

Highlights

Global	<p>The risk sentiment improved on Friday after the Italian political turmoil made a U-turn. In addition, the strong US job market data also fuelled further optimism about the economy. The Italian government was finally formed on Friday after three months of political deadlock. More importantly, a fresh round of elections was avoided. The Italian President's "gamble" to reject the Eurosceptic Economy Minister nominee paid off. The latest poll showed that more than 60% of Italians did not want to abandon the Euro. With the departure of a Eurosceptic candidate, the newly formed government is unlikely to fuel Euro Exit concerns though it may challenge the Eurozone's fiscal austerity stance. On trade tensions, US and China ended the trade talk over the weekend with no concrete deals despite the talk being described as "friendly and frank" by US Commerce Secretary Ross. China failed to obtain the commitment from Washington to stop going ahead with its tariff threats which was unexpectedly revived last week ahead of the trade talks. In a unilateral statement, China said it will not comply with any deal if US decides to go ahead with tariff after 15 June. Market will continue to watch out for how President Trump wants to play his unpredictability card, which will be the new normal for global diplomatic relationships. The road ahead is expected to remain bumpy.</p>
US	<p>Job growth accelerated in May while unemployment rate fell to its 18-year low of 3.8%, highlighting US' economic resilience and tighter labour market. Nonfarm payrolls rose 223k last month while average hourly earnings also gained for its seventh consecutive month into May 2018.</p>
CN	<p>On policy, China announced fresh measures to deepen its de-leverage campaign. The latest measure targets the syndicated loan to big companies, which will discourage bank's excessive credit exposure to large companies via syndicated loan. Additionally, the central bank announced to expand its scope of collateral for its medium term lending facility. We think the latest expansion is positive for market sentiment.</p>
KR	<p>BOK governor Lee Ju-yeol cited the risk of "sudden capital outflows and market unrest (that) can happen at any time" in events when advanced economies normalise their respective monetary policies. He added that it is "important to coordinate monetary and macroprudential policies" to ensure financial stability.</p>
CMD	<p>The WTI-Brent spread widened further, fuelled by a substantial drop in WTI futures over the weekend. Oil prices have been battered down over several trading days since last week on expectations on higher oil supplies into 2H18, though dollar strength seen over the said period could have also contributed to higher prices. Note that WTI is near our average year-end outlook of \$65/bbl, though Brent's considerable premium to WTI at \$10.98/bbl appears to be uncomfortably elevated and must be deliberated should it persist into year-end. Further dollar strength also left precious metal prices lower (ex-palladium which rose 1.5%), but note recent CFTC positioning data which showed money managers accumulating the most net-long bets in gold and other defensive commodities like sugar and grains, suggesting that risk-off appetite could eventually lead gold prices higher into the week ahead.</p>

