

Highlights

Global	<p>Global risk appetite is likely to remain fragile today, so continue to watch the headlines on the US-China trade tensions amid the volley of comments. US president Trump had tweeted optimism that China is coming to Washington to “make a deal”, whilst the Chinese Commerce Ministry also warned of retaliatory moves if additional tariffs are levied tomorrow. Meanwhile, Trump also issued an executive order to prohibit the purchase of Iranian iron, steel, aluminium and copper, after Iran declared it may begin enriching uranium again. The USD rose for a third day amid the ongoing US-China trade tensions, Wall Street continued to slide, while the UST bonds also fell across the curve amid a soft US\$27 10-year refunding auction (with the lowest bid-cover ratio since 2009). As anticipated, RBNZ trimmed rates by 25bps with governor Orr opining that it was too early to tell if another cut is warranted as “at the moment we see the outlook for interest rates as broadly balanced”, while BOT unanimously voted to be static at 1.75%.</p> <p>Asian markets are likely to trade cautiously today and remain reactive to Washington headlines. Key to watch today will be BSP policy decision as well as the developments of the US-China trade talks starting today. Today's economic calendar comprises US' initial jobless claims, PPI, trade and wholesale inventories, Philippines' 1Q19 GDP growth, and China's CPI/PPI. Fed's Powell, Bostic and Evans are also speaking today.</p>
US	<p>US' mortgage applications rose for the first time in five weeks by 2.7% after falling 4.3% previously. Meanwhile, the House Judiciary Committee has voted to hold AG Barr in contempt of Congress for failing to comply with a subpoena for Mueller's unredacted report.</p>
NZ	<p>RBNZ cut its OCR by 25bps to 1.5% as expected to support the employment and inflation outlook amid global growth uncertainties, trade concerns, and slowing domestic growth. While employment is near its maximum sustainable level, however the employment outlook is more subdued and capacity pressure is tipped to ease slightly this year, hence inflationary pressures is expected to rise only slowly.</p>
EU	<p>German industrial production unexpectedly rose 0.5% mom sa (-0.9% yoy) in March, suggesting a pickup in 1Q after two quarters of weakness. Meanwhile, ECB's Draghi opined that “we don't see yet feedback or the transmission of these higher nominal wages growth into a higher inflation...it's a matter of being patient and persistent with the accommodative monetary policy and it will come”.</p>
TH	<p>The Bank of Thailand's policy meeting yesterday showed all MPC members unanimously voting for rates to stay constant at 1.75%. It cited growing domestic and external economic pressures as the key reason for leaving rates static at current levels, in the process downgrading 2019 growth from 4.0% to 3.8% (in line with our forecast). We now view the BoT as likely to keep rates constant through the rest of the year, with an eye on raising rates after the December meeting. The number of hawkish dissents in future MPC meetings will be indicative of when the next rate hike may occur. Conditions are simply unripe for a rate hike at this stage, with political uncertainty and the US-China trade spat hurting Thailand's growth while regional central banks have mostly adopted a dovish tilt.</p>

