

Highlights

Global	<p>Global risk appetite rebounded for the tech sector which led Wall Street higher amid more upbeat profit guidance from Amazon.com, Intel and Baidu, whilst the 10-year US Treasury bond yield also dipped its toes back below the 3% handle and closed at 2.99%. The ECB kept policy settings static as Draghi signalled that an ample degree of stimulus remains necessary as data points towards moderation after several quarters of higher than expected growth, while remaining consistent with solid and broad-based expansion. He also flagged that risks to growth are broadly balanced, but downside risks are mostly global with more pronounced protectionism risk. Nevertheless, the ECB remains confident that inflation will converge towards the goal, even though there are still “no convincing signs of a sustained upward trend”. He clarified that ECB policymakers refrained from discussing the QE exit or even the stronger euro.</p> <p>Asian bourses may extend gains today amid the tech stock optimism. Key to watch today is the BOJ policy decision with forecast updates, as well as the North-South Korea meeting and US’ 1Q18 GDP growth estimates. Speakers include ECB’s Mersch and Lautenschlaeger, BOE’s Carney and Haldane.</p>
US	<p>Initial jobless claims fell 24k to 209k, its lowest level since 1969. Durable goods orders rose a stronger than expected 2.6% mom in Mar, aided by transport orders, but orders excluding transport was flat on-month. The trade deficit narrowed to a 6-month low of US\$68.0b in Mar and wholesale inventories rose 0.5% mom.</p>
SG	<p>Industrial production moderated to 5.9% yoy (0.3% mom sa) in March from a downwardly revised 6.7% yoy (-2.6% mom sa) in February. The moderation was anticipated, partly due to the high base in March last year (+11.2% yoy), but beat the consensus forecast for 5.7% yoy (-1.2% mom sa) and our forecast for 4.5% yoy (0.7% mom sa). This brought the 1Q18 manufacturing growth to 9.8% yoy, which is indeed a healthy start for 2018. Electronics was the key outperformer at 12.4% yoy in March, bringing the 1Q18 growth to 19.2% yoy. Given a slightly easier base effects for April-May 2017 (average 5.9% yoy), the pace of industrial production growth may reaccelerate in the next two months. We tip manufacturing production growth to ease further to around 7.9% yoy in 2Q18 and slow further into 2H18. Our full-year manufacturing growth forecast is 4.5% yoy, which is roughly only half the pace seen in 2017. At this juncture, it is difficult to tell if the US-China trade spat has had any precautionary effects on regional manufacturing value chains in addition to market sentiments, but policymakers and central banks are probably closely monitoring the potential collateral damage that may arise if a compromise is not found. We retain our full-year S’pore GDP growth forecast of 3% yoy for now, while awaiting further clarity on how the downside risk from the US-China trade tensions will pan out.</p>
CMD	<p>Crude oil prices rallied further as market-watchers continue to digest US’ record high export print, amid risk-taking appetite seen in higher Wall Street overnight. Elsewhere, Venezuela’s rapidly declining oil output may likely see little reprieve into May as the nation heads for an election, with Reuters News reporting the opposition’s inability to “coalesce around the (its) candidacy”, which in turn could support oil prices into the coming month should no quick resolution over Venezuela’s economic crisis is seen then.</p>

