

Highlights

Global	<p>Global risk appetite appears to be on the uptick amid positive cues from Wall Street which climbed to a 7-week high overnight and subdued US inflation prints. Meanwhile, BOE held rates static in a 7-2 vote and cut its growth and inflation forecasts, albeit governor Carney opined that “an ongoing, modest tightening of monetary policy over the forecast period will be appropriate to return inflation sustainably to its target”. While BNM kept the OPR static at 3.25%, market attention was on 92-year old Tun Dr Mahathir Mohamad who was sworn in as the prime minister and his assurance that “our concern over the economy is the main thing” may go some way to alleviating initial market concerns about the political transition. If well-managed, Malaysian financial market may trade with a relatively stable tone on Monday when they reopen. Separately, BSP as widely expected hiked its overnight borrowing rate and the standing overnight deposit facility by 25bps to 3.25% and 2.65% as it raised its 2018 and 2019 inflation forecasts to 4.6% and 3.4% yoy respectively. BSP governor Espenilla also sounded hawkish, citing that “risk areas that can affect our forecasts including external factors such as oil...what we’re looking at is how these developments feed into inflation expectations”.</p> <p>Asian bourses may open firmer this morning, with investors awaiting US’ University of Michigan sentiment, S’pore’s retail sales and HK’s 1Q18 GDP growth. Speakers include ECB’s Draghi and Fed’s Bullard.</p>
US	<p>US’ CPI rose less than expected by 0.2% mom (2.5% yoy) in Apr, with core CPI also tepid at 0.1% mom (2.1% yoy), which lent a hand in reassuring market that there was no urgency for the FOMC to tighten faster. The budget surplus hit a record US\$214.3b in Apr, while initial jobless claims was unchanged at 211k.</p>
CN	<p>CPI decelerated to 1.8% yoy in April from 2.1% yoy in March as a result of weaker than expected food prices. Since the beginning of the year, pork price has fallen by about 30%. The impact of higher oil prices may be offset by the weaker food prices. We think inflationary pressure is likely to remain muted in the coming months due to weak food prices. Nevertheless the low base effect, which is expected to peak in June, is likely to provide the floor for CPI. We expect CPI to hover around the current level for the coming months.</p>
MA	<p>Mahathir Mohamad was sworn in as the new Prime Minister yesterday. Leaders of Pakatan Harapan will also be meeting today to discuss cabinet appointments. Meanwhile, BNM held interest rates as expected.</p>
SI	<p>US president Trump will meet North Korean leader Kim Jong Un on 12 June in Spore. Trump tweeted that “we will both try to make it a very special moment for World Peace!”</p>
CMD	<p>Market-watchers likely lifted oil prices further given the geopolitical risk premiums as uncertainty looms over Iran’s future supply following US’ pull-back from the nuclear deal. Moreover, note that Syria allegedly fired 20 missiles against Israel, following the latter’s retaliation to hit Iranian infrastructure in Syria, although gold prices did rally by a rather minute 0.7%. Oil prices rose: WTI (+0.31% to \$71.36/bbl) and Brent (+0.34% to \$77.47/bbl) while gasoline clocked a strong 1% gain as the driving season goes underway from April through September.</p>

