

### Highlights

Global	With the news that US President Trump has cancelled the 12 June summit meeting with North Korean leader Kim, a risk-off tone may prevail over Asian bourses today. Wall Street closed lower, but the 10-year UST bond yield closed at 2.98%. In a nutshell, risk aversion may persist in the interim especially on uncertainty over China's role in the US-DPRK negotiation (as suggested by Trump) amid the recent uptick in geopolitical tensions again. Meanwhile, Trump also signed into law a bill to ease US bank rules for all banks with below US\$250b in assets and exempts small community banks from stricter rules and oversight under Dodd-Frank. The economic calendar comprises US' April durable goods orders and final University of Michigan sentiment index for May, UK' 1Q18 GDP growth, Taiwan's revised 1Q18 GDP growth estimates, German IFO, and S'pore's Apr industrial production. Speakers include Fed's ECB's Villeroy and Coeure, Fed's Powell, Kaplan, Evans and Bostic.
US	US' existing homes sales fell more than expected by 2.5% mom in Apr to a 3-month low of 5.46m as lean inventory drove up median prices to US\$257.9k (+5.3% yoy), while initial jobless claims rose 11k to 234k. Separately, Fed's Harker opined that "if we see inflation start to accelerate, then I would be open to a fourth increase this year", but "I'd have to see evidence of that first".
EU	Germany's final 1Q18 GDP growth printed unchanged at 0.3% qoq (2.3% yoy) amid a construction boom but weaker exports. The GfK consumer sentiment also fell for a second month to 10.7 in June.
SG	Industrial production likely rose 8.1% yoy (0% mom) in April, which would mark an improvement from the 5.9% yoy (0.3% mom) reading in March.
KR	The Bank of Korea kept its base rate unchanged at 1.50% in its latest monetary policy committee meeting on 24th May 2018. This decision is in line with market expectations (and ours), given the recent signs of a moderating economy, led by the lacklustre private consumption growth and slowing services sector in the last 1Q18 GDP reading. For that matter, we note that recent incoming data has somewhat dented market's optimism over Korea's economic recovery, owing to a contraction in export growth for the first time since 2016 amid a less-than-ideal labour market.
MA	Minister of Finance has clarified the RM1 trillion debt as being made up of RM686.8bn of Federal Government Debt, RM199.1bn of government guarantees and RM201.4bn of lease payments for a whole list of "Private Public Partnership" projects. In total, he said that the Federal Government debt and liabilities amounted to RM1,087.3bn or 80.3% of GDP as of 31 December 2017.
ID	The new BI Governor Perry Warjiyo was sworn into office yesterday. He continued to emphasize that "Bank Indonesia is committed to maintaining stability of the exchange rate. We plan on being pre-emptive, we will implement a front-loading policy and be ahead of the curve in our policies".
CMD	The rally in gold prices took investors' notice overnight, as market-watchers digested US President Trump's attempt to call off his summit with Kim Jong-un. In the same vein, crude oil fell further seen in WTI (-1.57%) and Brent (-1.27%), likely as risk-taking appetite waned. Furthermore, note that Russia commented that it is appropriate to gradually scale back output cuts, adding more bearish bets on crude oil overnight.

