

Highlights

Global	<p>Notwithstanding the better-than-expected US nonfarm payrolls and unemployment data (+263k and a fresh 49-year low of 3.6% respectively), global risk appetite took a turn for the worse on Friday after US president Trump threatened to lift tariffs from 10% to 25% on around US\$200b of China imports this Friday because bilateral trade talks are progressing “too slowly”. With the sword of Damocles hanging over them, the Chinese delegation that was due to resume trade talks tomorrow in the US may consider cancelling the trade talks, according to a WSJ report. S&P500 rose on Friday, with the 10-year UST bond yield at 2.52%. With resurfacing US-China trade tensions, Asian markets may trade with a more cautious tone this morning. The economic data calendar comprises services and composite PMIs from Europe and Asia, including China’s Caixin PMIs, Indonesia’s 1Q GDP growth, Eurozone’s retail sales and Sentix investor confidence. ECB’s Praet and BOC’s Poloz are also speaking today.</p> <p>For the week ahead, central bank policy decisions to watch for potential rate cuts include RBA and BNM tomorrow, followed by RBNZ and BOT on Wednesday and BSP on Thursday. Market speculation has been rife for a rate cut for RBA and RBNZ (albeit our view is that RBNZ is a more likely candidate), together with BNM and BSP (again BSP is outrightly dovish, whereas BNM may prioritise market stability, especially for the MYR in the interim whilst awaiting clearer inflation and growth cues). BOT is widely seen as reluctant to shift its policy settings at this juncture.</p>
US	<p>There was also a net 16k upward revision in the previous two months of NFP data, but the wage growth remained subdued at 0.2% mom (3.2% yoy) while the participation rate and average weekly hours worked both slipped a notch to 62.8% and 34.4 hours. Wholesale inventories were flat on-month in March, while the non-manufacturing ISM also softened from 56.1 to 55.5 in April (softest since October 2016).</p>
CH	<p>On US-China trade talk, It seems that Trump’s twitter overnight was a reaction to the slow trade negotiation. It remains to be seen whether it is just a negotiating tactic ahead of a new round trade talk this week. However, the risk of misfire is getting higher should China react strongly.</p>
SG	<p>The manufacturing PMI eased 0.5 points to 50.3 in April, while electronics PMI also retreated 0.3 points to 49.5 in April, registering its 6th consecutive month of contraction. This set of PMI data reinforces our view that any uptick in 2Q19 is unlikely to be very robust, notwithstanding there was an improvement seen in the business expectations survey for manufacturers. Manufacturing growth may continue to contract marginally on-year in 2Q19 as electronics momentum remains a drag in the near-term. The US-China trade war and the slowing Chinese economy has clearly taken a toll and pending an immediate resolution of the former in terms of the much-touted upcoming trade deal, we may not see a rapid turnaround 2H19.</p>

Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 advancing 1.0%. The DJIA increased 0.8%, and the Nasdaq composite jumped 1.6%.
- **Singapore:** The April manufacturing PMI marked its 32nd straight month of expansion. This suggests that the on-month improvement seen in March was relatively short-lived. The moderation was due to lower prints in new orders, new exports, output, inventory, finished goods stocks, imports and employment gauges. In particular, the input prices index sank from 50.2 to 49.7 (contraction territory) while the order backlog remained weak at 49.3 (contraction territory). The electronics PMI also retreated 0.3 points to 49.5 in April, registering its 6th consecutive month of contraction amid drags from new orders, new exports, output, finished goods and order backlog gauges. Notably, the input prices, inventory and employment indices have slipped into contraction territory at 49.9, 49.7 and 49.5 respectively, down from 50.6, 50.3 and 50.1 previously. The STI closed nearly flat (-0.03%) at 3392.29 on Friday, and may extend its consolidation streak amid weak cues from Wall Street on Friday and Kospi this morning as well. STI's resistance and support are tipped at 3407 and 3362 respectively. With UST bond yields falling by up to 2bps, led by the belly of the curve on Friday, the SGS bond market may also feel the pullback in risk appetite today and unwind some of the sell-off seen last Friday.
- **China:** China's State Council unveiled the new government investment rule to standardize the government investment. Meanwhile, the new rule will also be designed to optimise the area where public investment will go and structure of government investment. The new rule, which will be effective from 1 July, will help China strike the balance between stabilizing growth via government investment and containing the financial risk. Clearly it reflects China's bottom line thinking approaching to keep systemic risk in check. It may also help China to optimise the resource allocation to support sectors private investment reluctant to participate.
- **Hong Kong:** Retail sales dropped for the second straight month by 0.2% yoy in Mar despite that visitor arrivals increased strongly by 17.3% yoy during the same period. On a positive note, the performance of the retail sector has improved from the first two months when retail sales dropped by 1.6% yoy. Zooming in, the sales of food as well as goods in supermarket and department stores all increased in Mar. This could be attributed to the tight labor market, wealth effect from stock and property market rally, a stable RMB and China's economic stabilization. Nevertheless, the sales of clothing and footwear, consumer durable goods, as well as jewelry and watches all continued to drop in Mar. This indicates that domestic and visitor consumption remained cautious due to external headwinds such as the faltering global growth outlook. Taken all together, we believe that the mixed picture of the retail sector will persist into the coming months. Retail sales are expected to grow only marginally by 1% this year.
- **Malaysia:** The country reported a trade surplus of RM14.37bn although overall trade volumes were lower as exports fell by 0.5% yoy and imports were lower by 0.1% yoy. The USD – MYR closed higher by 0.13% on Friday last week and hovers close to the 4.15 level. Markets look likely now to focus on the possibility of a BNM rate cut tomorrow.
- **Indonesia:** Bank Indonesia (BI) Governor Perry Warjiyo has said that the central bank is keeping an eye on three risks, namely potential of foreign capital outflow, possibility

of bank credit rate hike amid a BI reference rate increase and materialization of weaker credit conditions related to economic growth and developing external sector resilience. The central bank's stance remains unclear at this point and instead Perry Warjiyo was quoted as saying, "Our challenge is how to increase the BI rate without triggering any bank credit rate hike." GDP data due later.

- **Thailand:** According to the Bangkok Post, the Thai Election Commission may announce 95% of the official election results on 7-8 May. With King Maha Vajiralongkorn's coronation ceremony completed over the weekend, attention is now likely to turn firmly to the election results. Political uncertainty over the elections since March has partially resulted in a -\$1.13bn outflow of funds, the largest 2-month combined outflow since June-July last year.
- **Commodities:**
Energy: Crude oil prices are sharply down this morning after Trump threatened to impose additional tariffs on China after remarking that trade talks are progressing too slowly. Brent has dipped below the \$70/bbl handle this morning after touching \$74.50/bbl just about a week ago. Prices rose slightly on Friday, buoyed by better-than-expected US nonfarm payroll numbers, with WTI and Brent up +0.2% and +0.1% respectively. The surprise and unexpected tweet from Trump over the weekend, however, has dragged the benchmarks down -2.0% and -1.6% this morning. Volatility is expected to remain on the higher end for crude prices this week as the energy market await to see if China will cancel high-level trade talks in Washington.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with most tenors trading 1bps higher, exception being the 12-year swap rates trading 2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS traded little change at 128bps and 462bps respectively. 10Y UST yields fell 2bps to 2.53%, as jobs data released on Friday showed strong growth in April, which however still came in lower than the bullish job gains priced in by the market. Wage inflation was muted in April, as inflation remains a focus in the market for future interest rate movements by the Fed.
- **New Issues:** Tavan Bogh Trade LLC has scheduled investor meetings from 6 May for its potential USD bond issuance. Zeus Energy Holdings has scheduled investor meetings from 6 May for its potential USD Green bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.520	-0.32%	USD-SGD	1.3605	-0.15%
USD-JPY	111.100	-0.37%	EUR-SGD	1.5237	0.09%
EUR-USD	1.1198	0.23%	JPY-SGD	1.2245	0.19%
AUD-USD	0.7018	0.26%	GBP-SGD	1.7920	0.93%
GBP-USD	1.3173	1.08%	AUD-SGD	0.9555	0.18%
USD-MYR	4.1433	0.13%	NZD-SGD	0.9038	0.23%
USD-CNY	6.7349	--	CHF-SGD	1.3385	0.13%
USD-IDR	14266	0.10%	SGD-MYR	3.0384	-0.04%
USD-VND	23256	-0.03%	SGD-CNY	4.9504	0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3650	--	O/N	2.3779	0.0048
2M	-0.3360	0.0048	1M	2.4666	-0.0005
3M	-0.3090	-0.0005	2M	2.5084	0.0015
6M	-0.2300	0.0015	3M	2.5599	-0.0052
9M	-0.1940	-0.0052	6M	2.6174	-0.0211
12M	-0.1140	-0.0211	12M	2.7455	0.0086