Major Market

- **US:** Equities firmed on Thursday on the back of a tech rally. The tech sector was fuelled by stronger than expected earnings from Facebook and AMD. Amazon's results after market close was also strong, and that may set the stage for a continued upswing in Friday's session. Meanwhile, economic data released yesterday was also broadly supportive. The S&P 500 gained 1.04%, while the Dow and Nasdaq also added 0.99% and 1.64% respectively. VIX retreated to 16.24, from 17.84 previously.
- US Treasuries rallied alongside bunds post-ECB statement. The 10y yield slipped below the 3% handle to close at 2.981%. The 2y is also marginally softer at 2.482%. Continue to watch the 10y as it struggles on either side of the 3% handle. A clean break above 3% may signal further uptrend from a technical perspective.
- **Singapore:** The key driver for the March industrial production growth was semiconductors (+18.8% yoy), which more than offset the contractions seen in data storage (-19.0% yoy), infocomms & consumer electronics (-7.7% yoy) and other electronics modules & components (-0.5% yoy). Other sectors which saw positive growth included precision engineering (10.5% yoy led by precision modules and components, particularly optical and wire & cable products), chemicals (8.2% yoy led by petrochemicals on the back of higher production capabilities), and transport engineering (3.5% yoy led by aerospace on higher volumes of repair and maintenance work by commercial airlines, which more than offset the sustained drag from marine and offshore segment). The main drag came from the volatile biomedical manufacturing cluster whose output fell 5.4% yoy, weighed down by pharmaceuticals (-7.2% yoy). Excluding biomedical, manufacturing output rose 8.6% yoy (-4.3% mom sa). While hopes are rising that US Treasury Secretary Mnuchin, accompanied by US Trade Representative Lighthizer, is headed to China for trade talks, which Trump has already hinted that "we have a very good chance of making a deal", it is probably still early days yet to expect an easy resolution given the myriad of issues from trade to intellectual property protection to investments in strategic sectors like high-tech and AI.
- The STI closed flattish (+0.06%) at 3570.02 yesterday, and may tip higher today amid more positive overnight cues from Wall Street and stronger morning opening from Kospi. STI may trade in a 3555-3600 range today. With the UST bond yield curve flattening amid gains led by the longer dated tenors, SGS bonds could also follow suit today. Yesterday's \$3b new 10-year SGS bond auction fetched a cut-off yield of 3.65% (near our call for the 2.7% region) with a bid-cover ratio of 1.67x (slightly higher than the 1.55x seen in Feb17). This was also 10bps above the Wednesday close of 2.55% by the current 10-year benchmark bond.
- **Hong Kong:** Trade activities rallied strongly in March after the calendar effect wanes. Exports grew by 8% yoy amid a weaker HKD and strong external demand. Imports edged up 10.7% yoy on buoyant internal demand and higher commodity prices. Despite rising trade tension between US and China, overseas shipments to Mainland China and the US rebounded by 60.3% yoy and 17.7% yoy respectively. Imports from Mainland China and the US also jumped by 2.7% yoy and 11.5% yoy respectively. More notably, imports and exports of high-tech products have regained growth momentum. Still, we are worried about the trade conflicts between the US and China. Trade activities' contribution to HK's economy reached 18% in 2016. HK's exports to China and US accounted for 62.2% of total exports while imports from these two regions took up 51.8% of total imports in 2017. Furthermore, imports and exports of "electrical machinery, apparatus and appliances, and electrical parts thereof", "telecommunications and sound recording and reproducing apparatus and equipment"

and “office machines and automatic data processing machines” represented 65% of total imports and exports. In short, Hong Kong’ trade sector and economy will highly likely take a hit should trade tension intensify.

