

## Highlights

Global	<p>In a familiar flip flop in market confidence levels, a stronger than expected US CPI print of +0.4% mom (+1.1% yoy) in April, which was the largest increase in three years led by higher rents, medical care, auto insurance and airline fares, accompanied by more hawkish Fed rhetoric from Williams, Lockhart and Kaplan (all non-voters), left market players fumbling on Wall Street and UST bond yields higher overnight. Fed funds futures pricing probability for the June FOMC reacted by rising from 4% to about 12%. Meanwhile, the Japanese economy grew more than expected by 0.4% qoq sa (+1.7% annualised qoq), avoiding a recession amid a pickup in consumption, although the 4Q15 reading was revised lower to -0.4% qoq sa (-1.7% annualised qoq). Separately, oil prices also climbed on anticipation that US inventories will show a decline. Expect Asian markets to tread cautiously amid potentially more hawkish US rate expectations. The economic data calendar is sparsely occupied with Europe's April CPI print, UK's ILO unemployment rate and jobless claims, and Singapore's COE tender results. Only RBNZ governor Wheeler and RBA's Debelle are speaking.</p>
US	<p>Fed's Lockhart opined that "currently my assumption is two, possibly three" rate hikes this year and that "my view is June is a live meeting", while Williams echoed that "gradual means two to three rate increases this year" and "we are in a position to continue to engage in normalisation of monetary policy". Kaplan also added that "whether that's the June or July meeting I don't know, but we're making enough progress where I think it's appropriate for me to be advocating removing some level of accommodation". Housing starts surged 6.6% mom to 1.172m in April, while building permits also climbed 3.6% to a 1.12m annualised rate, suggesting that the housing sector may regain some momentum in 2Q. Meanwhile, industrial production also rebounded by 0.7% mom, marking the first expansion in three months, led by greater output of consumer goods (+1.2%), especially motor vehicles and parts, and prompting the capacity utilization to rise slightly to 75.4%.</p>
UK	<p>April CPI was more subdued at +0.1% mom (+0.3% yoy), lower than March readings of +0.4% mom (+0.5% yoy), contributed by a large drop in airfares, whilst the retail price index also moderated to +0.1% mom (+1.3% yoy). PPI</p>
China	<p>PBoC injected CNY290 billion via MLF on 16 May. The CNY290 billion injection exceeds the CNY150 billion MLF maturing this month. This added confusion to market on whether there is any policy shift following the hawkish comments by authoritative person about the credit expansion and leverage.</p>
Indonesia	<p>Finance Minister Bambang Brodjonegoro said that the government is considering a plan for an investment holding company incorporating 4 or 5 SOEs. This Temasek-style sovereign wealth fund would then buy shares in Indonesian companies, before venturing overseas eventually. He added that tax amnesty bill is expected to be passed by the parliament this month. This, he said, would help to improve Indonesia's tax base, which is now "amazingly low, and amazingly wrong."</p>
Malaysia	<p>News report by the Star suggests that the government is planning to bar Malaysians who discredit or ridicule the government from travelling abroad for 3-years. This is to safeguard the country's image. The report added that the immigration department has indeed enforced such a rule several months ago.</p>