Major Market

- **Wall Street:** Equities was again firmer on Thursday, amid a broad-based advance that was led by telecoms and tech stocks. Overall, the S&P 500 added 0.94%, while the Dow and Nasdaq Composite gained 0.80% and 0.89% respectively. From a technical perspective, the S&P 500 may have broken through a downtrend line starting from end-January. VIX slipped further to 13.23.
- Meanwhile, softer than expected CPI prints took the wind out of the 10y UST yields. The 10y benchmark slipped to 2.966% from just above the 3% handle. The 2y yield remained static at 2.530%. If inflation prints continue to stall near recent highs, there may be limited impetus to push long-end yields higher on a sustained basis. In that context, 3.05% may prove to be a near term cap for the 10y yield.
- **Singapore:** The STI slipped 0.31% to close down at 3537.59 yesterday, but may trade firmer today given positive overnight cues from Wall Street and a stronger morning opening by Kospi. STI support and resistance are tipped 3525 and 3555 respectively. With the UST bonds rallying overnight and the yield curve flattening amid strong demand for the new 30-year bond auction, the SGS bond market may also be supported today.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with the swap rates for the shorter tenors trading 3-4bps lower while the longer tenors traded 1-2bps lower. Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little changed at 1.36% and 425bps respectively. 10Y UST yields fell 4bps to 2.96%, as inflation data came in lower than expected.
- **New Issues:** China Huadian Overseas Development 2018 Ltd has priced a USD600mn 5-year bond at CT5+125bps, tightening from its initial price guidance of CT5+150bps area. Southwest Securities International Securities Ltd has priced a USD150mn 363-day bond (keepwell provider: Southwest Securities Co Ltd) at 6.75%, in line with its initial price guidance. Excel Capital Global Ltd has priced its USD200mn PerpNC3 bond (guaranteed by Minmetals Land Ltd, keepwell provider: China Minmetals Corp) at 7%, in line with its initial price guidance. Australia and New Zealand Banking Group Ltd has priced a USD1.25bn deal across two-tranches, with the USD500mn 3-year FxD priced at CT3+65bps, tightening from its initial price guidance of CT3+70bps and the USD750mn 3-year FRN priced at 3mL+46bps, in line with its initial price guidance. HSBC Holdings PLC has priced a USD6bn senior deal across three tranches with the USD2b 3NC2 FRN priced at 3mL+60bps (tighter than initial guidance of 3mL+75bps), the USD2bn 6NC5 Fxd-to-FRN at 3mL+112bps (tighter than initial guidance of 3mL+135bps) and the USD2b 6NC5 FRN at 3mL+100bps (wider than initial guidance of 3mL equivalent).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.650	-0.42%	USD-SGD	1.3379	-0.59%
USD-JPY	109.400	-0.31%	EUR-SGD	1.5944	-0.04%
EUR-USD	1.1915	0.54%	JPY-SGD	1.2226	-0.31%
AUD-USD	0.7532	0.92%	GBP-SGD	1.8088	-0.79%
GBP-USD	1.3519	-0.21%	AUD-SGD	1.0079	0.34%
USD-MYR	3.9497	--	NZD-SGD	0.9313	-0.93%
USD-CNY	6.3492	-0.21%	CHF-SGD	1.3331	-0.50%
USD-IDR	14084	--	SGD-MYR	2.9448	0.09%
USD-VND	22769	0.00%	SGD-CNY	4.7397	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7050	--
2M	-0.3400	--	1M	1.9285	--
3M	-0.3270	--	2M	2.0864	--
6M	-0.2690	--	3M	2.3558	--
9M	-0.2190	--	6M	2.5181	--
12M	-0.1890	--	12M	2.7709	--