## Major Market

- **US:** Equities eased on Thursday as investors cast a watchful eye over the new developments in US-North Korea relations. Declines were heavier early in the day, before rebounding near the 2700 handle. Overall, the S&P 500 fell 0.20%, while the Dow closed lower by 0.30%. The Nasdaq was essentially unchanged. Going forward, the 2700-2710 zone for the S&P 500 will be critical from a technical perspective. Breaking through these levels may open up a downward path towards the 2630 region. VIX closed at 12.53, compared to 12.58 previously. Meanwhile, US Treasuries reversed losses early in the global day. The 2y and 10y benchmark rates were softer by around 2 bps, standing at 2.5081% and 2.9770% respectively.
- **Singapore:** The STI rallied 0.93% to close at 3528.92 yesterday and may trade with a softer tone today amid weak cues from Wall Street overnight and morning declines in Kospi. STI support and resistance are tipped at 3500 and 3550 respectively. With the slight risk-off tone, UST bonds had rallied by 1-2bps overnight and the SGS bond market may copycat again today.
- **Korea:** While we expected BOK's move to keep its benchmark rate unchanged at 1.50%, the rather softer language adopted speaks volume. The recognition over the relatively weaker employment conditions and capital outflows from emerging markets does signal a subtle shift away from the somewhat positive tone seen in its previous April statement. Importantly, Korea's surprisingly weaker external environment seen in April (exports contracted 1.5%) after expanding for 17 consecutive months is akin to a 'check engine' warning, which could persuade Korea's policy-makers to reconsider their expectations for exports to "sustain their favourable movements thanks to the buoyancy of the global economy" if the surprising weaker external environment persist into 2H18. Even so, with 1Q18 GDP growth falling short of the government full-year growth target of 3.0%, it is vital to look for more signs pertaining to growth momentum into the rest of 2Q18, though we admit that recent incoming data has been less rosy than before. As such, while we still keep our growth and inflation forecasts at 3.0% and 1.7%, respectively, we opine that the hurdle for BOK to hike rates before 2018 is up has been building up. As such, we keep our outlook for BOK to stay pat at 1.50% for the year ahead.
- **Indonesia:** Warjiyo also made mention that the bank "will continue dual intervention in bond and forex markets, and will coordinate with the government and the Financial Services Authority for that". He said, "For stability, we will prioritize our monetary policies, through exchange rate measures and intervention in markets".
- **Macau:** Total visitor arrivals increased for the third consecutive month by 8% yoy in Apr18. The number of overnight visitors rose for the 28th straight month by 9.3% yoy. Due to the different timing of Easter Holidays between this year and last year, the number of tourists from HK fell 12% yoy. Despite that, visitors from Mainland China, Taiwan and Japan increased by 16.5%yoy, 5.6% yoy and 7.6% yoy respectively. Besides, over 50% of the total visitors from Mainland (54%), Japan (63%) and South Korea (62%) stayed overnight. This reinforces our view that a new wave of mega projects openings has buoyed further improvement in the tourism sectors. Besides, the sustained growth of Asia and a weaker MOP against major currencies have boosted tourists purchase power and therefore boded well for the retail sector. A tight labor market and benign wage growth have also lent supports to the retail sector. As a result, retail sales jumped at the strongest pace since 4Q13 by 25.7% yoy in 1Q2018. We

expect the retail sector to sustain its strong growth tractions in the rest of 2018. This will in turn give a boost to the domestic economy.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded unchanged (with the exception of 12-year tenor trading 3bps 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 1.34% and 4.14%. 10Y UST yield fell 2bps to 2.98% on safety buying after President Donald Trump called off a planned summit with North Korean leader Kim Jong Un.
- **New issues:** Housing & Development Board has priced a SGD500mn 12-year bond at 3.08%. China Overseas Grand Oceans Finance IV Cayman Ltd has priced a USD500mn 3-year bond (guaranteed by China Overseas Grand Oceans Group Ltd) at CT3+225bps, in line with its initial price guidance. Tokyo Metropolitan Government (TOKYO) has priced a USD500mn 5-year bond at MS+42bps, tightening from its initial price guidance of MS+45bps area. China Everbright Bank Co Ltd (Hong Kong Branch) has hired banks for its potential USD/EUR bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	93.775	-0.24%	<b>USD-SGD</b>	1.3392	-0.31%
<b>USD-JPY</b>	109.260	-0.74%	<b>EUR-SGD</b>	1.5695	-0.11%
<b>EUR-USD</b>	1.1720	0.20%	<b>JPY-SGD</b>	1.2258	0.46%
<b>AUD-USD</b>	0.7576	0.21%	<b>GBP-SGD</b>	1.7918	-0.06%
<b>GBP-USD</b>	1.3380	0.25%	<b>AUD-SGD</b>	1.0145	-0.11%
<b>USD-MYR</b>	3.9797	-0.07%	<b>NZD-SGD</b>	0.9278	-0.13%
<b>USD-CNY</b>	6.3784	-0.16%	<b>CHF-SGD</b>	1.3499	0.07%
<b>USD-IDR</b>	14133	-0.53%	<b>SGD-MYR</b>	2.9683	0.26%
<b>USD-VND</b>	22772	0.01%	<b>SGD-CNY</b>	4.7603	0.21%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	--	<b>O/N</b>	1.7079	--
<b>2M</b>	-0.3400	--	<b>1M</b>	1.9597	--
<b>3M</b>	-0.3230	--	<b>2M</b>	2.1011	--
<b>6M</b>	-0.2700	--	<b>3M</b>	2.3300	--
<b>9M</b>	-0.2180	--	<b>6M</b>	2.4975	--
<b>12M</b>	-0.1890	--	<b>12M</b>	2.7541	--

#### 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%	80.5%	18.8%	0.7%	0.0%
09/26/2018	100.0%	27.5%	59.5%	12.6%	0.4%
11/08/2018	100.0%	26.0%	57.7%	15.2%	1.1%
12/19/2018	100.0%	12.3%	41.0%	37.5%	8.5%
01/30/2019	100.0%	11.3%	38.7%	37.8%	10.8%

#### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	70.71	-1.57%	Copper (per mt)	6,825.5	0.83%
Brent (per barrel)	78.79	-1.27%	Nickel (per mt)	14,856.0	1.71%
Heating Oil (per gallon)	2.2667	-1.00%	Aluminium (per mt)	2,292.8	0.71%
Gasoline (per gallon)	2.2338	-1.16%			
Natural Gas (per MMBtu)	2.9400	0.89%	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,492.0	0.77%
			Rubber (JPY/KG)	193.8	-1.37%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,309.8	1.16%			
Silver (per oz)	16.687	1.72%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	24,811.76	-75.05
<b>S&amp;P</b>	2,727.76	-5.53
<b>Nasdaq</b>	7,424.43	-1.53
<b>Nikkei 225</b>	22,437.01	-252.73
<b>STI</b>	3,528.92	32.65
<b>KLCI</b>	1,775.66	-28.59
<b>JCI</b>	5,946.54	154.54
<b>Baltic Dry</b>	1,162.00	--
<b>VIX</b>	12.53	-0.05

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.94 (-)	2.51 (-0.02)
<b>5Y</b>	2.24 (-0.01)	2.81 (-0.01)
<b>10Y</b>	2.61 (-0.02)	2.98 (-0.02)
<b>15Y</b>	2.89 (+0.01)	--
<b>20Y</b>	2.88 (+0.01)	--
<b>30Y</b>	2.99 (+0.01)	3.13 (-0.03)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	44.97	2.34
<b>EURIBOR-OIS</b>	3.71	-0.07
<b>TED</b>	42.76	--