- **Indonesia:** BI has reportedly said that they will not hesitate to engage in a policy rate adjustment to stabilize the IDR. Governor Agus Martowardojo said, “If the pressures on exchange rates continue and potentially hamper the achievement of inflation targets and disrupt the stability of the financial system, which is the mandate of Bank Indonesia, Bank Indonesia does not close room for policy interest rate adjustment.” The IDR did experience a bit of an appreciation against the USD with the USD-IDR value falling as much as 0.23% at close of Thursday.
- **Commodities:** Further rally in the greenback dragged precious metal prices especially gold (-0.37%). In Asia, palm oil futures resumed its decline for the third trading session of the week, noting that Malaysia’s palm oil exports over the 1st – 25th April period fell 0.8% m/m amid expectations for production to rise further into 3Q18.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 2-4bps higher while the longer tenors traded 4-5bps higher (with the exception of the 15-year swap rates trading only 3bps higher while the 30-year swap rates traded significantly higher by 10bps). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 1.30% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 377bps. 10Y UST yields fell 5bps to 2.98% as buyers emerged following a week-long selloff spurred by concerns about rising inflation and growing borrowing by the U.S government.
- **New issues:** Hong Seng Ltd has hired banks for its potential USD bond issuance (guaranteed by Hong Yang Group Co Ltd and its certain offshore subsidiaries). Yuzhou Properties Co Ltd has hired leads for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.561	0.43%	USD-SGD	1.3274	-0.11%
USD-JPY	109.300	-0.12%	EUR-SGD	1.6067	-0.58%
EUR-USD	1.2103	-0.48%	JPY-SGD	1.2145	--
AUD-USD	0.7554	-0.15%	GBP-SGD	1.8476	-0.19%
GBP-USD	1.3919	-0.09%	AUD-SGD	1.0029	-0.24%
USD-MYR	3.9177	0.16%	NZD-SGD	0.9374	-0.18%
USD-CNY	6.3365	0.16%	CHF-SGD	1.3421	-0.70%
USD-IDR	13891	-0.22%	SGD-MYR	2.9517	0.09%
USD-VND	22768	0.00%	SGD-CNY	4.7718	0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7031	--
2M	-0.3410	--	1M	1.8999	--
3M	-0.3280	--	2M	2.0631	--
6M	-0.2700	--	3M	2.3656	--
9M	-0.2190	--	6M	2.5193	--
12M	-0.1890	--	12M	2.7719	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	34.2%	34.2%	0.0%	0.0%	0.0%
06/13/2018	93.3%	62.6%	30.7%	0.0%	0.0%
08/01/2018	93.7%	59.1%	32.7%	1.9%	0.0%
09/26/2018	98.2%	21.2%	51.7%	24.0%	1.4%
11/08/2018	98.4%	19.1%	48.3%	27.0%	3.8%
12/19/2018	99.1%	11.9%	36.3%	35.8%	13.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.19	0.21%	Copper (per mt)	6,918.1	-0.62%
Brent (per barrel)	74.74	1.00%	Nickel (per mt)	14,192.0	0.66%
Heating Oil (per gallon)	2.1600	1.12%	Aluminium (per mt)	2,279.5	1.56%
Gasoline (per gallon)	2.1123	1.08%			
Natural Gas (per MMBtu)	2.8210	1.26%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,389.0	-0.33%
			Rubber (JPY/KG)	187.1	-0.58%
Precious Metals	Futures	% chg			
Gold (per oz)	1,317.9	-0.37%			
Silver (per oz)	16.567	-0.06%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,322.34	238.51
S&P	2,666.94	27.54
Nasdaq	7,118.68	114.94
Nikkei 225	22,319.61	104.29
STI	3,570.02	2.01
KLCI	1,852.27	0.34
JCI	5,909.20	-170.65
Baltic Dry	1,376.00	--
VIX	16.24	-1.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (+0.01)	2.48 (-0.01)
5Y	2.20 (-)	2.81 (-0.02)
10Y	2.56 (+0.01)	2.98 (-0.04)
15Y	2.82 (+0.04)	--
20Y	2.82 (+0.04)	--
30Y	2.94 (+0.04)	3.16 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	54.21	-0.75
EURIBOR-OIS	3.29	1.09
TED	53.23	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
