

Highlights

Global	<p>Overnight news that US President Trump may be considering rejoining the TPP by tasking economic advisor Kudlow and US Trade Representative Lighthizer to take another look on whether a better deal could be negotiated, likely gave market sentiments a lift. Meanwhile, S'pore's 1Q18 GDP growth printed at 4.3% yoy (1.4% qoq saar), picking up from 4Q17's 3.6% yoy (2.1% qoq saar) and powered by manufacturing (10.1% yoy) and services growth (3.8% yoy), whereas construction remained handicapped (-4.4% yoy). MAS also tightened monetary policy settings by slightly increasing the slop of the S\$NEER policy band from 0% previously with the width and level where it is centred unchanged, citing that core inflation is expected to rise gradually over the course of 2018-2019, underpinned by an improving labour market. We read this as a pre-emptive step (a "measured adjustment" that takes into account the macroeconomic outcome uncertainties according to the MAS), after having retained the neutral policy stance since Apr16, but there is no immediate presumption for the Oct MPS in our view at this juncture as to whether a further move may be warranted unless the inflation trajectory picks up faster than expected. The MAS move is also testament to the confidence that the Singapore economy is on a steady expansion path this year, notwithstanding a possible escalation of the US-China trade dispute.</p> <p>Asian bourses may attempt to trade in a firmer range today. Today's economic data calendar comprises US' University of Michigan sentiments, China trade and money aggregates data, Eurozone's trade and German CPI. Speakers include Fed's Rosengren, Bullard and Kaplan.</p>
US	Initial jobless claims fell 9k to 233k, while the import price index was flat on-month (+3.65% yoy) in Feb amid soft petroleum prices.
SG	Retail sales unexpectedly fell for the second straight month by 1.7% mom sa in February, but jumped 8.6% yoy given that the Chinese New Year festive season fell in February this year versus January last year. Our forecast was for retail sales to expand 4.9% yoy and 1.2% mom sa in February, following a 8.4% yoy decline (-5.4% mom sa) reading in January. The main drag was motor vehicle sales which plunged by 17.5% yoy (-15.2% mom sa), matching the slump in sales of computer & telecommunications equipment (17.5% yoy and -3.3% mom sa). However, retail sales excluding autos surged 14.0% yoy in February, following a revised 7.5% yoy decline in January.
KR	Bank of Korea kept its benchmark rate unchanged at 1.50% in line with our expectations. The decision to keep its accommodative stance unchanged is likely predicated by the ongoing weak inflation climate as well as trade tensions in the horizon.
CMD	Crude oil prices were mixed overnight while gold prices plummeted as trade war concerns cool. Specifically, Trump commented that the US may be able to avoid a trade war with China if Beijing agrees to open its markets and lower tariffs. Still, Trump's latest tweet over the timing of a potential missile strike against Syria could leave market-watchers jittery into the trading day ahead. Elsewhere, aluminium prices rallied further to its highest since November 2015 as market-watchers re-evaluate the severity of the recent US sanctions against Rusal, owing to LME and CME group's decision to suspend deliveries of Rusal aluminium, while Glencore relinquished a planned share swap involving the Russian producer.