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%	72.0%	28.0%	0.0%	0.0%
08/01/2018	100.0%	67.5%	30.7%	1.7%	0.0%
09/26/2018	100.0%	17.7%	57.9%	23.1%	1.3%
11/08/2018	100.0%	16.2%	54.6%	26.0%	3.1%
12/19/2018	100.0%	8.5%	36.3%	39.7%	14.0%
01/30/2019	100.0%	7.6%	33.5%	39.3%	16.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	71.36	0.31%	Copper (per mt)	6,856.4	1.72%
Brent (per barrel)	77.47	0.34%	Nickel (per mt)	13,822.0	-0.34%
Heating Oil (per gallon)	2.2228	0.22%	Aluminium (per mt)	2,331.3	-1.92%
Gasoline (per gallon)	2.1890	1.00%			
Natural Gas (per MMBtu)	2.8140	2.81%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,381.0	--
			Rubber (JPY/KG)	192.9	0.63%
Precious Metals	Futures	% chg			
Gold (per oz)	1,322.3	0.71%			
Silver (per oz)	16.759	1.33%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,739.53	196.99
S&P	2,723.07	25.28
Nasdaq	7,404.98	65.07
Nikkei 225	22,497.18	88.30
STI	3,537.59	-10.95
KLCI	1,846.51	--
JCI	5,907.94	--
Baltic Dry	1,465.00	--
VIX	13.23	-0.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.99 (-0.02)	2.53 (--)
5Y	2.22 (-0.03)	2.83 (-0.01)
10Y	2.63 (-0.02)	2.96 (-0.04)
15Y	2.86 (-0.04)	--
20Y	2.88 (-0.04)	--
30Y	2.96 (-0.03)	3.11 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	48.73	-0.34
EURIBOR-OIS	2.30	-0.88
TED	47.90	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance
05/10/2018 05:00	NZ RBNZ Official Cash Rate	May-10	1.75%	1.75%	1.75%	-- 97.8723
05/10/2018 07:01	UK RICS House Price Balance	Apr	-1%	-8%	0%	-- 58.8235
05/10/2018 07:50	JN BoP Current Account Balance	Mar	¥2899.0b	¥3122.3b	¥2076.0b	-- 95.5556
05/10/2018 07:50	JN Trade Balance BoP Basis	Mar	¥1023.1b	¥1190.7b	¥188.7b	-- 66.8889
05/10/2018 07:50	JN Japan Buying Foreign Bonds	May-04	--	¥363.7b	--	-- 52.2222
05/10/2018 07:50	JN Foreign Buying Japan Bonds	May-04	--	¥15.4b	--	-- 47.7778
05/10/2018 07:50	JN Foreign Buying Japan Stocks	May-04	--	¥0.3b	--	-- 51.1111
05/10/2018 09:30	CH PPI YoY	Apr	3.40%	3.40%	3.10%	-- 89.1892
05/10/2018 09:30	CH CPI YoY	Apr	1.90%	1.80%	2.10%	-- 97.2973
05/10/2018 10:00	PH GDP YoY	1Q	6.80%	6.80%	6.60%	6.50% 92
05/10/2018 12:00	MA Industrial Production YoY	Mar	3.50%	3.10%	3.00%	-- 71.4286
05/10/2018 15:00	MA BNM Overnight Policy Rate	May-10	3.25%	3.25%	3.25%	-- 92.8571
05/10/2018 16:00	IT Industrial Production MoM	Mar	0.50%	1.20%	-0.50%	-- 92.1053
05/10/2018 16:00	IT Industrial Production WDA YoY	Mar	2.30%	3.60%	2.50%	-- 68.4211
05/10/2018 16:00	IT Industrial Production NSA YoY	Mar	--	-1.10%	2.40%	-- 50
05/10/2018 16:00	PH BSP Overnight Borrowing Rate	May-10	3.25%	3.25%	3.00%	-- 96
05/10/2018 16:30	UK Visible Trade Balance GBP/Mn	Mar	£11,300	£12,287	£10,203	£10,414 65.8824
05/10/2018 16:30	UK Trade Balance Non EU GBP/Mn	Mar	--	£3,639	£2,237	£2,354 61.1765
