

Highlights

| | |
|---------------|---|
| Global | <p>With China responding to US' tariff proposals with a tit-for-tat US\$50 billion of reciprocal tariffs (including airplanes, automobiles and soybeans), financial markets were clearly unnerved by the prospect of a trade war yesterday afternoon. Overnight, Wall Street opened lower but recovered after US White House National Economic Council Director Larry Kudlow attempted to do damage control by reassuring that "remember, none of the tariffs have been put in place yet. These are all proposals" and Chinese ambassador to the US Cui Tiankai also opined that "negotiations would still be our preference, but it takes two to tango". Note President Trump had also tweeted "we are not in a trade war with China, that war was lost many years ago by the foolish, or incompetent, people who represented the US" and "now we have a trade deficit of \$500 billion a year, with Intellectual Property theft of another \$300 billion. We cannot let this continue!" As risk appetite recovered from the initial shock from China's returning tariff shot, US Treasuries and the USD also fell. Asian bourses may attempt to recoup yesterday's declines but possibly tread water today awaiting further newsflow on the US-China trade tensions. While there is a full economic data calendar ahead, comprising US' initial jobless claims, trade deficit, Challenger job cuts, German factory orders, EZ/UK' service/composite PMIs and Malaysia's trade, the market focus may be squarely on the US-China trade spat as well as RBI's policy decision (likely static). Speakers include Fed's Bostic.</p> |
| US | <p>US' factory orders rose 1.2% in Feb, recovering from a revised 1.3% decline in Jan, but missing market expectations for 1.7%. Meanwhile, the non-manufacturing ISM fell from 59.5 in Feb to 58.8, but remained in expansionary territory. The ADP private payrolls rose 241k (beating expectations) after an upwardly revised 246k gain in Feb, which suggests that the labour market remains healthy.</p> |
| SG | <p>S'pore's whole economy PMI retreated from 55.3 in Feb to 53.7 in Mar, amid slower increase in output, new orders and employment and optimism dipped to a six-month low. Cost pressures also cooled amid the slowing momentum. COE premiums were mixed in the latest tender.</p> |
| CH | <p>The Commerce Department announced reciprocal measures within one day from the proposed list released by the USTR. The swift tit-for-tat move, which will target 106 US products worth about US\$50 billion, has exceeded our expectation as China has clearly shown its hand via announcing a tax on top US exports to China such as soybean, vehicles and small aeroplanes. Nevertheless, as China's tariff has not taken effect, the "war that will end war" strategy may force both sides back to the negotiating table.</p> |
| CMD | <p>The threat of further escalation in trade tensions left growth-related commodities in the doldrums. Crude oil prices did attempt to retrace back from its losses as market-watchers digested the unexpected decline in US crude oil stocks (-4.6 million barrels), but remained lower vs previous close. As mentioned in our previous writings, watch out for higher refinery utilisation rates into the weeks ahead as the US refining season picks up into April following the end of maintenance. Gold rose to \$1,340/oz as part of safe haven buying and may continue to stay supported given the recent escalation of tensions.</p> |