Major Market

- **US:** Equities closed in positive territory overnight, supported by a dialling down in tensions over Syria and on the trade front. Trump also appears ready to entertain the thought of re-joining the Trans-Pacific Partnership. We may expect this sort of rhetoric switching to persist from the White House, thereby imparting volatility to equity markets. The S&P 500 added 0.83%, while the Dow and Nasdaq also gained 1.21% and 1.01% respectively. VIX is lower at 18.49. Meanwhile, improving risk sentiments also led to some selling of US Treasuries. The 2y and 10y benchmark yields ended firmer by 4-5 bps at 2.348% and 2.836% respectively.
- **Singapore:** Due to the festive season and households being more willing to loosen the purse strings, some sales segments like food retailers (+61.2% yoy), wearing apparel & footwear (+42.4% yoy), department stores (+25.4% yoy), and supermarkets & hypermarkets (+24.8% yoy) did relatively better. Still it bears watching if retail sales continue to slip month-on-month now that the festive season is over. In the medium-term, the estimated proportion of online retail sales to total retail sales may also rise from around 3.9% currently.
- The STI declined 0.32% to close at 3468.61 yesterday and may open firmer this morning to trade a 3450-3500 range today, given modestly strong overnight cues from Wall Street and morning gains in Nikkei and Kospi, as investors took heart in Trump's apparently reconciliatory openness to rejoining the TPP. With UST bond yields ticking higher by up to 6bps overnight amid the improvement in risk appetite, SGS bonds may try to follow suit today.
- **Korea:** Note that the central bank highlighted that overall GDP growth is likely to grow 3% this year, although inflation will likely be around 1.6% (slightly below BOK's previous outlook at 1.7%). We opine that the reluctance to hike rates further at this juncture is prudent, given the recent disappointing trade and manufacturing numbers, although further improvement in Korea's growth outlook and ebbing geopolitical/trade war tensions could eventually persuade policy makers to inject one more rate hike before the year is up.
- **Indonesia:** Moody's has upgraded Indonesia's long-term issuer and senior unsecured ratings to Baa2 from Baa3. The outlook has also changed to stable from positive. In its rationale for the ratings upgrade to Baa2, Moody's made mention that it "expects that the focus of Indonesia's fiscal and monetary policy around preserving macroeconomic stability and building financial buffers that has become increasingly apparent in recent years will remain". The rating agency also specified that "these policies and larger financial reserves are strengthening Indonesia's capacity to respond to shocks." On its rationale for the stable outlook, Moody's said that "the stable outlook reflects balanced risks at Baa2" and "the stable outlook incorporates downside risks from political challenges to the implementation of further broad economic, fiscal and regulatory reforms."
- **Hong Kong:** A wide interest rate differential encouraged carry trade activities and finally pushed the US\$HKD to 7.85 for the first time since 2005 when the trading band was introduced. In the near term, with no significant change to the fundamentals, capital flows into HK is likely to persist and weigh down the HIBOR, especially given the expansion of stock connect quota starting May 1. On the other hand, LIBOR is expected to remain elevated due to increasing US government bond issuance and repatriation of overseas cash on US tax overhaul. Therefore, yield differential between USD and HKD

will likely remain wide and continue to suppress the HKD. With HKD to repeatedly reach the weak end, HKMA's intervention will be inevitable. However, without much capital outflow pressure, size of short HKD positions is expected to be small. This may trigger merely moderate intervention of the HKMA. Therefore, we see little chance of HIBOR jumping rapidly or HKD reversing its downtrend at this juncture.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday with swap rates for the shorter tenors flat while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 126bps while the Bloomberg Barclays Asia USD HY Bond Index average tightened 3bps to 342bps. 10Y UST yields rose 6bps to 2.83%, as President Trump dialled back his rhetoric on trade and Syria, and considered re-joining the Trans-Pacific Partnership.
- **New issues:** Westpac Banking Corp has priced a AUD225mn re-tap of its WSTP 2.5%'22s at 3m BBSW+86bps. Transurban Queensland Finance Property Ltd (TQLAU) has priced a USD500mn 10-year bond (guaranteed by Transurban Queensland Holdings Pty Ltd) at CT10+185bps, tightening from its initial price guidance of CT10+200bps area. Kunzhi Ltd (PKFOUN) has priced a USD425mn 2-year bond (guaranteed by Founder Information Hong Kong Ltd, keepwell provider: Peking University Founder Group Company Ltd) at 6.25%. Westwood Group Holdings Ltd has priced a USD1.2bn deal across two tranches (guaranteed by Yuexiu Property Co Ltd), with the USD800mn 3-year bond priced at CT3+270bps and a USD400mn 5.5-year bond at CT5+310bps, both in line with its initial price guidance. CIFI Holdings Group Co Ltd (CIFHIG) has priced a USD500mn 3NC2 bond at 6.875%, tightening from its initial price guidance of 7.25% area. Yango (Cayman) Investment Ltd has priced a USD100mn 3NCNP2 bond (guaranteed by Fujian Yango Group Co Ltd) at 11%, tightening from its initial price guidance of low 11% area. CITIC Ltd has priced a USD200mn 30-year EMTN at 5.07%. Beijing Enterprises Water Capital Management Holdings Ltd has scheduled for investor meetings from 13 Apr for its potential USD bond issuance (guaranteed by Beijing Enterprises Water Group Ltd). Atria Power Corp Pvt Ltd has plans to sell 5-year dollar bonds worth USD300-500mn.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	89.751	0.20%	USD-SGD	1.3126	0.31%
USD-JPY	107.330	0.51%	EUR-SGD	1.6180	-0.03%
EUR-USD	1.2327	-0.32%	JPY-SGD	1.2226	-0.24%
AUD-USD	0.7754	-0.01%	GBP-SGD	1.8675	0.66%
GBP-USD	1.4228	0.36%	AUD-SGD	1.0179	0.31%
USD-MYR	3.8765	0.05%	NZD-SGD	0.9681	0.50%
USD-CNY	6.2915	0.36%	CHF-SGD	1.3639	-0.19%
USD-IDR	13778	0.14%	SGD-MYR	2.9577	-0.03%
USD-VND	22788	--	SGD-CNY	4.7932	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.7019	--
2M	-0.3420	--	1M	1.8956	--
3M	-0.3290	--	2M	2.0279	--
6M	-0.2700	--	3M	2.3416	--
9M	-0.2190	--	6M	2.4725	--
12M	-0.1900	--	12M	2.7095	--

