

## Highlights

Global	<p>April FOMC minutes came as a rude shock to financial markets overnight as it drew attention to the phrase that “Most participants judged that if incoming data were consistent with economic growth picking up in the second quarter, labour market conditions continuing to strengthen, and inflation making progress toward the Committee's 2 percent objective, then it likely would be appropriate for the Committee to increase the target range for the federal funds rate in June”. Market reaction was typical: the 2- and 10-year UST bond yields backed up to 0.89% and 1.85% respectively, while DXY and VIX a touch higher, but S&amp;P500 flat after initial gains. The Fed Funds futures pricing for June also rose to 32%.</p> <p>While we concur with the Fed view that futures market is currently underpricing the risk of the next 25bp rate hike, nevertheless the macro-economic data has softened since the April FOMC meeting. Note the preceding sentence that “Participants agreed that their ongoing assessments of the data and other incoming information, as well as the implications for the outlook, would determine the timing and pace of future adjustments to the stance of monetary policy”, suggesting that the Fed is data-dependent. Our call remains for the Fed to more likely move in July (albeit the odds for the 16 June meeting has risen from the dust in the interim), unless we miraculously see a strong uptick in the economic numbers for April-May, especially on the inflation/wage front in addition to the labour market. Given that the Fed minutes flagged that “some participants were concerned that market participants may not have properly assessed the likelihood of an increase in the target range at the June meeting, and they emphasized the importance of communicating clearly over the intermeeting period how the Committee intends to respond to economic and financial developments”, there is growing importance attached to Fed speak - near-term, watch Dudley’s speech due tonight for further cues, while further out, Fed chair Yellen is scheduled to speak on 7 June, just ahead of the FOMC.</p> <p>Expect Asian markets to tread cautiously amid more hawkish US rate expectations. BNM and BI meet today but are likely static, while Philippines’ 1Q16 GDP print is due.</p>
JN	Machine orders rebounded 5.5% mom (+3.2% yoy) in March, following -9.2% mom (-0.7% yoy).
CN	RMB weakened against the USD in both onshore and offshore market as a result of stronger dollar. The USDCNY fixing is expected to break above 6.5500 this morning to reflect overnight dollar strength.
Indo-nesia	Bank Indonesia is due to announce its monetary policy decision today. We think the central bank will keep its policy rate on hold. The near-term focus is likely to be the transmission of policy rate cuts that it had pursued early this year and also the transition into a new monetary policy framework.
Malaysia	Bank Negara is slated to have an inaugural monetary policy meeting under the newly anointed governor, Muhammad Ibrahim, today. The central bank is likely to keep its overnight policy rate unchanged. Even as growth has slowed to the slowest rate in over 6 years, BNM appears to take the view that the 4.0-4.5% growth forecast for the year remains achievable and that the current monetary policy stance remains accommodative.

**Treasury Advisory**  
**Corporate FX & Structured Products**

Tel: 6349-1888 / 1881

**Interest Rate Derivatives**

Tel: 6349-1899

**Investments & Structured Products**

Tel: 6349-1886

**GT Institutional Sales**

Tel: 6349-1810

## Major Market

- **US:** Wall Street gave up initial gains and ended the session mostly flat after hawkish Fed minutes placed a June rate hike back on the table. S&P500 (+0.02%), Dow (-0.02%) and Nasdaq (+0.5%). US Treasury yields also edged up across the curve, with 2- and 10-year bonds yielding 0.89% (+6bps) and 1.85% respectively (+8bps). Elsewhere, VIX rose by 2.44%, closing at 15.95.
- **Singapore:** The STI slipped 0.14% to close at 2777.11 yesterday, and may continue to grind lower amid weak cues from Wall Street overnight and morning slippage in Kospi. The STI could see support and resistance at 2740 and 2800 respectively. Short-term SGS bond yields could back up a little today, given more hawkish cues from the Fed and the stronger USD, but the impact could be muted somewhat by the relative calmness prevailing in the SIBOR and SOR fixings.
- **Macau:** Recent signs signalling the bottoming out of the gaming sector and rebounding in tourism activities have underpinned housing market sentiment. Furthermore, the average transaction price edged down 34.6% in 1Q from the peak in 2Q 2014. The lower housing prices have attracted some end-users to enter the market. Adding demand from the stably increasing non-local labour, housing transaction volume sustained its rebound despite slimmer demand for the high-end flats. Looking ahead, we believe that housing transaction volume will stabilize at around 500 units in the 1H should more data help to confirm the recovery of both tourism and gaming sectors. Despite this, tepid demand amid expectations of slower wage growth coupled with increasing supply of housing indicates that the housing price is yet to bottom out. We expect Macau's residential transaction price to edge down by around 10% yoy by end of this year.

