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Highlights

Global	Global risk appetite continued to retreat amid a resurgent USD, buoyant crude oil prices, and as Fed rhetoric continued to largely play up the prospect of a “live” June-July FOMC meetings - Dudley stressed that “If I’m convinced that my own forecast is on track, then I think a tightening in the summer, the June-July time frame, is a reasonable expectation”, albeit the Brexit referendum was “another variable in the mix” and “we’ll have to think about that in terms of waiting – whether it makes sense to go in June or wait a little bit later”. Meanwhile Lacker (non-voter) also opined that “the case would be very strong for raising rates in June” and “I certainly supported a rate increase at the April meeting” because “the risk seems to be growing to me that we overshoot on the high side and find ourselves forced to raise rates abruptly”. However, Fischer was silent on June but noted that the natural rate of interest “fell considerably during the financial crisis...and has subsequently recovered only slowly” and suggested that “what we need most, now that we are near full employment and approaching our target inflation rate, is faster potential growth”. Across in Asia, both BNM and BI were static as anticipated, but the latter trimmed its 2016 growth forecast which lent a dovish tinge to future rate expectations. Separately, BOJ’s Kuroda continued to engage in verbal jawboning ahead of the G7 summit on 26 May. Expect Asian markets to cap the week on a soft tone, extending the Fed angst amid a quiet data calendar with only US’ existing home sales and Malaysia’s CPI.
US	Jobless claims fell 16k (largest fall since early February) from a 1-year high of 294k to 278k (forecast: 275k), as New York claims stabilised and bringing the 4-week average to 275.75k, while continuing claims came in at 2.152m. Meanwhile, the Philadelphia Fed business outlook unexpectedly slumped from -1.6 in April to -1.8 in May (forecast: +3.0) amid lower new orders, but the Chicago Fed national activity index recovered from -0.55 to +0.10 during the same period. The leading index also rebounded from a revised 0% in March to +0.6% in April. Given the data fluctuations, the importance of data-dependency remains paramount for the Fed ahead of the Jun-July meetings.
SG	MAS to announce details for the 10-year bond auction for tender on 27 May. The last 10-year SGS bond auction was in May 2015 with \$2.6b on tap.
China	China has granted the first group of offshore participating banks the access rights to onshore interbank FX market. Those six banks will be able to conduct FX spot, swap and option via CFETS FX trading system. This will help narrow the gap between onshore and offshore prices. Meanwhile, Bank of China will issue its first security backed by non-performing loan this month, a trial to off-load the bad loans amid the economic slowdown.
Indo-nesia	Bank Indonesia kept its policy rate static yesterday, as expected by the market. However, the central bank strikes a rather dovish tone, with its policy statement pointing out that rooms for monetary easing may be used at an earlier time, provided that the macroeconomic stability is maintained.
Malaysia	Bank Negara held its overnight policy rate on hold at 3.25% yesterday, in what was the inaugural MPC meeting for the new governor, Muhammad Ibrahim. The tone is relatively hawkish, and continues to show that the central bank believes that underlying growth fundamentals remain strong, driven especially by private consumption.