04/26/2018 07:00	SK GDP YoY	1Q P	2.90%	2.80%	2.80%	--
04/26/2018 07:50	JN Japan Buying Foreign Bonds	Apr-20	--	¥950.3b	¥797.6b	¥799.7b
04/26/2018 07:50	JN Foreign Buying Japan Stocks	Apr-20	--	¥480.4b	¥308.3b	¥305.7b
04/26/2018 13:00	SI Industrial Production YoY	Mar	5.70%	5.90%	8.90%	6.70%
04/26/2018 14:00	GE GfK Consumer Confidence	May	10.8	10.8	10.9	--
04/26/2018 16:30	UK UK Finance Loans for Housing	Mar	37150	37567	38120	38035
04/26/2018 16:30	HK Exports YoY	Mar	3.10%	8.00%	1.70%	--
04/26/2018 16:30	HK Imports YoY	Mar	5.20%	10.70%	-3.20%	--
04/26/2018 19:45	EC ECB Main Refinancing Rate	Apr-26	0.00%	0.00%	0.00%	--
04/26/2018 19:45	EC ECB Marginal Lending Facility	Apr-26	0.25%	0.25%	0.25%	--
04/26/2018 19:45	EC ECB Deposit Facility Rate	Apr-26	-0.40%	-0.40%	-0.40%	--
04/26/2018 20:30	US Initial Jobless Claims	Apr-21	230k	209k	232k	233k
04/26/2018 20:30	US Continuing Claims	Apr-14	1850k	1837k	1863k	1866k
04/26/2018 20:30	US Durable Goods Orders	Mar P	1.60%	2.60%	3.00%	3.50%
04/26/2018 20:30	US Durables Ex Transportation	Mar P	0.50%	0.00%	1.00%	0.90%
04/26/2018 20:30	US Cap Goods Orders Nondef Ex Air	Mar P	0.50%	-0.10%	1.40%	0.90%
04/26/2018 20:30	US Cap Goods Ship Nondef Ex Air	Mar P	0.30%	-0.70%	1.40%	1.00%
04/26/2018 20:30	US Wholesale Inventories MoM	Mar P	0.70%	0.50%	1.00%	--
04/26/2018 21:45	US Bloomberg Consumer Comfort	Apr-22	--	57.5	58.1	--
04/27/2018 05:00	SK Business Survey Manufacturing	May	--	81	78	--
04/27/2018 06:45	NZ Trade Balance NZD	Mar	275m	-86m	217m	172m
04/27/2018 06:45	NZ Exports NZD	Mar	4.91b	4.85b	4.46b	4.43b
04/27/2018 06:45	NZ Imports NZD	Mar	4.80b	4.94b	4.24b	4.26b
04/27/2018 07:01	UK GfK Consumer Confidence	Apr	-7	-9	-7	--
04/27/2018 07:30	JN Job-To-Applicant Ratio	Mar	1.59	1.59	1.58	--
04/27/2018 07:30	JN Jobless Rate	Mar	2.50%	2.50%	2.50%	--
04/27/2018 07:30	JN Tokyo CPI YoY	Apr	0.80%	0.50%	1.00%	--
04/27/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Apr	0.80%	0.60%	0.80%	--
04/27/2018 07:50	JN Retail Trade YoY	Mar	1.50%	--	1.60%	1.70%
04/27/2018 07:50	JN Retail Sales MoM	Mar P	0.00%	--	0.40%	0.50%
04/27/2018 07:50	JN Industrial Production MoM	Mar P	0.50%	--	2.00%	--
04/27/2018 09:30	AU PPI QoQ	1Q	--	--	0.60%	--
04/27/2018 10:30	SI Unemployment rate SA	1Q	2.10%	--	2.10%	--
04/27/2018 13:00	JN Housing Starts YoY	Mar	-4.80%	--	-2.60%	--
04/27/2018 13:30	FR GDP QoQ	1Q A	0.40%	--	0.70%	--
04/27/2018 14:00	UK Nationwide House PX MoM	Apr	0.20%	--	-0.20%	--
04/27/2018 14:45	FR CPI EU Harmonized YoY	Apr P	1.70%	--	1.70%	--
04/27/2018 14:45	FR CPI YoY	Apr P	1.60%	--	1.60%	--
04/27/2018 15:30	TH Foreign Reserves	Apr-20	--	--	\$216.6b	--
04/27/2018 15:55	GE Unemployment Change (000's)	Apr	-15k	--	-19k	--
04/27/2018 16:00	TA GDP YoY	1Q P	3.20%	--	3.28%	--
04/27/2018 16:00	IT PPI MoM	Mar	--	--	0.30%	--
04/27/2018 16:30	UK GDP QoQ	1Q A	0.30%	--	0.40%	--
04/27/2018 17:00	EC Economic Confidence	Apr	112	--	112.6	--
04/27/2018 17:00	EC Consumer Confidence	Apr F	-0.1	--	0.4	--
04/27/2018 20:30	US Employment Cost Index	1Q	0.70%	--	0.60%	--
04/27/2018 20:30	US GDP Annualized QoQ	1Q A	2.00%	--	2.90%	--
04/27/2018 20:30	US Personal Consumption	1Q A	1.10%	--	4.00%	--
04/27/2018 20:30	US GDP Price Index	1Q A	2.20%	--	2.30%	--
04/27/2018 20:30	US Core PCE QoQ	1Q A	2.50%	--	1.90%	--
04/27/2018 22:00	US U. of Mich. Sentiment	Apr F	98	--	97.8	--
04/27/2018	MU Unemployment Rate	Mar	--	--	1.90%	--
04/27/2018	JN BOJ Policy Balance Rate	Apr-27	-0.10%	--	-0.10%	--
04/26/2018 04/30	VN CPI YoY	Apr	3.20%	--	2.66%	--
04/26/2018 04/30	VN Exports YTD YoY	Apr	--	--	22.00%	--

Source: Bloomberg

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