Major Market

- **US:** Equities recovered early losses and inched higher as investors digested the aftermath of China's imposing of 25% of tariffs on \$50bn worth of US imports. In the latest trade tension developments, investors are positing that the swift tit-for-tat moves are merely posturing by both parties – keeping in mind that the tariffs are not effective yet. The Dow, Nasdaq and S&P500 all registered gains to rise 0.96%, 1.45% and 1.16%, respectively. VIX fell to 20.06, compared with 21.20 on Tuesday. Meanwhile, the 2y and 10y benchmark yields for US Treasuries rose to 2.292% and 2.803, respectively.
- The services and composite PMIs prints for Mar were revised marginally lower to 54.0 and 54.2 respectively, while the final Feb durables goods orders were revised to 3.0%.
- Fed's Bullard warned that the escalating US-China trade dispute "increases the uncertainty around the forecast" and "present some downside risk, but generally speaking it is too early to tell what the actual impact will be on the US economy". Meanwhile, the Trump administration is said to have softened a key NAFTA demand for more North American content in car manufacturing, with five categories, that could be a concession to the NAFTA talks.
- **Singapore:** The STI slumped 2.12% to close at 3339.7 yesterday, joining the sea of red ink across Asian bourses amid a kneejerk reaction to China's return shot on tariffs to the US. Given market hopes for US-China negotiations to head off a potential trade war, the overnight recovery in Wall Street has prompted Nikkei and Kospi to open further this morning and STI may follow suit. STI may trade in a 3340-3380 range today. With UST bond yields higher by up to 3bps overnight, led by the longer tenors, SGS bonds are likely to trade lower today as risk appetite stabilises.
- **Indonesia:** The DRI consumer confidence index rebounded to increase to 100.8 in March (Feb 2018: 97.3) as consumers gave more positive assessments on current economic conditions and job market. Concern about high foodstuff prices had also fallen to 74.4 (Feb 2018: 78.2). Consumer confidence in regard to the government's ability to carry out its duties remained strong at 107.6 (Feb 2018: 103.5). Meanwhile, Senior Deputy Governor Mirza Adityaswara said that a rate hike is not needed at this stage as inflation remains low.
- **Thailand:** Watch out for consumer confidence and foreign reserve data later today.
- **Commodities:** In Asia, palm oil prices pointed north as investors likely view recent Chinese decision to impose tariffs on US soy to eventually boost Chinese demand for Asia's palm as a viable substitute.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the swap rates for the shorter tenors trading 1bps lower while the longer tenors trading 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 125bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 2bps to 354bps. 10Y UST yield ended 3bps higher at 2.80%, after initially trading lower than 2.75% intraday on escalating trade war concerns, mirroring the rally seen in US equity markets in the latter part of the day.
- **New issues:** Megaworld Corp has priced a USD200mn Perp NC5 bond at 5.375%, tightening from its initial guidance of 6%. DBS Group Holdings Ltd has priced a EUR600mn 10NC5 Tier 2 bond at MS+120bps, tightening from its initial guidance of

MS+120/125bps. Societe Generale SA (SOCGEN) has priced a USD1.25bn AT1 NC10 at 6.75%, tightening from its initial price guidance of 6.875%. Bank Of China has also mandated various banks for a multi-currency (USD, EUR, GBP and/or AUD), multi tranche deal.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 90.142 | -0.06% | USD-SGD | 1.3122 | 0.05% |
| USD-JPY | 106.780 | 0.16% | EUR-SGD | 1.6110 | 0.11% |
| EUR-USD | 1.2278 | 0.07% | JPY-SGD | 1.2289 | -0.11% |
| AUD-USD | 0.7716 | 0.40% | GBP-SGD | 1.8473 | 0.20% |
| GBP-USD | 1.4079 | 0.16% | AUD-SGD | 1.0125 | 0.46% |
| USD-MYR | 3.8693 | 0.09% | NZD-SGD | 0.9586 | 0.73% |
| USD-CNY | 6.3033 | 0.21% | CHF-SGD | 1.3656 | -0.16% |
| USD-IDR | 13766 | 0.01% | SGD-MYR | 2.9450 | -0.16% |
| USD-VND | 22822 | 0.08% | SGD-CNY | 4.8024 | 0.06% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3720 | -- | O/N | 1.6994 | -- |
| 2M | -0.3410 | -- | 1M | 1.8775 | -- |
| 3M | -0.3280 | -- | 2M | 1.9979 | -- |
| 6M | -0.2700 | -- | 3M | 2.3208 | -- |
| 9M | -0.2200 | -- | 6M | 2.4599 | -- |
| 12M | -0.1900 | -- | 12M | 2.6700 | -- |