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	87.2%	64.3%	22.8%	0.0%	0.0%
08/01/2018	87.9%	61.1%	25.4%	1.4%	0.0%
09/26/2018	95.4%	30.8%	47.5%	16.2%	0.9%
11/08/2018	95.6%	29.4%	46.6%	18.0%	1.7%
12/19/2018	97.3%	19.7%	39.9%	29.0%	8.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	67.07	0.37%	Copper (per mt)	6,753.9	-1.72%
Brent (per barrel)	72.02	-0.06%	Nickel (per mt)	13,672.0	-1.07%
Heating Oil (per gallon)	2.0838	-0.43%	Aluminium (per mt)	2,371.0	5.05%
Gasoline (per gallon)	2.0546	-0.63%			
Natural Gas (per MMBtu)	2.6860	0.41%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,423.0	-0.33%
			Rubber (JPY/KG)	183.0	0.60%
Precious Metals	Futures	% chg			
Gold (per oz)	1,341.9	-1.33%			
Silver (per oz)	16.473	-1.76%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,483.05	293.60
S&P	2,663.99	21.80
Nasdaq	7,140.25	71.22
Nikkei 225	21,660.28	-26.82
STI	3,468.61	-11.15
KLCI	1,873.62	3.73
JCI	6,310.80	-50.13
Baltic Dry	979.00	--
VIX	18.49	-1.75

