

Highlights

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|---------------|---|
| Global | <p>Wall Street rose on optimism over the US-China trade truce, while the 10-year UST bond yield traded little changed as market players awaited the upcoming release of the 2 May FOMC minutes for a clarification of the “symmetric” phase in the last FOMC statement. Meanwhile, Fed’s Bostic opined that “in my model, I think we have two more” rate hikes this year, whereas Harker noted “it is possible, if we see an acceleration in inflation, that I could be supportive of a third” hike but “I think it’s appropriate to move rates up judiciously”. Separately, White House economic advisor Kudlow has suggested that China will step up financial sector opening, as well as meaningfully increase US agriculture and energy imports. Elsewhere, market jitters were apparent over Italy’s new government.</p> <p>Asian bourses may open firmer this morning, but will need to seek fresh market catalysts amid another light economic calendar with only Malaysia’s foreign reserves, Taiwan’s unemployment rate and US’ Richmond Fed manufacturing index on tap today. Speakers include BOE’s Carney, Ramsden, Saunders and Vlieghe.</p> |
| SG | <p>MAS will auction \$2.2b, with MAS taking \$200m, of the 5-year SGS bond maturing Jul 2023 on 28 May, which is currently trading around 2.34%. This is larger than market expectations, and may weigh on the belly of the SGS yield curve in the interim. The last two re-openings were only \$800m in Apr18 and \$1b in Nov17 which fetched cut-off yields of 2.08% and 1.77% respectively with bid-cover ratios of 2.16x and 2.31x. Given that the 5-year UST yield has surged to 2.89%, and the next SGS bond maturity only in Sep18 with \$6.8b 15-year tenor, the re-opening could see pressure bond yields to move higher from here.</p> |
| KR | <p>Lawmakers have approved a KRW3.8tn supplementary budget yesterday aimed at providing more support for Korea’s labour market. For that matter, the supplementary budget is targeted to create jobs especially for the young and laid-off workers.</p> |
| TH | <p>Thailand’s GDP growth surprised market-expectations at 4.8% y/y (+2.0% qoqsa) in 1Q18, up from 4.0% (+0.5% qoqsa) in the previous quarter. This marks the fastest year-on-year growth pace since 1Q13 (+5.4% y/y), led by the expansion in private & government consumption, investment and export growth. Note that Thailand’s Macroeconomic Strategy and Planning Office has upgraded their 2018 growth outlook to 4.2% – 4.7%, up from their previous projection of between 3.6% - 4.6% made earlier in 4Q17.</p> |
| MA | <p>13 individuals were sworn into the new cabinet yesterday including Minister of Finance Lim Guan Eng and Minister of Economic Affairs Azmin Ali. Meanwhile, Mahathir has claimed that the national debt exceeds RM1 trillion although details regarding this number are still yet to be known.</p> |
| CMD | <p>Crude oil edged higher yesterday as investors paid heed to US’ new sanctions on Venezuela in what US government called Nicolás Maduro’s election victory as a “sham”, and barring US companies or citizens from buying debts or accounts receivable from the Venezuelan government and the government-owned oil company Petróleos de Venezuela. Elsewhere, market-watchers continue to pencil in more declines in US-based oil inventories given higher demand (note driving season) as well as uptick in oil export levels.</p> |

