

Highlights

Global	While Singapore markets were closed yesterday, the flurry of headlines ranging from politics in Italy (with fresh elections looking likely after weekend talks failed) and Spain (with George Soros warning of an “existential threat” to the EU again), the US’ decision to impose 25% tariffs on US\$50b Chinese imports “shortly thereafter” the release of the list on 15 June and ahead of the upcoming bilateral trade negotiation round, and Monday’s surprise announcement by Malaysian PM that the High-Speed Rail (HSR) project will be scrapped. The positive news is that the 12 June US-North Korea summit looks to be on track again. Wall Street had closed lower, while the 10-year UST bond yield rallied strongly to 2.78% as investors turned cautious. Asian bourses may attempt to trade on a slight risk-off tone today amid the ratcheting higher of geopolitical and trade tensions. The economic calendar today comprises US’ wholesale inventories and ADP employment change, German CPI, retail sales and unemployment change. Watch for the BOC rate decision (likely static at 1.25%), BI rate decision (likely another 25bp rate hike to 4.75%), IMF’s China Article IV consultation press conference, and the Fed’s Beige Book. SNB’s Jordan is also speaking.
US	The Conference Board consumer confidence improved from a downwardly revised 125.6 in April to a 3-month high of 128 in May, aided by robust labour market conditions which sent the current conditions index from 157.5 to 161.7 (highest since March 2001) and the consumer conditions gauge also increasing from 104.3 to 105.6. The S&P 20-city property values rose more than forecast by 6.8% yoy (0.5% mom) in March amid rising demand and shrinking inventories.
EU	Bank of Italy governor Visco had warned that Italy is always a few steps away from the “very serious risk of losing the irreplaceable asset of trust”. Meanwhile, ECB’s Constancio had earlier opined that “Italy knows the rules. They might want to read them again carefully” when asked if Italy could hope for ECB assistance under the Outright Monetary Transactions program if it were to bend the EU’s budget rules, according to a Bloomberg report.
SG	Singapore said it has not received any official notification from Malaysia of the cancellation of the HSR project.
CN	The Ministry of Commerce spokesperson said it was surprised by the White House’s announcement to move forward with tariffs on US\$50 billion Chinese tech imports but reiterated that China has the confidence to defend its own rights. In addition, PBoC Governor Yi Gang said the central bank is planning the measures to support funding needs of SMEs.
CMD	Crude oil prices were arguably mixed, although WTI futures sank 1.69% overnight, marking its fifth consecutive day of decline though Brent stayed flattish at \$75.4/bbl. The decline for the many days is a testimony to OPEC’s ability to sway oil prices, especially given Saudi and Russia’s earlier statement to lift oil production as early as the second half of 2018. Further dollar strength could also have attributed to an overall weaker commodity complex, with the precious metal space sustaining further dips overnight.