Major Market

- **US:** Wall Street rose Friday as positive labour data boosted investors' risk taking sentiment. Nonfarm payrolls rose to 223k, surpassing market expectations of 190k. Similarly, unemployment dropped to 3.8% in May, as compared with April's 3.9%, to reach its lowest since 2000. However, trade tensions still continue to loom and pose a threat to the rather sanguine outlook. Market will be watching in anticipation for any further escalation on the trade front. Furthermore, G7 members meet this week in Quebec for the G7 summit. Of late, finance ministers of the G7 allies released a sharply worded statement taking aim at the Trump administration's metal import tariffs prior to the summit. Overall, the Dow Jones advanced 0.9%. Similarly, the S&P 500 as well as the Nasdaq composite added 1.08% and 1.51% respectively. VIX settled back down at 13.46 as compared with Thursday's 15.43. Meanwhile, the 2y and 10y treasury yields rose 4bps to close up at 2.480% and 2.902%, respectively.
- **Singapore:** The STI index slid 0.02% to continue a three-session streak of declines, closing down at 3,427.51 on Friday. Counters in focus include Yangzijiang Shipbuilding Holdings Ltd (+6.74%) and Singapore Press Holdings Ltd (+2.68%). Meanwhile, losses registered by Hutchison Port Holdings Trust (-1.82%) and CapitaLand Commercial Trust (-1.17%) dragged the index lower. The index may trade firmer today amid positive cues from Wall Street and morning gains in Nikkei and Kospi.
- **China:** However, the expansion of the central bank's scope of collateral for its medium term lending facility may also create confusion, which may downplay market expectation on reserve requirement ratio cut as the expansion of collateral seems meaningless if China continues to cut the RRR to swap MLF to reduce the total outstanding of MLFs. There is one similar motivation behind both non-relevant policy announcements on Friday which China wants to further support SMEs funding.
- **Indonesia:** The manufacturing PMI rose to a 23-month high of 51.7 in May with growth underpinned by the fastest rise in new orders since July 2014. This was apparently driven by stronger domestic demand based on anecdotal evidence. Inflationary pressures also picked up with the input costs rising at the sharpest rate in over two-and-a-half years. Optimism surrounding business prospects in the next 12 months strengthened to a three-months high.
- **Malaysia:** The manufacturing PMI fell to an 11-month low of 47.6 in May. This was predominantly driven by the sharpest fall in new business since December 2016. New export orders fell for the fourth successive month in a row. However, the rate of decline moderated to the weakest in three months. Business sentiment though remained above the historical average. Meanwhile, according to Bloomberg, Moody's has said that they are still clarifying the ministry's 80% estimate but they also mentioned the fact that it doesn't seem to include new debt suggests no rating implication.
- **Thailand:** Inflation rose faster than expected by 1.49% y/y (+0.56% momsa) in May, while core inflation rose 0.80%. This is higher up from our call for headline inflation to climb 1.2%. Accounting for May's inflation, it marks the third month of acceleration in CPI, and is at its highest since Jan 2017. Unsurprisingly, higher energy prices (+7.7% y/y), which consequently led transport prices higher (+3.3% y/y) were the key inflation drivers last month. Additionally, former deputy premier Suthep Thaugsuban, who formerly vowed to never return to politics, reportedly applied to join the Action Coalition of Thailand (ACT) Party, according to The Nation.

- **Macau:** The growth of gross gaming revenue decelerated from April's 27.6% yoy to 12.1% yoy in May. High base effect is set to decelerate the gaming revenue growth in the coming months. However, it will not derail the revival of the gaming sector. Tourism activities are set to improve further on the back of Asia's sustained growth, a weaker MOP and infrastructure improvement. This would bring more recreational gamblers to the city. As such, even if VIP segment is facing policy risks, overall gaming performance could remain resilient. We hold onto our view that gross gaming revenue will advance by 10%-15% in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with swap rates trading 3bps higher across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 9bps to 460bps. 10Y UST yield rose 4bps to 2.90%, on the back of better-than-expected non-farm payrolls data reported last Friday.
- **New issues:** China Construction Bank Corp Hong Kong Branch has priced a USD1.5bn deal across two-tranches with the USD900mn 3-year FRN priced at 3mL+73bps, tightening from its initial price guidance of 3mL+100bps and the USD600mn 5-year FRN priced at 3mL+83bps, tightening from its initial price guidance of 3mL+110bps. Sichuan Development Holding Co Ltd has scheduled for investor meetings from 4 June for its potential USD bond issuance. Harbin Investment Group Co Ltd has scheduled for investor meetings from 4 June for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.156	0.19%	USD-SGD	1.3396	0.15%
USD-JPY	109.540	0.66%	EUR-SGD	1.5611	-0.19%
EUR-USD	1.1659	-0.29%	JPY-SGD	1.2225	-0.55%
AUD-USD	0.7569	0.01%	GBP-SGD	1.7860	0.40%
GBP-USD	1.3346	0.36%	AUD-SGD	1.0131	0.08%
USD-MYR	3.9790	-0.02%	NZD-SGD	0.9353	-0.13%
USD-CNY	6.4204	0.15%	CHF-SGD	1.3562	-0.05%
USD-IDR	13896	--	SGD-MYR	2.9731	-0.12%
USD-VND	22789	-0.07%	SGD-CNY	4.7982	0.23%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	-0.0020	O/N	1.7120	0.0004
2M	-0.3390	--	1M	2.0047	0.0040
3M	-0.3210	--	2M	2.1113	0.0044
6M	-0.2690	--	3M	2.3178	-0.0034
9M	-0.2130	--	6M	2.4744	0.0006
12M	-0.1840	--	12M	2.7241	0.0060