Major Market

- **US:** Equities started the week on a stronger footing as concerns over the impending trade war eased following a joint attempt by the Trump administration and China to de-escalate trade tensions. The Dow surged 1.21% to close at 25,013.29. Similarly, the S&P 500 as well as the Nasdaq composite added 0.74% and 0.54%, respectively. VIX fell to 13.08, compared with 13.42 on Friday. Meanwhile, US treasuries were little changed with the 2y benchmark yield adding 1bps to close at 2.5656% and the 10y yield closing marginally firmer at 3.0596%.
- **Singapore:** The STI rebounded 0.54% to close at 3548.23 yesterday and may continue to range trade between 3536-3567 today, given the Wall Street overnight rally and morning gains in Kospi and Nikkei. Shorter-dated UST bonds sold off by up to 2bps, whereas the 10-year continued to hug the 3.06% handle overnight. Similarly, the SGS bond yield curve is likely to see pressure concentrated on in the belly of the curve, especially with the larger-than-expected 5-year SGS re-opening issue size.
- **Hong Kong:** The inflation decelerated from 2.6% to 1.9% in April 2018, mainly driven by the high base effect. Specifically, due to the different timing of the Easter Holiday between this year and last year, charges for package tour were lower than the same period of 2017. As such, the inflation of miscellaneous services slowed down further to 1.1% from 2.9%. On the other hand, as the ceiling of the Government's rates concession has been adjusted upwards from 2Q18, housing price index growth subsided from 2.6% yoy to 1.8% yoy, the weakest level since Mar17. Moving forward, with US and China putting trade war on hold, the resultant rally in commodity market may translate into inflation risks. Also, a weaker HKD could bring imported inflation. Furthermore, a slackening labour market will likely lead to wage inflation. Therefore, we expect overall CPI to hover between 2.0% and 2.5% during the rest of this year.
- **Indonesia:** According to Bloomberg, Nanang Hendarsah, executive director for monetary management, has said that BI will hold three forex swap auctions a week to ensure sufficient liquidity in the interbank market. The central bank usually holds two auctions a week. Reportedly, also, according to Bloomberg, Governor Agus Martowardojo believes the pressure on rupiah comes mostly from positive sentiments on dollar.
- **Malaysia:** 13 individuals were sworn into the new cabinet yesterday including Minister of Finance Lim Guan Eng and Minister of Economic Affairs Azmin Ali. Meanwhile, Mahathir has claimed that the national debt exceeds RM1 trillion although details regarding this number are still yet to be known.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading around 1bps lower across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 1.34% while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 413bps. 10Y UST yield traded little changed at 3.06% yesterday.
- **New issues:** Asiana Airlines Inc has scheduled for investor meetings from 23 May for its potential USD Perp NC3 bond issuance. Hyundai Capital America has hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.677 | 0.04% | USD-SGD | 1.3401 | -0.25% |
| USD-JPY | 111.050 | 0.24% | EUR-SGD | 1.5802 | -0.09% |
| EUR-USD | 1.1791 | 0.16% | JPY-SGD | 1.2066 | -0.55% |
| AUD-USD | 0.7582 | 0.95% | GBP-SGD | 1.7993 | -0.57% |
| GBP-USD | 1.3427 | -0.31% | AUD-SGD | 1.0161 | 0.70% |
| USD-MYR | 3.9795 | 0.18% | NZD-SGD | 0.9309 | 0.20% |
| USD-CNY | 6.3835 | 0.05% | CHF-SGD | 1.3438 | -0.19% |
| USD-IDR | 14190 | 0.24% | SGD-MYR | 2.9586 | -0.02% |
| USD-VND | 22761 | -0.06% | SGD-CNY | 4.7525 | 0.08% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3710 | -- | O/N | 1.7073 | -- |
| 2M | -0.3400 | -- | 1M | 1.9528 | -- |
| 3M | -0.3260 | -- | 2M | 2.1038 | -- |
| 6M | -0.2710 | -- | 3M | 2.3294 | -- |
| 9M | -0.2180 | -- | 6M | 2.4988 | -- |
| 12M | -0.1890 | -- | 12M | 2.7648 | -- |

