk
(+852) 35188816

Joyce Ha
Senior Sales Dealer
joyce.ha@maybank.com.cn
(+86) 21 28932588