

Highlights

Global	With investor nerves on edge ahead of tomorrow's ECB policy decision, UK's general elections (especially given the narrowing polls) and former FBI director Comey's congressional testimony, this was sufficient to keep markets on the defensive. Wall Street declined while there was a flight to quality for government bonds and gold. For today, Asian bourses may be content to tread water with market players keeping an eye on the Australia's 1Q GDP growth print due later this morning and RBI policy meeting (likely static) in the interim. The economic data calendar also comprises of German factory orders, UK Halifax house prices, Taiwan's export orders, S'pore's COE tender results and Malaysia's foreign reserve data.
US	JOLTS job openings rose from a revised 5785 (Mar) to 6044 (Apr), but hiring fell from 5.3m to 5.05m as the labour shortage started to bite. Meanwhile, President Trump tweeted that he sides with Saudi-led diplomatic isolation of Qatar, even as the Qatar government tried to dispel food-supply concerns.
AU	RBA left its cash rate unchanged at 1.5% for the 10 th consecutive month as widely expected, with a neutral bias noting that the soft growth patch was due to "quarter-to-quarter variation" and tipped growth to still accelerate above 3%. Governor Lower flagged that housing priced "have been rising briskly in some markets, although there are some signs that these conditions are starting to ease".
SG	It remains to be seen if the current diplomatic tension between Qatar and Saudi Arabia, Bahrian, UAE and Egypt will drag on or spill over for now. One initial market concern was over the possible economic impact arising from any potential LNG disruptions since Qatar is the global top LNG supplier who provides about a third of global LNG. Fortunately, the LNG market, like most other commodity markets, is currently well-supplied. Therefore, the market reaction so far has been relatively muted as traders adopt a wait-and-see attitude. Moreover, S'pore also imports natural gas from diverse sources spanning Indonesia, Malaysia, US, Australia, Norway, Russia and Brunei apart from Qatar. For S'pore, one question may be what happens to the Gulf Cooperation Council Free Trade Agreement (GSFTA), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE). GSFTA is a comprehensive agreement that encompasses trade in goods and services, government procurement and other features, including encouraging cooperation in several areas, according to MFA. GCC is the 4th largest trading partner (8.9% of total trade) after China, Malaysia and EU, but Qatar itself is only 0.5% (ranked 28th based on individual country bilateral trade). The disruptions to flight connectivity may have a more immediate impact on visitors to and from the region.
Commodities	Once again, falling US crude inventories were enough to arrest the falling oil prices. According to the American Petroleum Institute (API), US crude oil inventories fell 4.62 million barrels last week, adding to expectations that official crude oil inventories (data is slated to be out later tonight) will decline further. Note that the Energy Intelligence Agency (EIA) upgraded its crude oil price outlook for WTI to average \$50.78/bbl, up from \$50.68, while Brent is now pencilled to average at \$52.69/bbl, up from \$52.60/bbl. EIA however upgraded its production outlook into 2017 (9.33 mbpd from 9.31) and 2018 (10.01 mbpd from 9.96).