### Treasury Advisory

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## Major Market

- **US:** Equity markets tumbled on Wednesday as investors mulled a possible rate hike in June. Strong housing and inflation data released overnight, coupled with hawkish comments by Fed governors, caused investors to relook at the possibility of higher interest rates. S&P 500 (-0.94%), Dow (-1.02%) and Nasdaq (-1.25%). Correspondingly, US Treasury yields spiked, with 2- and 10-year bonds yielding 0.83% and 1.76% respectively. Recent volatility in the equity markets also caused VIX to rise 6.06%.
- **Singapore:** The STI rebounded 1.65% to close at 2781.11 yesterday, but may surrender some of yesterday's gain amid weaker market risk appetite today, following more hawkish implications from the US CPI print and Fed speeches about a "live" June FOMC. Overnight cues from Wall Street as well as morning performances of Kospi were weak. The STI could see support and resistance at 2740 and 2800 respectively. SGS bond yields could be pressured higher today, but the front-end of the curve may not see the same magnitude of selling pressure as UST bonds given that both SIBOR and SOR remains well-anchored for now.
- **Hong Kong:** The seasonally adjusted unemployment rate of HK remained high at 3.4% in April. Increases were more visible in the "construction" and "professional & business" sector. Unemployment rate in the retail sector rose to 5.3% from 5.1% in April, the highest since May 2013, as business performance in retail sales was lacklustre amid shrinking tourist spending. We expect that the anti-corruption campaign and unstable environment in HK will continue to dampen HK's tourism sector as well as retail sales sector. In addition, unemployment in the trade and wholesale sector remained high at 2.9% amid muted external demand while unemployment in construction sector climbed further to 11th-month high of 5.4%. The increase was attributed to the recent consolidation in the property market, the fall-off in construction activity coupled with a seasonality factor. Looking forward, corporate hiring sentiment could remain overshadowed given a sluggish domestic economy and dimmer business performance.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the short-end traded 1bps lower, while the belly-to-long end rates traded 1-2 bps higher. Flows in the SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s, NAB 4.15%'28s, GENSSP 5.13%'49s, STANLIN 4.4%'26s, BAERVX 5.9%'49s, better sellers in MLTSP 4.18%'49ss and OLAMSP 4.25%'19s. Meanwhile we also saw mixed interest in UOBSP 4%'49s, MFCCN 3.85%'26s and GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporates decreased by 3bps to 225bps, while the yield on the JACI HY Corporate was level at 7.19%. 10y UST increased by 2bps to 1.77% on positive macro data out of the US and hawkish comments on rate hikes.
- **New Issues:** Lendlease Group priced a USD400m 10 year bond at CT10+280bps, tightening from its initial guidance of CT10+300bps. The expected rating is "BBB-/Baa3/BBB-". China Three Gorges Corporation (Aa3/A/A+) has scheduled an investor road show during May 18-23.
- **Rating Changes:** Moody's downgraded Beijing Capital Land's rating to "Baa3" from "Baa2" as well as its subsidiary, International Financial Center Property Ltd, to "B1" from "Ba3". The outlook is negative. This rating action concludes the rating review for downgrade that was initiated on 29 February. The downgrade reflects its weakened credit profile due to its high debt leverage and contracted profit margin. Moody's reaffirmed its credit rating on 1MDB Energy Ltd's senior bonds at "Aa2", concluding the rating review for downgrade that was initiated on 8 March. This is following the concurrent conclusion of the rating review for downgrade on the guarantor of the senior bonds, International Petroleum Investment Company (IPIC). The "Aa2" ratings on IPIC were confirmed and

assigned a negative outlook following the confirmation of the “Aa2” long-term issuer rating on the government of Abu Dhabi and the assignment of a negative outlook on 14 May 2016. These related rating actions reflect the credit linkage between the Abu Dhabi government and IPIC as well as IPIC’s linkage to 1MDB Energy Ltd’s notes as guarantor. Meanwhile, Moody’s withdrew all credit ratings for Kawasaki Kisen Kaisha Ltd. The rating was “Ba3” prior the withdrawal. S&P upgraded its rating on Sharp Corporation to “CCC+ from “CCC”. The upgrade reflects more clear confirmation that Sharp’s creditor banks intend to maintain their supportive stance toward the company. The outlook is positive. Finally Fitch downgraded Noble Group Ltd’s long-term issuer default rating to “BB+” from “BBB-“ to reflect the company’s higher reliance on shorter-term financing which weakens its debt maturity profile below what’s expected for an investment grade rating. Outlook is stable.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	94.548	-0.03%	<b>USD-SGD</b>	1.3694	-0.01%
<b>USD-JPY</b>	109.140	0.10%	<b>EUR-SGD</b>	1.5493	-0.08%
<b>EUR-USD</b>	1.1132	0.00%	<b>JPY-SGD</b>	1.2547	-0.11%
<b>AUD-USD</b>	0.7325	0.49%	<b>GBP-SGD</b>	1.9805	0.42%
<b>GBP-USD</b>	1.4463	0.42%	<b>AUD-SGD</b>	1.0031	0.48%
<b>USD-MYR</b>	4.0200	-0.18%	<b>NZD-SGD</b>	0.9326	0.29%
<b>USD-CNY</b>	6.5204	0.00%	<b>CHF-SGD</b>	1.3966	-0.29%
<b>USD-IDR</b>	13295	-0.11%	<b>SGD-MYR</b>	2.9369	-0.20%
<b>USD-VND</b>	22360	0.35%	<b>SGD-CNY</b>	4.7659	0.09%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	17,529.98	-180.70
<b>S&amp;P</b>	2,047.21	-19.40
<b>Nasdaq</b>	4,715.73	-59.70
<b>Nikkei 225</b>	16,652.80	186.40
<b>STI</b>	2,781.11	45.10
<b>KLCI</b>	1,633.39	12.20
<b>JCI</b>	4,729.16	-2.40
<b>Baltic Dry</b>	643.00	30.00
<b>VIX</b>	15.57	0.90

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3480	--	<b>O/N</b>	0.3855	--
<b>2M</b>	-0.2940	--	<b>1M</b>	0.4362	--
<b>3M</b>	-0.2570	--	<b>2M</b>	0.5194	--
<b>6M</b>	-0.1430	--	<b>3M</b>	0.6261	--
<b>9M</b>	-0.0790	--	<b>6M</b>	0.9064	--
<b>12M</b>	-0.0120	--	<b>12M</b>	1.2327	--