## Bond Market Updates

- **Market Commentary:** The SGD curve traded upward yesterday, with the short-term rates traded 6bps higher, while the belly-to-long end rates traded 4-5bps 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, STANLN 4.4%'26s, BAERVX 4.9%'49s, and better sellers in OLAMSP 4.25%'19s and MLTSP 4.18%'49s. 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 2bps to 224bps, while the yield on JACI HY Corporates was level at 7.19%. 10y UST increased sharply by 9bps to 1.85% on the release of April's FOMC minutes which opened the door to a June rate hike.
- **New Issues:** 361 Degrees has scheduled investor meetings in Hong Kong, Singapore and London for a potential USD bond. CCB Financial Leasing has also scheduled investor meetings in Hong Kong, Singapore and London over May 19-23 for a potential USD bond. Axis Bank Ltd has appointed joint bookrunners for a USD green bond offering with expected issue ratings of "BBB-/Baa3/--". The Export-Import Bank of Korea priced a 3 part deal yesterday, with the USD500mn priced at 3mL+70bps, USD1bn 3-year bond priced at CT3+78bps, tightening from its initial guidance of CT3+95bps and USD1bn 10-year bond priced at CT10+83bps, tightening from its initial guidance of CT10+105bps. The expected issue ratings are "AA-/Aa2/AA-".
- **Rating Changes:** S&P reaffirmed its credit rating on Falcon Hong Kong of "A-". The reaffirmation reflects its view that the revised guarantee that Odyssey Reinsurance Co. provides to Falcon HK meets all the conditions specified in S&P's guarantee criteria. Outlook is stable. Moody's reaffirmed Honda's "A1" rating but changed its outlook from stable to negative. The outlook change follows the company's announcement of its results for the fiscal year ended March 2016 and its forecast for FY 2017. S&P downgraded its credit rating on Ricoh Company Ltd. to "A-" from "A", citing its weakened competitive advantage and profitability as the main reasons. The outlook is negative.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.080	0.56%	<b>USD-SGD</b>	1.3820	0.92%
<b>USD-JPY</b>	110.190	0.96%	<b>EUR-SGD</b>	1.5503	0.06%
<b>EUR-USD</b>	1.1132	0.00%	<b>JPY-SGD</b>	1.2539	-0.06%
<b>AUD-USD</b>	0.7229	-1.31%	<b>GBP-SGD</b>	2.0178	1.88%
<b>GBP-USD</b>	1.4599	0.94%	<b>AUD-SGD</b>	0.9992	-0.39%
<b>USD-MYR</b>	4.0505	0.76%	<b>NZD-SGD</b>	0.9312	-0.15%
<b>USD-CNY</b>	6.5386	0.28%	<b>CHF-SGD</b>	1.3993	0.19%
<b>USD-IDR</b>	13380	0.64%	<b>SGD-MYR</b>	2.9413	0.15%
<b>USD-VND</b>	22282	-0.35%	<b>SGD-CNY</b>	4.7485	-0.37%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	17,526.62	-3.40
<b>S&amp;P</b>	2,047.63	0.40
<b>Nasdaq</b>	4,739.12	23.40
<b>Nikkei 225</b>	16,644.69	-8.10
<b>STI</b>	2,777.11	-4.00
<b>KLCI</b>	1,635.72	2.30
<b>JCI</b>	4,734.36	5.20
<b>Baltic Dry</b>	642.00	-1.00
<b>VIX</b>	15.95	0.40

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3480	--	<b>O/N</b>	0.3860	--
<b>2M</b>	-0.2940	--	<b>1M</b>	0.4387	--
<b>3M</b>	-0.2570	--	<b>2M</b>	0.5209	--
<b>6M</b>	-0.1430	--	<b>3M</b>	0.6251	--
<b>9M</b>	-0.0770	--	<b>6M</b>	0.9116	--
<b>12M</b>	-0.0110	--	<b>12M</b>	1.2424	--