Major Market

- US:** Equity markets continue to trend lower as investors remain concerned by the rate hike fears. S&P 500 erased the gains made in 2016 to close down 0.37% at 2040.04. Dow and Nasdaq were also lower by 0.52% and 0.56% respectively. US Treasury yield declined across the board, with signs of the yield curve flattening. 2-year US Treasury bonds yield 0.88%, while the 10-year yield 1.85%. Volatility edged higher as the VIX index closed up 2.38%.
- Singapore:** The STI slumped 1.33% to close at 2740.11 yesterday, tracking the mostly sea of red ink within Asia bourses, as market players digested the prospect of Fed policy normalisation. Sustained weak cues from Wall Street overnight may mean another soft end to the week as far as equities are concerned. The STI could see support and resistance at 2700 and 2750 respectively. SGS bonds saw the worst selling pressure in the 10-year bucket yesterday ahead of today's MAS announcement of the issue size details for the upcoming 10-year bond offering. This 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.
- Hong Kong:** Private residential housing starts decreased slightly by 13.5% yoy in March, posting 2,896 units. However, housing starts in 1Q was 12.15% higher than that of same period last year. Figures suggest that the housing supply in private sector could be on a solid growth pace over next two to three years. On the other hand, completions in January recorded 833 units while completions in 1Q rose by 111% yoy. Based on the average housing starts figures, the average supply of private residential units during 2016 to 2018 could be around 17,913 units, higher than the five-year average of around 11,397 units in 2010 to 2014. In addition, the 2016 Public Address released on 13th January stated that a new record high of 87,000 private housing units will be completed in the coming three to four years, which underpinned our view that the increasing housing supply could add downward pressure to HK housing market in the long term.
- Philippines:** 1Q16 GDP printed in line with market expectations at 6.9% yoy (+1.1% qoq sa), a pickup from the upwardly revised 6.5% yoy (+2.1% qoq sa) in 4Q15 and the fastest among the Asian economies that have reported 1Q growth. The key driver was government consumption (+9.9%), spurred by pre-election spending, while household expenditure was also strong at 7%.
- FX Insights:** In the aftermath of the FOMC minutes and ahead of FOMC heavy weights Fischer and Dudley tonight, we look to a tactical short EUR-USD. Although EZ inflation expectations have ticked higher slightly, the ECB essentially remains on a different policy page, with Draghi still extolling the virtues of QE on Thursday. From a spot ref at 1.1224 on Thursday, we target 1.0935 and place a stop at 1.1370.
- Meanwhile, the USD-JPY also remains one of our favoured avenues to express USD-specific views. Despite the better than expected 1Q GDP print, expectations are still circulating for another potential easing (in contrast to the latest shift in expectations surrounding the Fed) by the BOJ in the summer. With a spot ref at 110.01, we set a 113.50 objective, with a stop placed at 108.25.

Bond Market Updates

- Market Commentary:** The SGD curve traded upwards yesterday, with the short-end rate traded 1bps lower, while the belly-to-long end rates traded 2bps-6bps 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 5.9%'49s and better sellers in OLAMSP 4.25%'19s, MLTSP 4.18%'49s. Meanwhile we also saw mixed interest in MFCCN 3.85%'26s, UOBSP 4%'49s and GEMAU 5.5%'19s. In the broader dollar space, the spread on JACI IG corporate decreased by 3 bps to 221bps, while the yield on the JACI HY corporate increased by 5bps to 7.24%. 10y UST yield

decrease by 1bps to 1.85%.

- **New Issues:** Zhejiang Geely priced a USD400m 5-year bond at CT5+140bps, tightening from its initial guidance of CT5+170bps. The expected rating is “A/A1/A”. Citic Limited has appointed arrangers for investor meetings in Hong Kong, Singapore and London beginning May 23.
- **Rating Changes:** Moody’s downgraded Baosteel Group Corporation’s rating to “Baa1” from “A3”, additionally, its subsidiary, Baosteel Resources International Company Ltd, to “Baa2” from “Baa1”. This concludes the rating review for downgrade that was initiated on 19 February. The rating downgrade reflects Baosteel’s weakened operating performance and financial profile with the group’s high consolidated leverage further weakened to around 6.0x in 2016 from 5.7x in 2015. The outlook is negative for both companies. Moody’s affirmed Cheung Kong Property’s “A3” credit rating and changed its outlook to positive from stable, reflecting its increasing rating upgrade pressure from CKP’s 2015 low debt leverage and strong liquidity position that exceed the levels that support its “A3” rating. S&P affirmed Kunlun Energy Co. Ltd’s credit rating of “A+” due to its strong cash flows from its transmission pipeline business to underpin its credit profile over the next two years. The outlook is negative. S&P downgraded Emeco Holdings Ltd to “CCC” from “CCC+”, reflecting its view that difficult trading conditions will continue to challenge Emeco’s ability to improve its earnings over the medium term, and that its operating cash flow will remain negative. The outlook is negative. S&P raised Chesapeake Energy Corp.’s corporate credit rating to “CCC” from “SD” following the completion of its distressed exchange offer. Outlook is negative, reflecting the potential for further distressed debt exchanges for the oil and gas company.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.287	0.22%	USD-SGD	1.3810	-0.07%
USD-JPY	109.960	-0.21%	EUR-SGD	1.5472	-0.20%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2557	0.14%
AUD-USD	0.7228	-0.01%	GBP-SGD	2.0183	0.02%
GBP-USD	1.4611	0.08%	AUD-SGD	0.9984	-0.08%
USD-MYR	4.0820	0.78%	NZD-SGD	0.9313	0.01%
USD-CNY	6.5495	0.17%	CHF-SGD	1.3944	-0.35%
USD-IDR	13565	1.38%	SGD-MYR	2.9620	0.70%
USD-VND	22358	0.34%	SGD-CNY	4.7403	-0.17%