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/24/2018 05:44	PH Budget Balance PHP	Apr	--	46.3b	-110.7b	--
<b>05/24/2018 06:45</b>	<b>NZ Trade Balance NZD</b>	<b>Apr</b>	<b>198m</b>	<b>263m</b>	<b>-86m</b>	<b>-156m</b>
05/24/2018 06:45	NZ Exports NZD	Apr	4.85b	5.05b	4.85b	4.79b
05/24/2018 06:45	NZ Imports NZD	Apr	4.65b	4.79b	4.94b	4.95b
05/24/2018 07:50	JN Japan Buying Foreign Bonds	May-18	--	¥948.9b	¥827.0b	¥835.3b
05/24/2018 07:50	JN Japan Buying Foreign Stocks	May-18	--	¥165.8b	¥258.5b	¥247.3b
05/24/2018 07:50	JN Foreign Buying Japan Bonds	May-18	--	-¥150.9b	¥238.5b	¥237.7b
05/24/2018 07:50	JN Foreign Buying Japan Stocks	May-18	--	¥99.1b	¥126.3b	¥126.5b
<b>05/24/2018 08:00</b>	<b>SI GDP YoY</b>	<b>1Q F</b>	<b>4.40%</b>	<b>4.40%</b>	<b>4.30%</b>	--
<b>05/24/2018 08:55</b>	<b>SK BoK 7-Day Repo Rate</b>	<b>May-24</b>	<b>1.50%</b>	<b>1.50%</b>	<b>1.50%</b>	--
05/24/2018 13:00	JN Leading Index Cl	Mar F	--	104.4	105	--
05/24/2018 13:00	JN Coincident Index	Mar F	--	116.3	116.4	--
<b>05/24/2018 14:00</b>	<b>GE GDP SA QoQ</b>	<b>1Q F</b>	<b>0.30%</b>	<b>0.30%</b>	<b>0.30%</b>	--
05/24/2018 14:00	GE GDP WDA YoY	1Q F	2.30%	2.30%	2.30%	--
<b>05/24/2018 14:00</b>	<b>GE GDP NSA YoY</b>	<b>1Q F</b>	<b>1.60%</b>	<b>1.60%</b>	<b>1.60%</b>	--
<b>05/24/2018 14:00</b>	<b>GE GfK Consumer Confidence</b>	<b>Jun</b>	<b>10.8</b>	<b>10.7</b>	<b>10.8</b>	--
<b>05/24/2018 14:45</b>	<b>FR Manufacturing Confidence</b>	<b>May</b>	<b>108</b>	<b>109</b>	<b>109</b>	--
05/24/2018 14:45	FR Production Outlook Indicator	May	23	15	24	23
05/24/2018 14:45	FR Own-Company Production Outlook	May	--	17	15	--
05/24/2018 16:20	TA Money Supply M2 Daily Avg YoY	Apr	--	3.59%	3.60%	--
<b>05/24/2018 16:30</b>	<b>UK Retail Sales Ex Auto Fuel MoM</b>	<b>Apr</b>	<b>0.50%</b>	<b>1.30%</b>	<b>-0.50%</b>	--
<b>05/24/2018 16:30</b>	<b>UK Retail Sales Inc Auto Fuel MoM</b>	<b>Apr</b>	<b>0.90%</b>	<b>1.60%</b>	<b>-1.20%</b>	<b>-1.10%</b>
<b>05/24/2018 20:30</b>	<b>US Initial Jobless Claims</b>	<b>May-19</b>	<b>220k</b>	<b>234k</b>	<b>222k</b>	<b>223k</b>
05/24/2018 20:30	US Continuing Claims	May-12	1746k	1741k	1707k	1712k
<b>05/24/2018 21:00</b>	<b>US FHFA House Price Index MoM</b>	<b>Mar</b>	<b>0.60%</b>	<b>0.10%</b>	<b>0.60%</b>	<b>0.80%</b>
05/24/2018 21:00	US House Price Purchase Index QoQ	1Q	0.70%	1.70%	1.60%	1.70%
05/24/2018 21:45	US Bloomberg Consumer Comfort	May-20	--	55.2	54.6	--
<b>05/24/2018 22:00</b>	<b>US Existing Home Sales</b>	<b>Apr</b>	<b>5.55m</b>	<b>5.46m</b>	<b>5.60m</b>	--
<b>05/25/2018 07:30</b>	<b>JN Tokyo CPI YoY</b>	<b>May</b>	<b>0.50%</b>	<b>0.40%</b>	<b>0.50%</b>	--
<b>05/25/2018 07:30</b>	<b>JN Tokyo CPI Ex-Fresh Food YoY</b>	<b>May</b>	<b>0.60%</b>	<b>0.50%</b>	<b>0.60%</b>	--
<b>05/25/2018 13:00</b>	<b>SI Industrial Production YoY</b>	<b>Apr</b>	<b>8.00%</b>	--	<b>5.90%</b>	--
<b>05/25/2018 15:30</b>	<b>TH Foreign Reserves</b>	<b>May-18</b>	--	--	<b>\$214.5b</b>	--
<b>05/25/2018 16:00</b>	<b>GE IFO Business Climate</b>	<b>May</b>	<b>102</b>	--	<b>102.1</b>	--
<b>05/25/2018 16:00</b>	<b>GE IFO Expectations</b>	<b>May</b>	<b>98.5</b>	--	<b>98.7</b>	--
<b>05/25/2018 16:00</b>	<b>GE IFO Current Assessment</b>	<b>May</b>	<b>105.5</b>	--	<b>105.7</b>	--
<b>05/25/2018 16:00</b>	<b>TA GDP YoY</b>	<b>1Q F</b>	<b>3.00%</b>	--	<b>3.04%</b>	--
05/25/2018 16:30	UK UK Finance Loans for Housing	Apr	37400	--	37567	--
05/25/2018 16:30	UK Index of Services 3M/3M	Mar	0.30%	--	0.40%	--
<b>05/25/2018 16:30</b>	<b>UK GDP QoQ</b>	<b>1Q P</b>	<b>0.10%</b>	--	<b>0.10%</b>	--
05/25/2018 16:30	UK Private Consumption QoQ	1Q P	0.10%	--	0.30%	--
05/25/2018 16:30	UK Government Spending QoQ	1Q P	0.30%	--	0.40%	--
05/25/2018 16:30	UK Exports QoQ	1Q P	0.40%	--	-0.90%	--
05/25/2018 16:30	UK Total Business Investment QoQ	1Q P	--	--	0.30%	--
<b>05/25/2018 20:30</b>	<b>US Durable Goods Orders</b>	<b>Apr P</b>	<b>-1.30%</b>	--	<b>2.60%</b>	--
<b>05/25/2018 20:30</b>	<b>US Durables Ex Transportation</b>	<b>Apr P</b>	<b>0.50%</b>	--	<b>0.10%</b>	--
05/25/2018 20:30	US Cap Goods Orders Nondef Ex Air	Apr P	0.70%	--	-0.40%	--
05/25/2018 20:30	US Cap Goods Ship Nondef Ex Air	Apr P	0.40%	--	-0.80%	--
<b>05/25/2018 22:00</b>	<b>US U. of Mich. Sentiment</b>	<b>May F</b>	<b>98.8</b>	--	<b>98.8</b>	--
<b>05/25/2018 05/31</b>	<b>VN CPI YoY</b>	<b>May</b>	--	--	<b>2.75%</b>	--
05/25/2018 05/31	VN Exports YTD YoY	May	--	--	19.00%	--
05/25/2018 05/31	VN Imports YTD YoY	May	--	--	10.10%	--
05/25/2018 05/31	VN Retail Sales YTD YoY	May	--	--	9.80%	--

Source: Bloomberg

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

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