Fed Rate Hike Probability

| Meeting | Prob Hike | 1.75-2 | 2-2.25 | 2.25-2.5 | 2.5-2.75 |
|------------|-----------|--------|--------|----------|----------|
| 05/02/2018 | 27.8% | 27.8% | 0.0% | 0.0% | 0.0% |
| 06/13/2018 | 79.9% | 59.9% | 20.1% | 0.0% | 0.0% |
| 08/01/2018 | 80.8% | 58.2% | 21.7% | 0.8% | 0.0% |
| 09/26/2018 | 91.9% | 35.7% | 42.8% | 12.9% | 0.5% |
| 11/08/2018 | 92.6% | 33.4% | 42.3% | 15.4% | 1.5% |
| 12/19/2018 | 95.2% | 24.1% | 39.1% | 25.0% | 6.5% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|---------|--------|-------------------------|----------|--------|
| WTI (per barrel) | 63.37 | -0.22% | Copper (per mt) | 6,637.0 | -1.73% |
| Brent (per barrel) | 68.02 | -0.15% | Nickel (per mt) | 13,101.5 | -2.37% |
| Heating Oil (per gallon) | 1.9773 | -0.89% | Aluminium (per mt) | 1,975.3 | 0.51% |
| Gasoline (per gallon) | 1.9768 | 0.14% | | | |
| Natural Gas (per MMBtu) | 2.7180 | 0.78% | | | |
| | | | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,454.0 | 0.74% |
| | | | Rubber (JPY/KG) | 179.6 | -0.28% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,340.2 | 0.22% | | | |
| Silver (per oz) | 16.254 | -0.84% | | | |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 24,264.30 | 230.94 |
| S&P | 2,644.69 | 30.24 |
| Nasdaq | 7,042.11 | 100.83 |
| Nikkei 225 | 21,319.55 | 27.26 |
| STI | 3,339.70 | -72.45 |
| KLCI | 1,815.94 | -34.84 |
| JCI | 6,157.10 | -71.92 |
| Baltic Dry | 1,016.00 | -- |
| VIX | 20.06 | -1.04 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.77 (-0.02) | 2.29 (+0.01) |
| 5Y | 2.04 (-0.03) | 2.62 (+0.02) |
| 10Y | 2.31 (-0.01) | 2.80 (+0.03) |
| 15Y | 2.59 (-0.01) | -- |
| 20Y | 2.64 (-) | -- |
| 30Y | 2.78 (-0.02) | 3.04 (+0.02) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 59.12 | 0.78 |
| EURIBOR-OIS | 3.23 | 0.13 |
| TED | 58.71 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|-------------------------------------|---------------|-----------------|---------------|-----------------|---------------|
| 04/04/2018 05:00 | SK Foreign Reserves | Mar | -- | \$396.75b | \$394.80b | -- |
| 04/04/2018 08:30 | JN Nikkei Japan PMI Services | Mar | -- | 50.9 | 51.7 | -- |
| 04/04/2018 08:30 | JN Nikkei Japan PMI Composite | Mar | -- | 51.3 | 52.2 | -- |
| 04/04/2018 09:30 | AU Building Approvals MoM | Feb | -5.00% | -6.20% | 17.10% | 17.20% |
| 04/04/2018 09:30 | AU Retail Sales MoM | Feb | 0.30% | 0.60% | 0.10% | 0.20% |
| 04/04/2018 09:45 | CH Caixin China PMI Composite | Mar | -- | 51.8 | 53.3 | -- |
| 04/04/2018 09:45 | CH Caixin China PMI Services | Mar | 54.5 | 52.3 | 54.2 | -- |
| 04/04/2018 16:00 | SI Automobile COE Open Bid Cat A | Apr-04 | -- | 37000 | 38000 | -- |
| 04/04/2018 16:00 | SI Automobile COE Open Bid Cat B | Apr-04 | -- | 37605 | 37010 | -- |
| 04/04/2018 16:30 | UK Markit/CIPS UK Construction PMI | Mar | 51 | 47 | 51.4 | -- |
| 04/04/2018 17:00 | EC Unemployment Rate | Feb | 8.50% | 8.50% | 8.60% | -- |
| 04/04/2018 17:00 | EC CPI Core YoY | Mar A | 1.10% | 1.00% | 1.00% | -- |
| 04/04/2018 17:00 | EC CPI Estimate YoY | Mar | 1.40% | 1.40% | 1.20% | 1.10% |
| 04/04/2018 19:00 | US MBA Mortgage Applications | Mar-30 | -- | -3.30% | 4.80% | -- |
| 04/04/2018 20:15 | US ADP Employment Change | Mar | 210k | 241k | 235k | 246k |
| 04/04/2018 21:45 | US Markit US Services PMI | Mar F | 54.2 | 54 | 54.1 | -- |
| 04/04/2018 21:45 | US Markit US Composite PMI | Mar F | -- | 54.2 | 54.3 | -- |