Major Markets

- **US:** Equities fell further on Tuesday as investors appear to be on tenterhooks ahead of a confluence of political events later this week. Consumer discretionary stocks were hit hard, falling the most as a group. Key retailers like Macy's and Kohl's each lost more than 6%. Overall, the Nasdaq retreated 0.33%, while the S&P 500 and Dow lost 0.28% and 0.23% respectively. VIX stood up at 10.45, up 3.8%.
- Meanwhile, US Treasuries benefited as investors sought havens. Benchmark yields were softer across the board, and the curve flatter. 2y and 10y yields stood at 1.29% and 2.14%. 10y yields continued to push against technical support levels, and might herald a further leg down if it fails to rebound from current levels.
- **Singapore:** STI was again sidelined (-0.08%) and closed at 3235.75 yesterday and may remain rangebound between 3220-3250 for now amid overnight slippage by Wall Street and flattish morning cues from Kospi. With the flight to quality overnight, SGS bonds may track the UST bond rally and also gain today.
- **China:** Bloomberg quoted sources that states that China may start to increase its holdings of US Treasuries again due to the stable RMB outlook. We think this may also be the result of their stable FX reserves. However, should this news be proven to be true, we opine that the change is more tactical rather than strategic.
- **Indonesia:** Bank Indonesia said that it expects to see growth of 5.1-5.5% in 2018. Governor Agus Martowardojo said that a more favourable global outlook will be constructive to Indonesia's growth but cautioned that commodity price uptick will remain relatively curtailed. He added that domestic consumption is expected to stay strong given that inflation has remained largely under control.
- **Malaysia:** World Bank has revised up Malaysia's GDP forecast for this year from 4.3%yoy to 4.9%. The forecasts for 2018 and 2019 were also pushed up by 0.4 and 0.5ppt, respectively. It cited the robust Q1 growth of 5.6% as a factor alongside a more benign exports outlook.
- **Commodities:** We opine that WTI futures should remain sidelined below its \$50/bbl handle for the rest of this week, especially given some tapering of risk appetite ahead of Thursday's UK election and James Comey's testimony. In the same vein, safe haven demand continues to build up, with gold now just a tad below its \$1,300/oz after a 1.2% gain to \$1,294.4/oz last night. At current levels, gold prices are too rich for our comfort. A decisive victory at tomorrow's UK election, coupled with a likely FOMC rate hike later this month, could break gold's rally into the end of this month.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday by 1-3bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, GEMAU 5.5%'19s, and mixed interest in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 198bps, while the yield on JACI HY corporates fell 1bps to 6.79%. 10y UST yields fell 4bps yesterday to 2.15%, as Bloomberg reported that China is prepared to increase its holdings of U.S. Treasuries under the right circumstances, with officials judging the assets as becoming more attractive than other sovereign debt and as the yuan stabilizes.
- **New Issues:** State Elite Global Ltd. priced a USD600mn 5-year bond (guaranteed by China Construction Bank Corp (Hong Kong Branch)) at CT5+110bps, tightening from initial guidance of CT5+135bps. The expected issue ratings are 'A/A1/NR'. China Everbright Bank (Hong Kong

Branch) priced a USD500mn 3-year bond at 3mL+85bps, tightening from initial guidance of 3mL+110bps. The expected issue ratings are 'NR/NR/BBB'. Fantasia Holdings Group Co. Ltd. priced a USD350mn 1-year bond at 5.5%, tightening from initial guidance of 5.75%. Korean construction company Doosan Infracore Co Ltd is planning to sell USD300mn of bonds.