Equity and Commodity

Index	Value	Net change
DJIA	17,435.40	-91.20
S&P	2,040.04	-7.60
Nasdaq	4,712.53	-26.60
Nikkei 225	16,646.66	2.00
STI	2,740.11	-37.00
KLCI	1,633.76	-2.00
JCI	4,704.22	-30.10
Baltic Dry	634.00	-8.00
VIX	16.33	0.40

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3480	--	O/N	0.3850	--
2M	-0.2960	--	1M	0.4385	--
3M	-0.2570	--	2M	0.5234	--
6M	-0.1440	--	3M	0.6356	--
9M	-0.0780	--	6M	0.9309	--
12M	-0.0110	--	12M	1.2697	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.05 (+0.03)	0.88 (-0.01)
5Y	1.64 (+0.06)	1.38 (-0.01)
10Y	2.09 (+0.07)	1.85 (-0.01)
15Y	2.40 (+0.06)	--
20Y	2.47 (+0.06)	--
30Y	2.56 (+0.04)	2.64 (-0.02)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.61 -0.80	3.09 0.10	2.92
Italy	-0.05 -0.40	1.49 0.00	1.32
Ireland	-0.35 0.50	0.85 0.40	0.68
Greece*	9.13 -2.90	7.49 4.30	7.32
Spain	-0.08 -1.00	1.59 -0.70	1.42
Russia^	3.07 6.90	4.76 7.00	4.59

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.92	-3.10
EURIBOR-OIS	8.73	0.08
TED	35.38	1.32

* 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)	48.16	-0.06%	Coffee (per lb)	1.240	-4.14%
Brent (per barrel)	48.81	-0.25%	Cotton (per lb)	0.6107	-1.58%
Heating Oil (per gallon)	1.479	-0.29%	Sugar (per lb)	0.1670	-0.65%
Gasoline (per gallon)	1.63	-0.91%	Orange Juice (per lb)	1.4860	1.85%
Natural Gas (per MMBtu)	2.039	1.90%	Cocoa (per mt)	2,893	-1.30%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,580.0	-0.70%	Wheat (per bushel)	4.6875	-2.34%
Nickel (per mt)	8,526	-0.94%	Soybean (per bushel)	10.715	-0.35%
Aluminium (per mt)	1,538.3	-0.42%	Corn (per bushel)	3.9000	-2.38%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,254.8	-1.54%	Crude Palm Oil (MYR/MT)	2,552.0	-1.51%
Silver (per oz)	16.479	-3.74%	Rubber (JPY/KG)	158.3	-2.22%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised
05/19/2016 05:00	SK PPI YoY	Apr	--	-3.10%	-3.30%
05/19/2016 07:50	JN Machine Orders MoM	Mar	-2.00%	5.50%	-9.20%
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
05/19/2016 09:30	AU Employment Change	Apr	12.0k	10.8k	26.1k
05/19/2016 09:30	AU Unemployment Rate	Apr	5.80%	5.70%	5.70%
05/19/2016 09:30	AU Full Time Employment Change	Apr	--	-9.3k	-8.8k
05/19/2016 09:30	AU Participation Rate	Apr	64.90%	64.80%	64.90%
05/19/2016 09:30	AU RBA FX Transactions Market	Apr	--	946m	954m
05/19/2016 10:00	PH GDP YoY	1Q	6.90%	6.90%	6.30%
05/19/2016 11:00	PH Budget Balance PHP	Mar	--	-74.4b	-34.6b
05/19/2016 14:00	JN Machine Tool Orders YoY	Apr F	--	-26.30%	-26.40%
05/19/2016 14:27	PH BoP Overall	Apr	--	\$184m	\$854m
05/19/2016 15:30	TH Foreign Reserves	May-13	--	\$177.7b	\$177.8b
05/19/2016 16:30	UK Retail Sales Ex Auto Fuel YoY	Apr	2.00%	4.20%	1.80%
05/19/2016 16:31	HK Composite Interest Rate	Apr	--	0.26%	0.26%
05/19/2016 18:00	MA BNM Overnight Policy Rate	May-19	3.25%	3.25%	3.25%
05/19/2016 18:24	ID Bank Indonesia Ref Rate	May-19	6.75%	6.75%	6.75%
05/19/2016 20:30	US Chicago Fed Nat Activity Index	Apr	-0.2	0.1	-0.44
05/19/2016 20:30	CA Wholesale Trade Sales MoM	Mar	-0.50%	-1.00%	-2.20%
05/19/2016 20:30	US Initial Jobless Claims	May-14	275k	278k	294k
05/19/2016 20:30	US Continuing Claims	May-07	2158k	2152k	2161k
05/19/2016 20:30	US Phil Fed Business Outlook	May	3	-1.8	-1.6
05/19/2016 21:45	US Bloomberg Consumer Comfort	May-15	--	42.6	41.7
05/19/2016 22:00	US Leading Index	Apr	0.40%	0.60%	0.20%
05/20/2016 11:00	NZ Credit Card Spending YoY	Apr	--	--	4.80%
05/20/2016 12:00	MA CPI YoY	Apr	2.10%	--	2.60%
05/20/2016 13:00	JN Nationwide Dept Sales YoY	Apr	--	--	-2.90%
05/20/2016 14:00	GE PPI MoM	Apr	0.10%	--	0.00%
05/20/2016 14:00	GE PPI YoY	Apr	-3.00%	--	-3.10%
05/20/2016 16:00	TA Export Orders YoY	Apr	-4.50%	--	-4.70%
05/20/2016 18:00	MA Foreign Reserves	May-13	--	--	\$97.0b
05/20/2016 20:30	CA Retail Sales MoM	Mar	-0.60%	--	0.40%
05/20/2016 20:30	CA Retail Sales Ex Auto MoM	Mar	-0.40%	--	0.20%
05/20/2016 20:30	CA CPI NSA MoM	Apr	0.30%	--	0.60%
05/20/2016 20:30	CA CPI YoY	Apr	1.70%	--	1.30%
05/20/2016 20:30	CA CPI Core MoM	Apr	0.10%	--	0.70%
05/20/2016 20:30	CA CPI Core YoY	Apr	2.00%	--	2.10%
05/20/2016 22:00	US Existing Home Sales	Apr	5.40m	--	5.33m
05/20/2016 22:00	US Existing Home Sales MoM	Apr	1.30%	--	5.10%