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
06/13/2018	100.0%	84.0%	16.0%	0.0%	0.0%
08/01/2018	100.0%	82.3%	17.4%	0.3%	0.0%
09/26/2018	100.0%	24.7%	62.8%	12.3%	0.2%
11/08/2018	100.0%	22.7%	59.7%	16.4%	1.2%
12/19/2018	100.0%	13.7%	44.9%	33.6%	7.3%
01/30/2019	100.0%	12.8%	43.1%	34.3%	8.8%

Equity and Commodity

Index	Value	Net change
DJIA	24,635.21	219.37
S&P	2,734.62	29.35
Nasdaq	7,554.33	112.22
Nikkei 225	22,171.35	-30.47
STI	3,427.51	-0.67
KLCI	1,756.38	15.76
JCI	5,983.59	--
Baltic Dry	1,156.00	66.00
VIX	13.46	-1.97

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-)	2.47 (+0.04)
5Y	2.29 (-0.01)	2.75 (+0.05)
10Y	2.56 (-0.02)	2.90 (+0.04)
15Y	2.82 (-0.03)	--
20Y	2.86 (-0.02)	--
30Y	2.93 (-0.02)	3.05 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	42.03	2.35
EURIBOR-OIS	3.86	0.96
TED	41.32	-1.86

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	65.81	-1.83%	Copper (per mt)	6,831.0	1.09%
Brent (per barrel)	76.79	-1.03%	Nickel (per mt)	15,388.5	1.47%
Heating Oil (per gallon)	2.1763	-0.69%	Aluminium (per mt)	2,318.0	0.86%
Gasoline (per gallon)	2.1434	-0.78%			
Natural Gas (per MMBtu)	2.9620	0.34%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,439.0	0.41%
			Rubber (JPY/KG)	189.4	-0.79%
Precious Metals	Futures	% chg			
Gold (per oz)	1,299.3	-0.41%			
Silver (per oz)	16.441	-0.10%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 29 May 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	112,754	77,410	35,344	Nymex Crude	654,148	680,342	-26,194
Sugar	-11,611	-44,286	32,675	Corn	316,976	334,162	-17,186
Wheat	27,264	17,996	9,268	RBOB Gasoline	105,123	110,651	-5,528
Soybean	131,736	127,823	3,913	Lean Hogs	-11,151	-8,377	-2,774
Cotton	124,094	121,308	2,786	Copper	36,082	37,324	-1,242
Platinum	4,413	1,919	2,494	Palladium	10,032	10,801	-769
Natural Gas	-62,450	-64,455	2,005	Cocoa	59,065	59,443	-378
Live Cattle	21,414	19,776	1,638	Heating Oil	43,837	43,232	605
Coffee	-36,596	-37,808	1,212	Silver	15,582	14,508	1,074