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% | 70.0% | 30.0% | 0.0% | 0.0% |
| 08/01/2018 | 100.0% | 67.1% | 31.7% | 1.2% | 0.0% |
| 09/26/2018 | 100.0% | 16.2% | 58.6% | 24.3% | 0.9% |
| 11/08/2018 | 100.0% | 14.4% | 53.9% | 28.0% | 3.5% |
| 12/19/2018 | 100.0% | 7.3% | 34.5% | 40.8% | 15.5% |
| 01/30/2019 | 100.0% | 6.6% | 31.8% | 40.1% | 18.1% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 72.24 | 1.35% | Copper (per mt) | 6,831.0 | 1.14% |
| Brent (per barrel) | 79.22 | 0.90% | Nickel (per mt) | 14,628.5 | -0.54% |
| Heating Oil (per gallon) | 2.2738 | 0.37% | Aluminium (per mt) | 2,290.8 | 0.46% |
| Gasoline (per gallon) | 2.2565 | 1.04% | | | |
| Natural Gas (per MMBtu) | 2.8100 | -1.30% | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,446.0 | -0.16% |
| | | | Rubber (JPY/KG) | 200.0 | 3.15% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,290.9 | -0.03% | | | |
| Silver (per oz) | 16.520 | 0.40% | | | |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 25,013.29 | 298.20 |
| S&P | 2,733.01 | 20.04 |
| Nasdaq | 7,394.04 | 39.70 |
| Nikkei 225 | 23,002.37 | 72.01 |
| STI | 3,548.23 | 18.96 |
| KLCI | 1,853.58 | -0.92 |
| JCI | 5,733.85 | -49.46 |
| Baltic Dry | 1,273.00 | -- |
| VIX | 13.08 | -0.34 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.95 (-0.01) | 2.57 (+0.02) |
| 5Y | 2.27 (+0.01) | 2.90 (+0.01) |
| 10Y | 2.68 (+0.01) | 3.06 (--) |
| 15Y | 2.92 (+0.02) | -- |
| 20Y | 2.90 (+0.02) | -- |
| 30Y | 3.02 (+0.02) | 3.20 (--) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 43.74 | 0.02 |
| EURIBOR-OIS | 3.46 | 0.04 |
| TED | 44.78 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised |
|-------------------------|--|------------|---------------|--------------|--------------|
| 05/21/2018 05:00 | SK PPI YoY | Apr | -- | 1.60% | 1.30% |
| 05/21/2018 06:45 | NZ Net Migration SA | Apr | -- | 4930 | 5380 |
| 05/21/2018 06:45 | NZ Retail Sales Ex Inflation QoQ | 1Q | 1.00% | 0.10% | 1.40% |
| 05/21/2018 07:01 | UK Rightmove House Prices MoM | May | -- | 0.80% | 0.40% |
| 05/21/2018 07:50 | JN Trade Balance | Apr | ¥440.0b | ¥626.0b | ¥797.3b |
| 05/21/2018 07:50 | JN Trade Balance Adjusted | Apr | ¥114.9b | ¥550.0b | ¥119.2b |
| 05/21/2018 07:50 | JN Exports YoY | Apr | 8.70% | 7.80% | 2.10% |
| 05/21/2018 07:50 | JN Imports YoY | Apr | 9.80% | 5.90% | -0.60% |
| 05/21/2018 10:30 | TH GDP YoY | 1Q | 4.00% | 4.80% | 4.00% |
| 05/21/2018 11:00 | NZ Credit Card Spending YoY | Apr | -- | 7.00% | 7.20% |
| 05/21/2018 12:00 | JN Tokyo Condominium Sales YoY | Apr | -- | -14.60% | 6.10% |
| 05/21/2018 14:53 | TH Car Sales | Apr | -- | 79206 | 95082 |
| 05/21/2018 15:00 | JN Convenience Store Sales YoY | Apr | -- | 0.70% | 1.30% |
| 05/21/2018 16:00 | TA Export Orders YoY | Apr | 7.90% | 9.80% | 3.10% |
| 05/21/2018 16:20 | TA BoP Current Account Balance | 1Q | -- | \$20079m | \$26577m |
| 05/21/2018 16:30 | HK CPI Composite YoY | Apr | 2.20% | 1.90% | 2.60% |
| 05/21/2018 20:30 | US Chicago Fed Nat Activity Index | Apr | 0.3 | 0.34 | 0.1 |
| 05/22/2018 11:30 | TH Customs Trade Balance | Apr | -\$334m | -- | \$1268m |
| 05/22/2018 11:30 | TH Customs Exports YoY | Apr | 12.68% | -- | 7.06% |
| 05/22/2018 11:30 | TH Customs Imports YoY | Apr | 14.00% | -- | 9.47% |
| 05/22/2018 13:00 | JN Supermarket Sales YoY | Apr | -- | -- | -0.10% |
| 05/22/2018 15:00 | MA Foreign Reserves | May-15 | -- | -- | \$109.5b |
| 05/22/2018 16:00 | TA Unemployment Rate | Apr | 3.69% | -- | 3.67% |
| 05/22/2018 16:30 | UK Public Finances (PSNCR) | Apr | -- | -- | 0.5b |
| 05/22/2018 16:30 | UK Central Government NCR | Apr | -- | -- | 19.9b |
| 05/22/2018 16:30 | UK Public Sector Net Borrowing | Apr | 7.1b | -- | -0.3b |
| 05/22/2018 16:30 | UK PSNB ex Banking Groups | Apr | 8.5b | -- | 1.3b |
| 05/22/2018 18:00 | UK CBI Trends Total Orders | May | 2 | -- | 4 |
| 05/22/2018 18:00 | UK CBI Trends Selling Prices | May | 18 | -- | 18 |
| 05/22/2018 20:30 | CA Wholesale Trade Sales MoM | Mar | 0.90% | -- | -0.80% |
| 05/22/2018 22:00 | US Richmond Fed Manufact. Index | May | 10 | -- | -3 |

Source: Bloomberg

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