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (-0.02)	2.35 (+0.04)
5Y	2.05 (-0.03)	2.67 (+0.06)
10Y	2.37 (-0.01)	2.84 (+0.05)
15Y	2.64 (-0.02)	--
20Y	2.69 (-0.02)	--
30Y	2.81 (-0.02)	3.04 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	57.91	-0.47
EURIBOR-OIS	3.18	0.08
TED	63.10	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/12/2018 02:00	US	Monthly Budget Statement	Mar	-\$186.0b	-\$208.7b	-\$176.2b	--
04/12/2018 02:00	US	FOMC Meeting Minutes	Mar-21	--	--	--	--
04/12/2018 07:01	UK	RICS House Price Balance	Mar	2%	0%	0%	--
04/12/2018 07:50	JN	Money Stock M2 YoY	Mar	3.20%	3.20%	3.30%	3.20%
04/12/2018 07:50	JN	Money Stock M3 YoY	Mar	2.70%	2.80%	2.80%	2.70%
04/12/2018 07:50	JN	Japan Buying Foreign Bonds	Apr-06	--	¥609.4b	¥774.3b	--
04/12/2018 07:50	JN	Japan Buying Foreign Stocks	Apr-06	--	¥149.3b	¥173.1b	--
04/12/2018 07:50	JN	Foreign Buying Japan Bonds	Apr-06	--	¥818.9b	¥268.9b	--
04/12/2018 07:50	JN	Foreign Buying Japan Stocks	Apr-06	--	¥332.9b	¥228.8b	--
04/12/2018 08:57	SK	BoK 7-Day Repo Rate	Apr-12	1.50%	1.50%	1.50%	--
04/12/2018 09:30	AU	Home Loans MoM	Feb	-0.40%	-0.20%	-1.10%	-1.00%
04/12/2018 09:30	AU	Investment Lending	Feb	--	0.50%	1.10%	1.40%
04/12/2018 09:30	AU	Owner-Occupier Loan Value MoM	Feb	--	1.30%	0.50%	0.60%
04/12/2018 10:00	CH	Foreign Direct Investment YoY CNY	Mar	--	0.40%	0.80%	--
04/12/2018 13:00	SI	Retail Sales YoY	Feb	4.90%	8.60%	-8.40%	-7.80%
04/12/2018 14:45	FR	CPI EU Harmonized YoY	Mar F	1.70%	1.70%	1.70%	--
04/12/2018 14:45	FR	CPI YoY	Mar F	1.50%	1.60%	1.50%	--
04/12/2018 14:45	FR	CPI Ex-Tobacco Index	Mar	102.4	102.42	101.64	--
04/12/2018 15:30	TH	Foreign Reserves	Apr-06	--	\$215.8b	\$215.6b	--
04/12/2018 17:00	EC	Industrial Production SA MoM	Feb	0.10%	-0.80%	-1.00%	-0.60%
04/12/2018 17:00	EC	Industrial Production WDA YoY	Feb	3.50%	2.90%	2.70%	3.70%
04/12/2018 20:00	IN	CPI YoY	Mar	4.10%	4.28%	4.44%	--
04/12/2018 20:00	IN	Industrial Production YoY	Feb	6.80%	7.10%	7.50%	7.40%
04/12/2018 20:30	CA	Teranet/National Bank HPI MoM	Mar	--	0.00%	-0.10%	--
04/12/2018 20:30	US	Initial Jobless Claims	Apr-07	230k	233k	242k	--
04/12/2018 20:30	CA	New Housing Price Index MoM	Feb	0.10%	-0.20%	0.00%	--
04/12/2018 20:30	US	Continuing Claims	Mar-31	1843k	1871k	1808k	1818k
04/12/2018 20:30	US	Import Price Index MoM	Mar	0.10%	0.00%	0.40%	0.30%
04/12/2018 21:45	US	Bloomberg Consumer Comfort	Apr-08	--	58	57.2	--
04/13/2018 05:00	SK	Import Price Index YoY	Mar	--	3.10%	0.40%	--
04/13/2018 05:00	SK	Export Price Index YoY	Mar	--	-0.90%	-1.30%	--
04/13/2018 06:30	NZ	BusinessNZ Manufacturing PMI	Mar	--	52.2	53.4	53.3
04/13/2018 08:00	SI	GDP YoY	1Q A	4.30%	4.30%	3.60%	--
04/13/2018 08:00	SI	GDP SAAR QoQ	1Q A	1.20%	1.40%	2.10%	--
04/13/2018 10:00	CH	Trade Balance CNY	Mar	181.00b	--	224.88b	--
04/13/2018 10:00	CH	Exports YoY CNY	Mar	8.00%	--	36.20%	--
04/13/2018 10:00	CH	Imports YoY CNY	Mar	7.50%	--	-0.20%	--
04/13/2018 14:00	GE	CPI YoY	Mar F	1.60%	--	1.60%	--
04/13/2018 14:00	GE	CPI EU Harmonized YoY	Mar F	1.50%	--	1.50%	--
04/13/2018 17:00	EC	Trade Balance SA	Feb	20.2b	--	19.9b	--
04/13/2018 22:00	US	JOLTS Job Openings	Feb	6024	--	6312	--
04/13/2018 22:00	US	U. of Mich. Sentiment	Apr P	100.5	--	101.4	--
04/13/2018	CH	Trade Balance	Mar	\$27.50b	--	\$33.74b	\$33.75b
04/13/2018	CH	Exports YoY	Mar	11.80%	--	44.50%	--
04/13/2018	CH	Imports YoY	Mar	12.00%	--	6.30%	--
04/12/2018 04/15	CH	Money Supply M1 YoY	Mar	9.50%	--	8.50%	--
04/12/2018 04/15	CH	Money Supply M2 YoY	Mar	8.90%	--	8.80%	--
04/12/2018 04/15	CH	Aggregate Financing CNY	Mar	1800.0b	--	1170.0b	1173.6b
04/12/2018 04/15	CH	New Yuan Loans CNY	Mar	1175.5b	--	839.3b	--
04/12/2018 04/15	CH	Money Supply M0 YoY	Mar	7.90%	--	13.50%	--
04/13/2018 04/16	IN	Exports YoY	Mar	--	--	4.50%	--
04/13/2018 04/16	IN	Imports YoY	Mar	--	--	10.40%	--

Source: Bloomberg

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