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.00 (--)	0.83 (+0.04)
<b>5Y</b>	1.54 (+0.01)	1.30 (+0.04)
<b>10Y</b>	1.96 (+0.02)	1.77 (+0.02)
<b>15Y</b>	2.29 (+0.03)	--
<b>20Y</b>	2.36 (+0.03)	--
<b>30Y</b>	2.48 (+0.03)	2.60 (--)

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
<b>Portugal</b>	0.61	-1.10	3.07
<b>Italy</b>	-0.06	0.50	1.45
<b>Ireland</b>	-0.36	-0.80	0.80
<b>Greece*</b>	8.92	-27.10	7.36
<b>Spain</b>	-0.08	-0.20	1.57
<b>Russia^</b>	2.97	-2.70	4.70

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	24.01	-0.42
<b>EURIBOR-OIS</b>	8.50	-0.10
<b>TED</b>	34.02	-2.14

\* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.31	1.24%	Coffee (per lb)	1.319	-0.64%
Brent (per barrel)	49.28	0.63%	Cotton (per lb)	0.6220	1.98%
Heating Oil (per gallon)	1.467	1.90%	Sugar (per lb)	0.1682	-0.41%
Gasoline (per gallon)	1.63	1.73%	Orange Juice (per lb)	1.4635	1.99%
Natural Gas (per MMBtu)	2.048	0.94%	Cocoa (per mt)	2,899	-0.96%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,657.0	0.26%	Wheat (per bushel)	4.8175	1.47%
Nickel (per mt)	8,767	1.00%	Soybean (per bushel)	10.803	1.48%
Aluminium (per mt)	1,537.8	0.38%	Corn (per bushel)	3.9700	0.76%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,276.9	0.21%	Crude Palm Oil (MYR/MT)	2,632.0	0.23%
Silver (per oz)	17.235	0.54%	Rubber (JPY/KG)	164.6	-0.06%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/17/2016 04:00	US Total Net TIC Flows	Mar	--	-\$98.3b	\$33.5b	\$31.7b
05/17/2016 04:00	US Net Long-term TIC Flows	Mar	--	\$78.1b	\$72.0b	\$72.6b
<b>05/17/2016 08:30</b>	<b>SI NODX YoY</b>	<b>Apr</b>	<b>-8.40%</b>	<b>-7.90%</b>	<b>-15.60%</b>	<b>-15.70%</b>
05/17/2016 08:30	SI NODX SA MoM	Apr	4.40%	4.50%	0.20%	0.10%
05/17/2016 09:30	AU New Motor Vehicle Sales MoM	Apr	--	-2.50%	2.20%	--
05/17/2016 09:30	AU New Motor Vehicle Sales YoY	Apr	--	2.40%	4.20%	--
05/17/2016 11:00	NZ 2Yr Inflation Expectation	2Q	--	1.64%	1.63%	--
05/17/2016 12:30	JN Industrial Production YoY	Mar F	--	0.20%	0.10%	--
<b>05/17/2016 12:30</b>	<b>JN Industrial Production MoM</b>	<b>Mar F</b>	<b>--</b>	<b>3.80%</b>	<b>3.60%</b>	<b>--</b>
05/17/2016 12:30	JN Capacity Utilization MoM	Mar	--	3.20%	-5.40%	--
05/17/2016 16:00	IT Trade Balance Total	Mar	--	5365m	3856m	3861m
<b>05/17/2016 16:30</b>	<b>UK CPI MoM</b>	<b>Apr</b>	<b>0.30%</b>	<b>0.10%</b>	<b>0.40%</b>	<b>--</b>
<b>05/17/2016 16:30</b>	<b>UK CPI YoY</b>	<b>Apr</b>	<b>0.50%</b>	<b>0.30%</b>	<b>0.50%</b>	<b>--</b>
<b>05/17/2016 16:30</b>	<b>UK CPI Core YoY</b>	<b>Apr</b>	<b>1.40%</b>	<b>1.20%</b>	<b>1.50%</b>	<b>--</b>
05/17/2016 16:30	UK Retail Price Index	Apr	261.9	261.4	261.1	--
05/17/2016 16:30	UK RPI MoM	Apr	0.30%	0.10%	0.40%	--
05/17/2016 16:30	UK RPI YoY	Apr	1.50%	1.30%	1.60%	--
<b>05/17/2016 16:30</b>	<b>UK PPI Output NSA MoM</b>	<b>Apr</b>	<b>0.20%</b>	<b>0.40%</b>	<b>0.30%</b>	<b>--</b>