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.03 (+0.03)	0.89 (+0.06)
<b>5Y</b>	1.58 (+0.04)	1.38 (+0.09)
<b>10Y</b>	2.02 (+0.06)	1.85 (+0.08)
<b>15Y</b>	2.34 (+0.05)	--
<b>20Y</b>	2.41 (+0.05)	--
<b>30Y</b>	2.52 (+0.04)	2.66 (+0.06)

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
<b>Portugal</b>	0.61	0.20	3.09
<b>Italy</b>	-0.05	1.30	1.49
<b>Ireland</b>	-0.35	0.60	0.85
<b>Greece*</b>	9.16	23.90	7.44
<b>Spain</b>	-0.07	0.50	1.60
<b>Russia^</b>	3.01	3.50	4.69

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	22.02	-1.99
<b>EURIBOR-OIS</b>	8.65	0.15
<b>TED</b>	34.06	0.04

\* 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)	48.19	-0.25%	Coffee (per lb)	1.293	-1.93%
Brent (per barrel)	48.93	-0.71%	Cotton (per lb)	0.6205	-0.24%
Heating Oil (per gallon)	1.483	1.07%	Sugar (per lb)	0.1681	-0.06%
Gasoline (per gallon)	1.65	0.91%	Orange Juice (per lb)	1.4590	-0.31%
Natural Gas (per MMBtu)	2.001	-2.29%	Cocoa (per mt)	2,931	1.10%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,612.5	-0.96%	Wheat (per bushel)	4.8000	-0.36%
Nickel (per mt)	8,606	-1.84%	Soybean (per bushel)	10.753	-0.46%
Aluminium (per mt)	1,544.8	0.46%	Corn (per bushel)	3.9950	0.63%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,274.4	-0.20%	Crude Palm Oil (MYR/MT)	2,591.0	-1.56%
Silver (per oz)	17.120	-0.67%	Rubber (JPY/KG)	161.9	-1.64%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
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>-0.40%</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>-1.70%</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>05/18/2016 08:30</b>	<b>AU Westpac Leading Index MoM</b>	<b>Apr</b>	--	<b>0.24%</b>	<b>-0.12%</b>	<b>-0.10%</b>
05/18/2016 12:00	JN Tokyo Condominium Sales YoY	Apr	--	-13.50%	-39.60%	--
05/18/2016 16:00	SI COE Open Bid Cat A	May-18	--	47020	47889	--
05/18/2016 16:00	SI COE Open Bid Cat B	May-18	--	49156	51010	--
<b>05/18/2016 16:30</b>	<b>UK Claimant Count Rate</b>	<b>Apr</b>	<b>2.10%</b>	<b>2.10%</b>	<b>2.10%</b>	<b>2.20%</b>
<b>05/18/2016 16:30</b>	<b>UK Jobless Claims Change</b>	<b>Apr</b>	<b>5.0k</b>	<b>-2.4k</b>	<b>6.7k</b>	<b>14.7k</b>
<b>05/18/2016 16:30</b>	<b>UK ILO Unemp Rate 3Mths</b>	<b>Mar</b>	<b>5.10%</b>	<b>5.10%</b>	<b>5.10%</b>	--
<b>05/18/2016 17:00</b>	<b>EC CPI MoM</b>	<b>Apr</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.20%</b>	--
<b>05/18/2016 17:00</b>	<b>EC CPI YoY</b>	<b>Apr F</b>	<b>-0.20%</b>	<b>-0.20%</b>	<b>-0.20%</b>	--
05/18/2016 17:00	EC CPI Core YoY	Apr F	0.70%	0.70%	0.70%	--
<b>05/18/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>May-13</b>	--	<b>-1.60%</b>	<b>0.40%</b>	--