| 04/04/2018 22:00 | US ISM Non-Manf. Composite | Mar | 59 | 58.8 | 59.5 | -- |
| 04/04/2018 22:00 | US Factory Orders | Feb | 1.70% | 1.20% | -1.40% | -1.30% |
| 04/04/2018 22:00 | US Durable Goods Orders | Feb F | -- | 3.00% | 3.10% | -- |
| 04/04/2018 22:00 | US Durables Ex Transportation | Feb F | -- | 1.00% | 1.20% | -- |
| 04/04/2018 22:00 | US Cap Goods Orders Nondef Ex Air | Feb F | -- | 1.40% | 1.80% | -- |
| 04/04/2018 22:00 | US Cap Goods Ship Nondef Ex Air | Feb F | -- | 1.40% | 1.40% | -- |
| 04/05/2018 01:00 | NZ QV House Prices YoY | Mar | -- | 7.30% | 6.50% | -- |
| 04/05/2018 07:00 | SK BoP Current Account Balance | Feb | -- | \$4027.3m | \$2680.4m | -- |
| 04/05/2018 07:50 | JN Japan Buying Foreign Bonds | Mar-30 | -- | -- | ¥790.1b | -- |
| 04/05/2018 07:50 | JN Foreign Buying Japan Bonds | Mar-30 | -- | -- | ¥2174.1b | -- |
| 04/05/2018 07:50 | JN Foreign Buying Japan Stocks | Mar-30 | -- | -- | ¥2161.6b | -- |
| 04/05/2018 09:00 | NZ ANZ Commodity Price | Mar | -- | -- | 2.80% | -- |
| 04/05/2018 09:30 | AU Trade Balance | Feb | A\$725m | -- | A\$1055m | -- |
| 04/05/2018 12:00 | MA Trade Balance MYR | Feb | 8.50b | -- | 9.71b | -- |
| 04/05/2018 12:00 | MA Exports YoY | Feb | 8.00% | -- | 17.90% | -- |
| 04/05/2018 13:00 | IN Nikkei India PMI Services | Mar | -- | -- | 47.8 | -- |
| 04/05/2018 13:00 | IN Nikkei India PMI Composite | Mar | -- | -- | 49.7 | -- |
| 04/05/2018 14:00 | GE Factory Orders MoM | Feb | 1.50% | -- | -3.90% | -- |
| 04/05/2018 15:30 | TH Foreign Reserves | Mar-30 | -- | -- | \$215.4b | -- |
| 04/05/2018 15:45 | IT Markit/ADACI Italy Services PMI | Mar | 53.9 | -- | 55 | -- |
| 04/05/2018 15:45 | IT Markit/ADACI Italy Composite PMI | Mar | 54.9 | -- | 56 | -- |
| 04/05/2018 15:50 | FR Markit France Services PMI | Mar F | 56.8 | -- | 56.8 | -- |
| 04/05/2018 15:50 | FR Markit France Composite PMI | Mar F | 56.2 | -- | 56.2 | -- |
| 04/05/2018 15:55 | GE Markit Germany Services PMI | Mar F | 54.2 | -- | 54.2 | -- |
| 04/05/2018 15:55 | GE Markit/BME Germany Composite PMI | Mar F | 55.4 | -- | 55.4 | -- |
| 04/05/2018 16:00 | EC Markit Eurozone Services PMI | Mar F | 55 | -- | 55 | -- |
| 04/05/2018 16:00 | EC Markit Eurozone Composite PMI | Mar F | 55.3 | -- | 55.3 | -- |
| 04/05/2018 16:30 | UK Markit/CIPS UK Services PMI | Mar | 54 | -- | 54.5 | -- |
| 04/05/2018 16:30 | UK Markit/CIPS UK Composite PMI | Mar | 54 | -- | 54.5 | -- |
| 04/05/2018 17:00 | EC PPI MoM | Feb | 0.00% | -- | 0.40% | -- |
| 04/05/2018 17:00 | EC Retail Sales MoM | Feb | 0.50% | -- | -0.10% | -- |
| 04/05/2018 17:00 | IN RBI Repurchase Rate | Apr-05 | 6.00% | -- | 6.00% | -- |
| 04/05/2018 17:00 | IN RBI Reverse Repo Rate | Apr-05 | 5.75% | -- | 5.75% | -- |
| 04/05/2018 17:00 | IN RBI Cash Reserve Ratio | Apr-05 | 4.00% | -- | 4.00% | -- |
| 04/05/2018 20:30 | CA Int'l Merchandise Trade | Feb | -2.10b | -- | -1.91b | -- |
| 04/05/2018 20:30 | US Initial Jobless Claims | Mar-31 | 225k | -- | 215k | -- |
| 04/05/2018 20:30 | US Continuing Claims | Mar-24 | 1843k | -- | 1871k | -- |
| 04/05/2018 20:30 | US Trade Balance | Feb | -\$56.8b | -- | -\$56.6b | -- |
| 04/05/2018 21:45 | US Bloomberg Consumer Comfort | Apr-01 | -- | -- | 56.8 | -- |

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>Wong Liang Mian (Nick) NickWong@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> |

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 Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).