<b>05/17/2016 16:30</b>	<b>UK PPI Output NSA YoY</b>	<b>Apr</b>	<b>-0.80%</b>	<b>-0.70%</b>	<b>-0.90%</b>	<b>--</b>
05/17/2016 16:30	UK ONS House Price YoY	Mar	--	9.00%	7.60%	--
<b>05/17/2016 16:30</b>	<b>HK Unemployment Rate SA</b>	<b>Apr</b>	<b>3.40%</b>	<b>3.40%</b>	<b>3.40%</b>	<b>--</b>
05/17/2016 20:30	CA Manufacturing Sales MoM	Mar	-1.90%	-0.90%	-3.30%	-4.00%
<b>05/17/2016 20:30</b>	<b>US Housing Starts</b>	<b>Apr</b>	<b>1125k</b>	<b>1172k</b>	<b>1089k</b>	<b>1099k</b>
05/17/2016 20:30	US Building Permits	Apr	1135k	1116k	1086k	1077k
<b>05/17/2016 20:30</b>	<b>US CPI MoM</b>	<b>Apr</b>	<b>0.30%</b>	<b>0.40%</b>	<b>0.10%</b>	<b>--</b>
<b>05/17/2016 20:30</b>	<b>US CPI Ex Food and Energy MoM</b>	<b>Apr</b>	<b>0.20%</b>	<b>0.20%</b>	<b>0.10%</b>	<b>--</b>
05/17/2016 20:30	US CPI YoY	Apr	1.10%	1.10%	0.90%	--
05/17/2016 20:30	US CPI Ex Food and Energy YoY	Apr	2.10%	2.10%	2.20%	--
<b>05/17/2016 21:15</b>	<b>US Industrial Production MoM</b>	<b>Apr</b>	<b>0.30%</b>	<b>0.70%</b>	<b>-0.60%</b>	<b>-0.90%</b>
05/17/2016 21:15	US Capacity Utilization	Apr	75.00%	75.40%	74.80%	74.90%
05/18/2016 06:45	NZ PPI Input QoQ	1Q	--	-1.00%	-1.20%	--
05/18/2016 06:45	NZ PPI Output QoQ	1Q	--	-0.20%	-0.80%	--
<b>05/18/2016 07:50</b>	<b>JN GDP SA QoQ</b>	<b>1Q P</b>	<b>0.10%</b>	<b>0.40%</b>	<b>-0.30%</b>	<b>--</b>
<b>05/18/2016 07:50</b>	<b>JN GDP Annualized SA QoQ</b>	<b>1Q P</b>	<b>0.30%</b>	<b>1.70%</b>	<b>-1.10%</b>	<b>--</b>
05/18/2016 07:50	JN GDP Nominal SA QoQ	1Q P	0.50%	0.50%	-0.20%	--
<b>05/18/2016 07:50</b>	<b>JN GDP Deflator YoY</b>	<b>1Q P</b>	<b>1.00%</b>	<b>0.90%</b>	<b>1.50%</b>	<b>--</b>
<b>05/18/2016 08:30</b>	<b>AU Westpac Leading Index MoM</b>	<b>Apr</b>	<b>--</b>	<b>--</b>	<b>-0.12%</b>	<b>--</b>
05/18/2016 12:00	JN Tokyo Condominium Sales YoY	Apr	--	--	-39.60%	--
05/18/2016 16:00	SI COE Open Bid Cat A	May-18	--	--	47889	--
05/18/2016 16:00	SI COE Open Bid Cat B	May-18	--	--	51010	--
<b>05/18/2016 16:30</b>	<b>UK Claimant Count Rate</b>	<b>Apr</b>	<b>2.10%</b>	<b>--</b>	<b>2.10%</b>	<b>--</b>
<b>05/18/2016 16:30</b>	<b>UK Jobless Claims Change</b>	<b>Apr</b>	<b>5.0k</b>	<b>--</b>	<b>6.7k</b>	<b>--</b>
<b>05/18/2016 16:30</b>	<b>UK ILO Unemp Rate 3Mths</b>	<b>Mar</b>	<b>5.10%</b>	<b>--</b>	<b>5.10%</b>	<b>--</b>
<b>05/18/2016 17:00</b>	<b>EC CPI MoM</b>	<b>Apr</b>	<b>0.00%</b>	<b>--</b>	<b>1.20%</b>	<b>--</b>
<b>05/18/2016 17:00</b>	<b>EC CPI YoY</b>	<b>Apr F</b>	<b>-0.20%</b>	<b>--</b>	<b>-0.20%</b>	<b>--</b>
05/18/2016 17:00	EC CPI Core YoY	Apr F	0.70%	--	0.70%	--
<b>05/18/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>May-13</b>	<b>--</b>	<b>--</b>	<b>0.40%</b>	<b>--</b>
05/18/2016 20:30	CA Int'l Securities Transactions	Mar	--	--	15.94b	--

Source: Bloomberg

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