05/18/2016 20:30	CA Int'l Securities Transactions	Mar	--	17.17b	15.94b	15.94b
05/19/2016 05:00	SK PPI YoY	Apr	--	-3.10%	-3.30%	--
<b>05/19/2016 07:50</b>	<b>JN Machine Orders MoM</b>	<b>Mar</b>	<b>-2.00%</b>	<b>5.50%</b>	<b>-9.20%</b>	--
05/19/2016 07:50	JN Machine Orders YoY	Mar	0.80%	3.20%	-0.70%	--
05/19/2016 07:50	JN Foreign Buying Japan Stocks	May-13	--	¥71.7b	¥434.6b	--
<b>05/19/2016 09:30</b>	<b>AU Employment Change</b>	<b>Apr</b>	<b>12.0k</b>	--	<b>26.1k</b>	--
<b>05/19/2016 09:30</b>	<b>AU Unemployment Rate</b>	<b>Apr</b>	<b>5.80%</b>	--	<b>5.70%</b>	--
05/19/2016 09:30	AU Full Time Employment Change	Apr	--	--	-8.8k	--
<b>05/19/2016 09:30</b>	<b>AU Participation Rate</b>	<b>Apr</b>	<b>64.90%</b>	--	<b>64.90%</b>	--
05/19/2016 09:30	AU RBA FX Transactions Market	Apr	--	--	954m	--
<b>05/19/2016 10:00</b>	<b>PH GDP YoY</b>	<b>1Q</b>	<b>6.90%</b>	--	<b>6.30%</b>	<b>6.50%</b>
05/19/2016 11:00	PH Budget Balance PHP	Mar	--	--	-34.6b	--
05/19/2016 14:00	JN Machine Tool Orders YoY	Apr F	--	--	-26.40%	--
<b>05/19/2016 15:30</b>	<b>TH Foreign Reserves</b>	<b>May-13</b>	--	--	<b>\$177.8b</b>	--
05/19/2016 16:30	UK Retail Sales Ex Auto Fuel YoY	Apr	2.00%	--	1.80%	--
<b>05/19/2016 18:00</b>	<b>MA BNM Overnight Policy Rate</b>	<b>May-19</b>	<b>3.25%</b>	--	<b>3.25%</b>	--
05/19/2016 20:30	US Chicago Fed Nat Activity Index	Apr	-0.2	--	-0.44	--
05/19/2016 20:30	CA Wholesale Trade Sales MoM	Mar	-0.50%	--	-2.20%	--
<b>05/19/2016 20:30</b>	<b>US Initial Jobless Claims</b>	<b>May-14</b>	<b>275k</b>	--	<b>294k</b>	--
05/19/2016 20:30	US Continuing Claims	May-07	2158k	--	2161k	--
<b>05/19/2016 20:30</b>	<b>US Phil Fed Biz Outlook</b>	<b>May</b>	<b>3</b>	--	<b>-1.6</b>	--
05/19/2016 21:45	US Bloomberg Consumer Comfort	May-15	--	--	41.7	--
<b>05/19/2016 22:00</b>	<b>US Leading Index</b>	<b>Apr</b>	<b>0.40%</b>	--	<b>0.20%</b>	--
05/19/2016	HK Composite Interest Rate	Apr	--	--	0.26%	--
<b>05/19/2016</b>	<b>ID Bank Indonesia Rate</b>	<b>May-19</b>	<b>6.75%</b>	--	<b>6.75%</b>	--
<b>05/19/2016</b>	<b>PH BoP Overall</b>	<b>Apr</b>	--	--	<b>\$854m</b>	--

Source: Bloomberg

<b><u>OCBC Treasury Research</u></b>		
<b><u>Macro Research</u></b> <b>Selena Ling</b> LingSSSelena@ocbc.com <b>Emmanuel Ng</b> NgCYEmmanuel@ocbc.com <b>Wellian Wiranto</b> WellianWiranto@ocbc.com <b>Tommy Xie Dongming</b> XieD@ocbc.com <b>Barnabas Gan</b> BarnabasGan@ocbc.com	<b><u>Credit Research</u></b> <b>Andrew Wong</b> WongVKAM@ocbc.com <b>Wong Liang Mian (Nick)</b> NickWong@ocbc.com <b>Koh Jun Ming, Nicholas</b> NicholasKoh@ocbc.com	<b><u>Wing Hang</u></b> <b>Kam Liu</b> kamyliu@ocbcwh.com <b>Carie Li</b> carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W