Source: Bloomberg

FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing stop	Rationale	
1	29-Apr-16	S	AUD-USD	0.7626	0.7095	0.7490	Negativity post 1Q CPI numbers	
2	09-May-16	B	USD-SGD	1.3623	1.3885	1.3490	Potential for USD strength ahead of Fed-speak	
3	09-May-16	B	USD-CAD	1.2929	1.3310	1.2735	Weak labor market numbers, deteriorating growth outlook	
4	18-May-16	B	GBP-USD	1.4438	1.4805	1.4255	Potential for bounce post-referendum	
5	19-May-16	S	EUR-USD	1.1224	1.0935	1.1370	Policy dichotomy play, especially after FOMC minutes	
6	19-May-16	B	USD-JPY	110.01	113.50	108.25	Policy dichotomy play, especially after FOMC minutes	
	STRUCTURAL							
7	18-Feb-16	B	EUR-USD	1.1137	1.1825	1.0790	Growing suspicion that the Fed will hesitate	
8	01-Mar-16	S	USD-JPY	112.91	105.00	116.90	Inconsequential G20, dented FOMC prospects, risk aversion, global growth worries	
9	07-Mar-16	B	AUD-USD	0.7412	0.7955	0.7135	Potential risk appetite, abating global growth concerns, static Fed expectations	
10	12-Apr-16	S	USD-CAD	1.2895	1.2045	1.3325	Stabilizing crude, soft USD, sanguine BOC	
11	12-Apr-16	B	NZD-USD	0.6885	0.7450	0.6600	Recovery in cyclical, search for yield	
	RECENTLY CLOSED							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	19-Apr-16	22-Apr-16	S	USD-JPY	108.93	110.75	Potential for FOMC to disappoint	-1.65
2	03-Feb-16	03-May-16	S	GBP-USD	1.4401	1.4755	Policy dichotomy, Brexit concerns, and space for further NEER depreciation	-2.36
3	14-Apr-16	05-May-16	S	USD-CAD	1.2832	1.3040	Bottoming crude prices	-0.24
4	20-Apr-16	09-May-16	B	GBP-USD	1.4374	1.4165	Moderating Brexit concerns, weak dollar, positive risk	+0.39
5	04-May-16	10-May-16	S	USD-JPY	107.21	109.00	USD vulnerability pre-NFP, potential risk aversion	-1.66
6	04-May-16	11-May-16	B	EUR-USD	1.1482	1.1372	Rate differentials in the EUR's favor	-0.99
7	19-Apr-16	13-May-16	S	USD-SGD	1.3439	1.3740	Potential for further broad USD decay, positive risk appetite	-2.17

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