Major Market

- **US:** Equities slumped Tuesday over renewed concerns regarding the Euro area as Italy's political turmoil takes a toll on financial markets. This was further exacerbated by mounting US-China trade tensions as President Trump announced his plans to move ahead with the \$50bn worth of tariffs on Chinese products. However, the positive news flow regarding the highly anticipated Trump-Kim summit might be of some consolation for market watchers. Overall, the Dow, S&P 500 as well as the Nasdaq composite fell 1.58%, 1.16% and 0.5%, respectively. Given the backdrop of heightened concerns over geopolitical and electoral issues, the VIX Index rose up to 17.02, as compared with Friday's 13.22. Meanwhile, US Treasuries inched lower to continue a four-session streak of declines. The 2y and 10y treasury yields were softer by about 15bps to close at 2.319% and 2.781%, respectively.
- **Singapore:** The STI had added 0.15% to close at 3518.48 on Monday, but may play catch up and come under a wave of selling pressure across Asia arising from the risk aversion on political and trade tensions. The Nikkei and Kospi both opened sharply lower this morning. With risk aversion returning to the markets, UST bonds had rallied by up to 18bps led by the belly of the curve, and we expect to see SGS bond markets follow but in a more modest fashion today. The \$2.2b 5-year SGS bond re-opening fetched a cut-off yield of 2.39% with a bid-cover ratio of 1.53x and a median yield of 2.33%. Next up will be a 20-year SGS bond re-opening on 2 July, with the issue size announcement on 20 June and auction on 27 June.
- **Malaysia:** The government has cancelled the high speed rail project between Malaysia and Singapore. Prime Minister Mahathir Mohamad said in an interview that the decision to scrap the rail link was to "avoid being bankrupt". The construction of the project would have reportedly cost RM110bn and "the compensation may be as much as 500 million" although it is unclear what currency this is in.
- **Indonesia:** The central bank is set to hold an early unscheduled policy meeting today. New Governor Perry Warjiyo has mentioned that this meeting is to address "current economic and monetary conditions and future prospects". He has also said that he "will be more pre-emptive, front loaded and ahead of the curve regarding the key rate".
- **Macau:** GDP advanced 9.2% yoy in 1Q18, marking the seventh consecutive quarter of positive growth amid strong external and internal demand. Specifically, exports of gaming services and other tourism services increased by 16.5% yoy and 19.6% yoy respectively. Internally, private consumption grew at the fastest pace since 1Q15 by 4.8% yoy, mainly attributed to positive earnings prospects. Besides, government investment in fixed assets jumped by 132.5% yoy as a slew of infrastructure projects is under construction. In contrast, successive completion of mega entertainment projects has led to a 21.1% decline in private construction investment. Moving forward, we expect sustained global growth and a weaker MOP will continue to support Macau's exports of goods and services. Also, the upcoming completion of new mega entertainment project and the Hong Kong-Zhuhai-Macau Bridge could provide more impetus for the tourism and the gaming sector. As such, positive economic outlook could boost wage growth as well as private consumption. Besides, infrastructure investment is likely to hold up well on the back of fiscal stimulus. Nevertheless, we are wary of further slowdown in private investment. Any correction in the stock market in 2H18 could also weigh on local consumer sentiment. All in all, we hold onto our view that GDP will grow by around 7% yoy this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve remained unchanged yesterday as markets were closed for a public holiday. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 22bps to 439bps. 10Y UST yields fell 15bps to 2.78%, on the back of Italy's on-going political tension.
- **New issues:** Times China Holdings Ltd has priced a USD450mn 3NC2 bond (guaranteed by certain of the issuer's restricted subsidiaries incorporated outside of the PRC) at 7.85%, tightening from its initial price guidance of 8%. China South City Holdings Ltd has priced a USD100mn re-tap of its CSCHCN 10.875%'20s (guaranteed by certain of the issuer's restricted subsidiaries incorporated outside of the PRC) at 11%, in line with its initial price guidance. Central China Real Estate Ltd has priced a USD86mn re-tap of its CENCHI 6.875%'20s (guaranteed by certain of the issuer's restricted subsidiaries incorporated outside of the PRC) at 7.30%, in line with its initial price guidance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.820	0.43%	USD-SGD	1.3457	0.22%
USD-JPY	108.770	-0.59%	EUR-SGD	1.5529	-0.51%
EUR-USD	1.1540	-0.73%	JPY-SGD	1.2372	0.81%
AUD-USD	0.7505	-0.54%	GBP-SGD	1.7830	-0.25%
GBP-USD	1.3249	-0.47%	AUD-SGD	1.0100	-0.32%
USD-MYR	3.9825	--	NZD-SGD	0.9291	-0.33%
USD-CNY	6.4176	0.29%	CHF-SGD	1.3569	0.39%
USD-IDR	13995	--	SGD-MYR	2.9568	-0.49%
USD-VND	22820	0.04%	SGD-CNY	4.7639	-0.06%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	0/N	1.7073	--
2M	-0.3390	--	1M	1.9756	--
3M	-0.3220	--	2M	2.0994	--
6M	-0.2690	--	3M	2.3181	--
9M	-0.2160	--	6M	2.4819	--
12M	-0.1860	--	12M	2.7314	--

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%	100.0%	0.0%	0.0%	0.0%
08/01/2018	100.0%	97.9%	2.1%	0.0%	0.0%
09/26/2018	100.0%	54.9%	44.2%	0.9%	0.0%
11/08/2018	100.0%	51.9%	44.8%	3.3%	0.0%
12/19/2018	100.0%	37.1%	46.8%	15.1%	1.0%
01/30/2019	100.0%	36.4%	46.6%	15.7%	1.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	66.73	-1.69%	Copper (per mt)	6,751.6	-0.49%
Brent (per barrel)	75.39	0.12%	Nickel (per mt)	14,852.5	0.80%
Heating Oil (per gallon)	2.1859	-1.08%	Aluminium (per mt)	2,278.3	0.47%
Gasoline (per gallon)	2.1441	-1.71%			
Natural Gas (per MMBtu)	2.8750	-2.18%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,418.0	--
Gold (per oz)	1,304.1	-0.37%	Rubber (JPY/KG)	194.3	1.25%
Silver (per oz)	16.373	-1.05%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,361.45	-391.64
S&P	2,689.86	-31.47
Nasdaq	7,396.59	-37.26
Nikkei 225	22,358.43	-122.66
STI	3,518.48	--
KLCI	1,775.84	--
JCI	6,068.33	--
Baltic Dry	1,077.00	--
VIX	17.02	3.80