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/01/2018 06:30	AU AiG Perf of Mfg Index	May	--	57.5	58.3	--
06/01/2018 06:45	NZ Terms of Trade Index QoQ	1Q	-2.00%	-1.90%	0.80%	1.50%
06/01/2018 07:00	SK GDP YoY	1Q F	2.80%	2.80%	2.80%	--
06/01/2018 07:00	SK CPI YoY	May	1.70%	1.50%	1.60%	--
06/01/2018 07:50	JN Capital Spending YoY	1Q	3.10%	3.40%	4.30%	--
06/01/2018 08:00	SK Exports YoY	May	10.50%	13.50%	-1.50%	--
06/01/2018 08:00	SK Imports YoY	May	10.00%	12.60%	14.50%	--
06/01/2018 08:00	SK Trade Balance	May	\$6600m	\$6731m	\$6611m	\$6609m
06/01/2018 08:30	JN Nikkei Japan PMI Mfg	May F	--	52.8	52.5	--
06/01/2018 08:30	SK Nikkei South Korea PMI Mfg	May	--	48.9	48.4	--
06/01/2018 08:30	TA Nikkei Taiwan PMI Mfg	May	--	53.4	54.8	--
06/01/2018 08:30	VN Nikkei Vietnam PMI Mfg	May	--	53.9	52.7	--
06/01/2018 09:45	CH Caixin China PMI Mfg	May	51.2	51.1	51.1	--
06/01/2018 11:30	TH CPI YoY	May	1.30%	1.49%	1.07%	--
06/01/2018 11:30	TH CPI Core YoY	May	0.69%	0.80%	0.64%	--
06/01/2018 13:00	IN Nikkei India PMI Mfg	May	--	51.2	51.6	--
06/01/2018 13:00	JN Vehicle Sales YoY	May	--	-0.60%	0.50%	--
06/01/2018 14:30	AU Commodity Index SDR YoY	May	--	3.60%	-1.40%	-1.80%
06/01/2018 14:30	AU Commodity Index AUD	May	--	109.3	109	108.6
06/01/2018 15:30	TH Foreign Reserves	May-25	--	\$212.5b	\$213.3b	--
06/01/2018 15:45	IT PMI	May	53	52.7	53.5	--
06/01/2018 15:50	FR Markit France Manufacturing PMI	May F	55.1	54.4	55.1	--
06/01/2018 15:55	GE Markit Germany Manufacturing PMI	May F	56.8	56.9	56.8	--
06/01/2018 16:00	EC Markit Eurozone Manufacturing PMI	May F	55.5	55.5	55.5	--
06/01/2018 16:00	IT GDP WDA QoQ	1Q F	0.30%	0.30%	0.30%	--
06/01/2018 16:30	UK Markit UK PMI Manufacturing SA	May	53.5	54.4	53.9	--
06/01/2018 20:30	US Change in Nonfarm Payrolls	May	190k	223k	164k	159k
06/01/2018 20:30	US Change in Manufact. Payrolls	May	20k	18k	24k	25k
06/01/2018 20:30	US Unemployment Rate	May	3.90%	3.80%	3.90%	--
06/01/2018 21:30	CA Markit Canada Manufacturing PMI	May	--	56.2	55.5	--
06/01/2018 21:45	US Markit US Manufacturing PMI	May F	56.6	56.4	56.6	--
06/01/2018 22:00	US Construction Spending MoM	Apr	0.80%	1.80%	-1.70%	--
06/01/2018 22:00	US ISM Manufacturing	May	58.2	58.7	57.3	--
06/01/2018 22:00	US ISM Prices Paid	May	78	79.5	79.3	--
06/01/2018 06/02	US Wards Total Vehicle Sales	May	16.70m	16.81m	17.07m	--
06/02/2018 00:00	IT New Car Registrations YoY	May	--	-2.78%	6.47%	6.70%
06/02/2018 01:28	IT Budget Balance	May	--	-7.9b	-3.1b	--
06/04/2018 07:50	JN Monetary Base YoY	May	--	--	7.80%	--
06/04/2018 08:30	ID Nikkei Indonesia PMI Mfg	May	--	--	51.6	--
06/04/2018 09:00	AU Melbourne Institute Inflation MoM	May	--	--	0.50%	--
06/04/2018 09:00	AU Melbourne Institute Inflation YoY	May	--	--	2.00%	--
06/04/2018 09:00	PH Unemployment Rate	Apr	--	--	5.30%	--
06/04/2018 09:30	AU ANZ Job Advertisements MoM	May	--	--	-0.20%	--
06/04/2018 09:30	AU Retail Sales MoM	Apr	0.30%	--	0.00%	--
06/04/2018 12:00	ID CPI Core YoY	May	2.80%	--	2.69%	--
06/04/2018 12:00	ID CPI YoY	May	3.29%	--	3.41%	--
06/04/2018 16:30	UK Markit/CIPS UK Construction PMI	May	52	--	52.5	--
06/04/2018 17:00	EC PPI MoM	Apr	0.20%	--	0.10%	--
06/04/2018 21:00	SI Electronics Sector Index	May	--	--	52.2	--
06/04/2018 21:00	SI Purchasing Managers Index	May	53	--	52.9	--
06/04/2018 22:00	US Factory Orders	Apr	-0.50%	--	1.60%	--
06/04/2018 22:00	US Durable Goods Orders	Apr F	--	--	-1.70%	--
06/04/2018 22:00	US Durables Ex Transportation	Apr F	--	--	0.90%	--
06/04/2018 22:00	US Cap Goods Orders Nondef Ex Air	Apr F	--	--	1.00%	--
06/04/2018 22:00	US Cap Goods Ship Nondef Ex Air	Apr F	--	--	0.80%	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p>

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