- **Rating Changes:** S&P revised American International Group's (AIG) rating outlook to negative from stable. In addition, S&P affirmed the ratings on AIG. The rating action reflects S&P's view that continued slower-than-expected progress in improving operating fundamentals could weigh on the ratings on AIG over the next 12 to 24 month. Moody's upgraded The Bank of Fukuoka Ltd's (Fukuoka Bank) baseline credit assessment (BCA) to 'Baa2' from 'Baa3', adjusted BCA to 'Baa2' from 'Baa3', and long-term issuer rating to 'A3' from 'Baa1'. In addition, Moody's revised the company's outlook to stable from positive. The rating action was triggered by the improvement in the company's parent, Fukuoka Financial Group, Inc's (FFG), tangible common equity (TCE) ratio. Moody's expect FFG's capitalization to continue to strengthen through the accumulation of retained earnings. Moody's downgraded Reliance Communications Limited's (RCOM) corporate family rating and senior secured bond rating to 'Ca' from 'Caa'. The rating outlook is negative. The rating action follows the announcement of the company's proposed debt restructuring plan – including a standstill of RCOM's debt servicing obligations for 210 days – which is currently being considered by the company's bank lenders.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.636	-0.17%	USD-SGD	1.3795	-0.15%
USD-JPY	109.410	-0.94%	EUR-SGD	1.5557	0.05%
EUR-USD	1.1277	0.20%	JPY-SGD	1.2605	0.79%
AUD-USD	0.7506	0.25%	GBP-SGD	1.7808	-0.11%
GBP-USD	1.2911	0.05%	AUD-SGD	1.0353	0.09%
USD-MYR	4.2670	0.09%	NZD-SGD	0.9907	0.46%
USD-CNY	6.7952	-0.13%	CHF-SGD	1.4338	0.15%
USD-IDR	13297	0.14%	SGD-MYR	3.0899	-0.01%
USD-VND	22723	0.02%	SGD-CNY	4.9275	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.9311	--
2M	-0.3430	--	1M	1.0842	--
3M	-0.3290	--	2M	1.1417	--
6M	-0.2560	--	3M	1.2196	--
9M	-0.1810	--	6M	1.4182	--
12M	-0.1310	--	12M	1.7257	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.21 (-0.01)	1.29 (-0.01)	-0.74 (-0.03)	-0.55 (-0.03)	-0.25 (-0.05)
5Y	1.55 (-0.01)	1.71 (-0.03)	-0.47 (-0.03)	-0.23 (-0.04)	0.92 (-0.01)
10Y	2.05 (-0.02)	2.15 (-0.04)	0.25 (-0.04)	0.67 (-0.05)	2.25 (-0.02)
15Y	2.19 (-0.01)	--	0.51 (-0.03)	1.05 (-0.05)	2.79 (-0.01)
20Y	2.27 (-0.01)	--	0.82 (-0.03)	1.37 (-0.05)	2.91 (-0.01)
30Y	2.37 (-0.02)	2.81 (-0.03)	1.12 (-0.03)	1.67 (-0.05)	3.36 (-0.05)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	90.6%	0.0%	90.6%	0.0%	0.0%
26/07/2017	90.7%	0.0%	89.2%	1.5%	0.0%
20/09/2017	93.3%	0.0%	66.7%	26.2%	0.4%
01/11/2017	93.4%	0.0%	66.2%	26.5%	0.6%
13/12/2017	95.0%	0.0%	51.3%	36.4%	7.1%
31/01/2018	95.2%	0.0%	50.0%	36.9%	7.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.19	1.67%	Copper (per mt)	5,615.2	-0.41%
Brent (per barrel)	50.12	1.31%	Nickel (per mt)	8,823.0	-0.52%
Heating Oil (per gallon)	1.4662	0.47%	Aluminium (per mt)	1,894.0	-0.08%
Gasoline (per gallon)	1.5545	1.07%			
Natural Gas (per MMBtu)	3.0420	2.01%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,738.0	-0.18%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	199.9	-6.59%
Gold (per oz)	1,294.4	1.18%			
Silver (per oz)	17.710	0.73%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,136.23	-47.81
S&P	2,429.33	-6.77
Nasdaq	6,275.06	-20.63
Nikkei 225	19,979.90	-190.92
STI	3,235.75	-2.56
KLCI	1,791.01	3.06
JCI	5,707.83	-40.40
Baltic Dry	818.00	-3.00
VIX	10.45	0.38

Financial Spread (bps)

	Value	Change
LIBOR-OIS	10.19	-0.07
EURIBOR-OIS	3.25	0.15
TED	25.18	--

Government CDS (USD)