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-)	2.32 (-0.16)
5Y	2.35 (-)	2.58 (-0.18)
10Y	2.62 (-)	2.78 (-0.15)
15Y	2.89 (-)	--
20Y	2.89 (-)	--
30Y	2.98 (-)	2.97 (-0.12)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	43.42	0.11
EURIBOR-OIS	3.41	-0.58
TED	43.41	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/29/2018 05:00	SK Consumer Confidence	May	--	107.9	107.1	--
05/29/2018 07:30	JN Job-To-Applicant Ratio	Apr	1.6	1.59	1.59	--
05/29/2018 07:30	JN Jobless Rate	Apr	2.50%	2.50%	2.50%	--
05/29/2018 10:10	VN Exports YTD YoY	May	17.00%	15.80%	19.00%	--
05/29/2018 10:10	VN Imports YTD YoY	May	9.50%	8.20%	10.10%	--
05/29/2018 10:10	VN CPI YoY	May	3.40%	3.86%	2.75%	--
05/29/2018 10:10	VN Retail Sales YTD YoY	May	--	10.10%	9.80%	--
05/29/2018 16:00	EC M3 Money Supply YoY	Apr	3.90%	3.90%	3.70%	--
05/29/2018 16:00	IT Manufacturing Confidence	May	107	107.7	107.7	--
05/29/2018 16:00	IT Consumer Confidence Index	May	116.5	113.7	117.1	116.9
05/29/2018 16:00	IT Economic Sentiment	May	--	104.7	105.1	105
05/29/2018 16:01	FR Consumer Confidence	May	101	100	101	100
05/29/2018 16:14	MU GDP YoY	1Q	--	9.20%	8.00%	--
05/29/2018 22:00	US Conf. Board Consumer Confidence	May	128	128	128.7	125.6
05/29/2018 22:30	US Dallas Fed Manf. Activity	May	23.8	26.8	21.8	--
05/30/2018 06:45	NZ Building Permits MoM	Apr	--	-3.70%	14.70%	13.00%
05/30/2018 07:50	JN Retail Sales MoM	Apr P	0.50%	--	-0.70%	-0.60%
05/30/2018 07:50	JN Retail Trade YoY	Apr	1.00%	--	1.00%	--
05/30/2018 07:50	JN Dept. Store, Supermarket Sales	Apr	0.20%	--	0.10%	--
05/30/2018 09:30	AU Building Approvals MoM	Apr	-3.00%	--	2.60%	--
05/30/2018 10:00	SK Department Store Sales YoY	Apr	--	--	5.40%	--
05/30/2018 10:00	SK Discount Store Sales YoY	Apr	--	--	1.00%	--
05/30/2018 14:00	GE Retail Sales MoM	Apr	0.50%	--	-0.60%	-0.30%
05/30/2018 14:00	GE Import Price Index MoM	Apr	0.70%	--	0.00%	--
05/30/2018 14:45	FR GDP QoQ	1Q P	0.30%	--	0.30%	--
05/30/2018 15:55	GE Unemployment Change (000's)	May	-10k	--	-7k	--
05/30/2018 15:55	GE Unemployment Claims Rate SA	May	5.30%	--	5.30%	--
05/30/2018 17:00	EC Economic Confidence	May	112	--	112.7	--
05/30/2018 17:00	EC Business Climate Indicator	May	1.29	--	1.35	--
05/30/2018 17:00	EC Industrial Confidence	May	6.8	--	7.1	--
05/30/2018 17:00	EC Consumer Confidence	May F	0.2	--	0.2	--
05/30/2018 19:00	US MBA Mortgage Applications	May-25	--	--	-2.60%	--
05/30/2018 20:00	GE CPI YoY	May P	1.90%	--	1.60%	--
05/30/2018 20:00	GE CPI EU Harmonized YoY	May P	1.80%	--	1.40%	--
05/30/2018 20:15	US ADP Employment Change	May	190k	--	204k	--
05/30/2018 20:30	CA Current Account Balance	1Q	-\$18.20b	--	-\$16.35b	--
05/30/2018 20:30	CA Industrial Product Price MoM	Apr	0.60%	--	0.80%	--
05/30/2018 20:30	CA Raw Materials Price Index MoM	Apr	--	--	2.10%	--
05/30/2018 20:30	US GDP Annualized QoQ	1Q S	2.30%	--	2.30%	--
05/30/2018 20:30	US Personal Consumption	1Q S	1.20%	--	1.10%	--
05/30/2018 20:30	US GDP Price Index	1Q S	2.00%	--	2.00%	--
05/30/2018 20:30	US Core PCE QoQ	1Q S	2.50%	--	2.50%	--
05/30/2018 20:30	US Wholesale Inventories MoM	Apr P	0.50%	--	0.30%	0.40%
05/30/2018 22:00	CA Bank of Canada Rate Decision	May-30	1.25%	--	1.25%	--
05/30/2018	MU Hotel Occupancy Rate	Apr	--	--	87	--
05/30/2018	ID Bank Indonesia 7D Reverse Repo	May-30	4.75%	--	4.50%	--

Source: Bloomberg

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