05/10/2018 16:30	UK Trade Balance	Mar	£2,000	£3,091	£965	£1,176 70.5882
05/10/2018 16:30	UK Industrial Production MoM	Mar	0.20%	0.10%	0.10%	-- 91.7647
05/10/2018 16:30	UK Industrial Production YoY	Mar	3.10%	2.90%	2.20%	2.10% 68.2353
05/10/2018 16:30	UK Manufacturing Production MoM	Mar	-0.20%	-0.10%	-0.20%	-- 87.0588
05/10/2018 16:30	UK Manufacturing Production YoY	Mar	2.90%	2.90%	2.50%	-- 60
05/10/2018 19:00	UK Bank of England Bank Rate	May-10	0.50%	0.50%	0.50%	-- 98.8235
05/10/2018 19:00	UK BOE Asset Purchase Target	May	435b	435b	435b	-- 72.9412
05/10/2018 19:00	UK NIESR GDP Estimate	Apr	--	0.10%	0.20%	0.10% 52.9412
05/10/2018 20:30	US Initial Jobless Claims	May-05	219k	211k	211k	-- 98.4375
05/10/2018 20:30	CA New Housing Price Index MoM	Mar	0.00%	0.00%	-0.20%	-- 72.093
05/10/2018 20:30	US Continuing Claims	Apr-28	1800k	1790k	1756k	1760k 68.9062
05/10/2018 20:30	US CPI MoM	Apr	0.30%	0.20%	-0.10%	-- 96.0938
05/10/2018 20:30	US CPI Ex Food and Energy MoM	Apr	0.20%	0.10%	0.20%	-- 76.875
05/10/2018 20:30	US CPI YoY	Apr	2.50%	2.50%	2.40%	-- 69.5312
05/10/2018 20:30	US CPI Ex Food and Energy YoY	Apr	2.20%	2.10%	2.10%	-- 55.4688
05/10/2018 21:45	US Bloomberg Consumer Comfort	May-06	--	55.8	56.5	-- 67.9688
05/11/2018 02:00	US Monthly Budget Statement	Apr	\$212.0b	\$214.3b	-\$208.7b	-- 76.5625
05/11/2018 05:00	NZ REINZ House Sales YoY	Apr	--	6.60%	-9.90%	-- 80.8511
05/11/2018 06:30	NZ BusinessNZ Manufacturing PMI	Apr	--	58.9	52.2	53.1 82.9787
05/11/2018 06:45	NZ Food Prices MoM	Apr	--	0.10%	1.00%	-- 87.234
05/11/2018 07:50	JN Money Stock M2 YoY	Apr	3.20%	3.30%	3.20%	3.10% 76.6667
05/11/2018 07:50	JN Money Stock M3 YoY	Apr	2.80%	2.80%	2.80%	2.60% 75.5556
05/11/2018 09:30	AU Home Loans MoM	Mar	-1.80%	--	-0.20%	-- 84.507
05/11/2018 09:30	AU Owner-Occupier Loan Value MoM	Mar	--	--	1.30%	-- 57.7465
05/11/2018 13:00	SI Retail Sales SA MoM	Mar	0.80%	--	-1.70%	-- 55.1724
05/11/2018 13:00	SI Retail Sales YoY	Mar	1.50%	--	8.60%	-- 82.7586
05/11/2018 15:30	TH Foreign Reserves	May-04	--	--	\$215.4b	-- 80.7692
05/11/2018 16:30	HK GDP YoY	1Q	3.40%	--	3.40%	-- 90.9091
05/11/2018 16:30	HK GDP SA QoQ	1Q	0.80%	--	0.80%	-- 45.4545
05/11/2018 20:00	IN Industrial Production YoY	Mar	6.10%	--	7.10%	-- 90
05/11/2018 20:30	CA Net Change in Employment	Apr	20.0k	--	32.3k	-- 86.0465
05/11/2018 20:30	CA Unemployment Rate	Apr	5.80%	--	5.80%	-- 90.6977
05/11/2018 22:30	US Import Price Index MoM	Apr	0.50%	--	0.00%	-- 78.9062
05/11/2018 22:00	US U. of Mich. Sentiment	May P	98.3	--	98.8	-- 94.5312
05/11/2018	ID BoP Current Account Balance	1Q	-\$6218m	--	-\$5761m	-- 45
05/11/2018 05/15	CH Money Supply M2 YoY	Apr	8.50%	--	8.20%	-- 83.7838
05/11/2018 05/15	CH New Yuan Loans CNY	Apr	1100.0b	--	1120.0b	-- 67.5676

Source: Bloomberg

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