	5Y	% Change
Germany	16.135	-0.18%
France	28.562	0.01%
Italy	176.026	-0.20%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
06/06/2017	06:45	NZ Volume of All Buildings SA QoQ	1Q	0.30%	-3.50%	1.90%	1.30%
06/06/2017	07:01	UK BRC Sales Like-For-Like YoY	May	-0.20%	-0.40%	5.60%	--
06/06/2017	07:08	PH CPI YoY	May	3.30%	3.10%	3.40%	--
06/06/2017	07:08	PH CPI NSA MoM	May	0.20%	0.10%	0.20%	--
06/06/2017	07:08	PH CPI Core YoY	May	3.00%	2.90%	3.00%	--
06/06/2017	08:00	JN Labor Cash Earnings YoY	Apr	0.30%	0.50%	-0.40%	0.00%
06/06/2017	08:00	JN Real Cash Earnings YoY	Apr	--	0.00%	-0.80%	-0.30%
06/06/2017	08:30	TA CPI YoY	May	0.60%	0.59%	0.12%	0.10%
06/06/2017	08:30	TA WPI YoY	May	0.19%	-1.12%	1.12%	1.04%
06/06/2017	09:00	NZ ANZ Commodity Price	May	--	3.20%	-0.20%	--
06/06/2017	09:30	AU BoP Current Account Balance	1Q	-A\$0.5b	-A\$3.1b	-A\$3.9b	-A\$3.5b
06/06/2017	09:30	AU Net Exports of GDP	1Q	-0.4	-0.7	0.2	--
06/06/2017	12:30	AU RBA Cash Rate Target	Jun-06	1.50%	1.50%	1.50%	--
06/06/2017	15:30	GE Markit Germany Construction PMI	May	--	55.3	54.6	--
06/06/2017	16:10	GE Markit Germany Retail PMI	May	--	55	56.2	--
06/06/2017	16:10	EC Markit Eurozone Retail PMI	May	--	52	52.7	--
06/06/2017	16:10	FR Markit France Retail PMI	May	--	53.3	51.8	--
06/06/2017	16:10	IT Markit Italy Retail PMI	May	--	45.5	48.3	--
06/06/2017	16:30	EC Sentix Investor Confidence	Jun	27.4	28.4	27.4	--
06/06/2017	17:00	EC Retail Sales MoM	Apr	0.20%	0.10%	0.30%	0.20%
06/06/2017	17:00	EC Retail Sales YoY	Apr	2.10%	2.50%	2.30%	2.50%
06/06/2017	22:00	US JOLTS Job Openings	Apr	5750	6044	5743	5785
06/06/2017	22:00	CA Ivey PMI SA	May	--	53.8	62.4	--
06/07/2017	06:00	NZ ANZ Job Advertisements MoM	May	--	-0.60%	0.40%	0.20%
06/07/2017	06:45	NZ Mfg Activity Volume QoQ	1Q	--	-0.30%	-1.80%	-2.00%
06/07/2017	06:45	NZ Mfg Activity SA QoQ	1Q	--	2.80%	0.80%	1.30%
06/07/2017	07:30	AU AiG Perf of Construction Index	May	--	--	51.9	--
06/07/2017	07:50	JN Official Reserve Assets	May	--	--	\$1242.3b	--
06/07/2017	09:30	AU GDP SA QoQ	1Q	0.30%	--	1.10%	--
06/07/2017	09:30	AU GDP YoY	1Q	1.60%	--	2.40%	--
06/07/2017	13:00	JN Leading Index CI	Apr P	104.3	--	105.5	--
06/07/2017	13:00	JN Coincident Index	Apr P	117.5	--	114.4	--
06/07/2017	14:00	GE Factory Orders MoM	Apr	-0.30%	--	1.00%	--
06/07/2017	14:00	GE Factory Orders WDA YoY	Apr	4.70%	--	2.40%	--
06/07/2017	14:30	AU Foreign Reserves	May	--	--	A\$79.9b	--
06/07/2017	15:00	MA Foreign Reserves	May-31	--	--	\$97.3b	--
06/07/2017	15:30	UK Halifax House Price 3Mths/Year	May	3.00%	--	3.80%	--
06/07/2017	15:30	UK Halifax House Prices MoM	May	-0.20%	--	-0.10%	--
06/07/2017	16:00	IT Retail Sales MoM	Apr	0.20%	--	0.00%	--
06/07/2017	16:00	IT Retail Sales YoY	Apr	0.90%	--	-0.40%	--
06/07/2017	16:00	TA Trade Balance	May	\$3.20b	--	\$2.78b	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat A	Jun-07	--	--	46489	--
06/07/2017	16:00	TA Exports YoY	May	7.00%	--	9.40%	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat B	Jun-07	--	--	53001	--
06/07/2017	16:00	TA Imports YoY	May	9.60%	--	23.50%	--
06/07/2017	16:00	SI Automobile COE Open Bid Cat E	Jun-07	--	--	52000	--
06/07/2017	16:30	EC OECD Economic Outlook					
06/07/2017	17:00	SI Foreign Reserves	May	--	--	\$260.73b	--
06/07/2017	17:00	IN RBI Repurchase Rate	Jun-07	6.25%	--	6.25%	--
06/07/2017	17:00	IN RBI Reverse Repo Rate	Jun-07	6.00%	--	6.00%	--
06/07/2017	17:00	IN RBI Cash Reserve Ratio	Jun-07	4.00%	--	4.00%	--
06/07/2017	19:00	US MBA Mortgage Applications	Jun-02	--	--	-3.40%	--
06/07/2017	20:30	CA Building Permits MoM	Apr	3.00%	--	-5.80%	--
06/07/2017		HK Foreign Reserves	May	--	--	\$400.0b	--
06/07/2017		PH Foreign Reserves	May	--	--	\$81.8b	\$82.0b
06/07/2017		CH Foreign Reserves	May	\$3046.0b	--	\$3029.5b	--
06/07/2017		ID Consumer Confidence Index	May	--	--	123.7	--
06/06/2017	06/13	VN Domestic Vehicle Sales YoY	May	--	--	-7.10%	--

Source: Bloomberg

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