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	9.5%	0.0%	9.5%	90.5%
07/31/2019	0.0%	18.5%	0.9%	17.6%	81.5%
09/18/2019	0.0%	37.3%	4.8%	32.3%	62.7%
10/30/2019	0.0%	44.2%	7.8%	35.6%	55.8%
12/11/2019	0.0%	60.1%	15.7%	41.4%	39.9%
01/29/2020	0.0%	65.1%	18.9%	41.2%	34.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.94	0.2%	Corn (per bushel)	3.6300	0.3%
Brent (per barrel)	70.85	0.1%	Soybean (per bushel)	8.295	-0.1%
Heating Oil (per gallon)	2.0702	-0.4%	Wheat (per bushel)	4.2800	-1.2%
Gasoline (per gallon)	2.0265	0.4%	Crude Palm Oil (MYR/MT)	1,900.0	-1.0%
Natural Gas (per MMBtu)	2.5670	-0.8%	Rubber (JPY/KG)	188.6	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,236	1.1%	Gold (per oz)	1,281.3	0.7%
Nickel (per mt)	12,179	0.5%	Silver (per oz)	14.907	2.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,504.95	197.16
S&P	2,945.64	28.12
Nasdaq	8,164.00	127.22
Nikkei 225	22,258.73	--
STI	3,392.29	-1.04
KLCI	1,637.30	5.06
JCI	6,319.46	-54.96
Baltic Dry	985.00	-47.00
VIX	12.87	-1.55

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (+0.01)	2.33 (-0.01)
5Y	2.05 (+0.02)	2.32 (-0.02)
10Y	2.25 (+0.02)	2.53 (-0.02)
15Y	2.47 (+0.04)	--
20Y	2.53 (+0.03)	--
30Y	2.68 (+0.03)	2.92 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.50	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.50
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/03/2019 16:30	UK Markit/CIPS UK Services PMI	Apr 50.3	50.4	48.9	--
05/03/2019 16:30	UK Markit/CIPS UK Composite PMI	Apr 50.6	50.9	50	--
05/03/2019 20:30	US Change in Nonfarm Payrolls	Apr 190k	263k	196k	189k
05/03/2019 20:30	US Change in Manufact. Payrolls	Apr 10k	4k	-6k	0k
05/03/2019 20:30	US Unemployment Rate	Apr 3.80%	3.60%	3.80%	--
05/03/2019 21:00	SI Purchasing Managers Index	Apr 50.6	50.3	50.8	--
05/03/2019 21:45	US Markit US Services PMI	Apr F 52.9	53	52.9	--
05/03/2019 21:45	US Markit US Composite PMI	Apr F --	53	52.8	--
05/03/2019 22:00	US ISM Non-Manufacturing Index	Apr 57	55.5	56.1	--
05/06/2019 08:30	HK Nikkei Hong Kong PMI	Apr --	48.4	48	--
05/06/2019 09:45	CH Caixin China PMI Composite	Apr --	--	52.9	--
05/06/2019 09:45	CH Caixin China PMI Services	Apr 54.2	--	54.4	--
05/06/2019 16:00	EC Markit Eurozone Services PMI	Apr F 52.5	--	52.5	--
05/06/2019 16:00	EC Markit Eurozone Composite PMI	Apr F 51.3	--	51.3	--
05/06/2019	ID GDP YoY	1Q 5.18%	--	5.18%	--

Source: Bloomberg

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