Major Markets

- **US:** Wall Street ended mixed on Wednesday, with the S&P500 declining 0.2%. The Nasdaq composite tumbled 0.3%.
- **Singapore:** The STI declined 0.87% to close at 3283.84 yesterday amid the sea of red ink across Asian bourses, and may continue to fluctuate between 3274-3300 in the interim, with investors keenly watching the US-China headlines. With UST bond yields trading some 3bps higher led by the longer tenors, SGS bonds may also see some consolidation pressures this morning. MAS will conduct a mini-auction by re-opening the SGS bond NZ13100V, with the issue size announcement due on 29 May (maximum size capped at \$1b) with auction on 29 May and issue on 3 June. There is also a scheduled 2-year SGS bond re-opening on similar dates. S'pore's COE premiums rose for category B and E to \$48,010 and \$52,502 respectively, but retreated for category A to \$36,704.
- **Indonesia:** Nanang Hendarsah, executive director for monetary management at Bank Indonesia has said the central bank "will keep intervening in the market" as it has so far bought Rp213tn of bonds this year. According to Bloomberg, BI aims to further buy up as much as Rp100tn of sovereign debt. Meanwhile, foreign reserves only slightly decrease for April to US\$124.30bn (March 2019: 124.54bn).
- **Thailand:** The Thai Election Commission released the results of 498 of 500 seats for the Lower House yesterday (1 constituency seat and 1 party-list seat are set for by-elections). The announcement showed no clear winner in the 2019 General Elections. The pro-military coalition led by the Palang Pracharath party reportedly won 125 seats, one seat short of forming the government majority (assuming the 250 seat Senate are military-aligned). The 7-member anti-junta coalition, meanwhile, has garnered a total of 245 seats – 10 lesser than its previous claim in March and 6 short to control the 500-seat Lower House. Results are expected to be officially confirmed today; thereafter, expect a flurry of deal-making and alliance-forming in the next two weeks, with the new PM set to be recommended by the coalition that controls the government majority.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with most tenors trading 1bps lower with the exception of the one-year and 12-year swap rates trading 2bps lower. The Itraxx Asia ex-Japan index widened 1bps to 70bps. 10Y UST yields rose 3bps to 2.48%, as the dip in yields earlier in the session due to the escalating US-China trade worries was reversed by the sell-off in treasures after a weak auction for USD27bn of 10-year treasury notes. Yields earlier Wednesday, at a 5-week low, proved too low to investors for upside, resulting in a dismal auction **despite** the strong initial expectations from safe haven demand.
- **New Issues:** CCBL (Cayman) 1 Corporation Ltd (guarantor: CCB Leasing (International) Corporation Designated Activity Company) has priced a USD500mn 5-year bond at T+130bps (IPT of T+160bps area) and a USD200mn 10-year bond at T+155bps (IPT of T+195bps area). MGM China Holdings Limited has priced a USD1.5bn deal in two tranches, with the USD750mn 5NC2 bond at 5.375% (IPT of 5.5%-5.75% area) and the USD750mn 7NC3 bond at 5.875% (IPT of 6%-6.25% area).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.623	-0.01%	USD-SGD	1.3624	-0.04%
USD-JPY	110.100	-0.15%	EUR-SGD	1.5248	-0.03%
EUR-USD	1.1192	0.01%	JPY-SGD	1.2373	0.10%
AUD-USD	0.6988	-0.34%	GBP-SGD	1.7720	-0.56%
GBP-USD	1.3006	-0.53%	AUD-SGD	0.9522	-0.36%
USD-MYR	4.1487	0.02%	NZD-SGD	0.8960	-0.41%
USD-CNY	6.7828	0.09%	CHF-SGD	1.3351	-0.12%
USD-IDR	14295	0.11%	SGD-MYR	3.0480	0.04%
USD-VND	23372	0.21%	SGD-CNY	4.9822	0.26%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3631	--
2M	-0.3360	--	1M	2.4628	--
3M	-0.3080	--	2M	2.5148	--
6M	-0.2290	--	3M	2.5620	--
9M	-0.1940	--	6M	2.5944	--
12M	-0.1150	--	12M	2.7214	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	7.9%	0.0%	7.9%	92.1%
07/31/2019	0.0%	14.3%	0.6%	13.8%	85.7%
09/18/2019	0.0%	33.2%	3.5%	29.6%	66.8%
10/30/2019	0.0%	41.2%	6.6%	34.1%	58.8%
12/11/2019	0.0%	58.0%	14.4%	41.1%	42.0%
01/29/2020	0.0%	63.2%	17.8%	41.2%	36.8%

Equity and Commodity

Index	Value	Net change
DJIA	25,967.33	2.24
S&P	2,879.42	-4.63
Nasdaq	7,943.32	-20.44
Nikkei 225	21,602.59	-321.13
STI	3,283.84	-28.68
KLCI	1,633.55	-5.82
JCI	6,270.20	-27.12
Baltic Dry	936.00	--
VIX	19.40	0.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.93 (-0.01)	2.30 (+0.01)
5Y	1.99 (-0.01)	2.29 (+0.03)
10Y	2.18 (-0.01)	2.48 (+0.03)
15Y	2.43 (-0.01)	--
20Y	2.49 (-0.01)	--
30Y	2.64 (-0.01)	2.89 (+0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.62	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.44
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	62.12	1.2%	Corn (per bushel)	3.5525	-0.8%
Brent (per barrel)	70.37	0.7%	Soybean (per bushel)	8.143	-0.4%
Heating Oil (per gallon)	2.0562	0.9%	Wheat (per bushel)	4.3125	0.2%
Gasoline (per gallon)	1.9750	1.3%	Crude Palm Oil (MYR/MT)	1,922.0	-0.5%
Natural Gas (per MMBtu)	2.6100	2.9%	Rubber (JPY/KG)	189.7	0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,148	-0.5%	Gold (per oz)	1,281.4	-0.3%
Nickel (per mt)	11,944	-0.8%	Silver (per oz)	14.792	-0.5%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/08/2019 10:00	NZ RBNZ Official Cash Rate	May-08	1.50%	1.50%	1.75%
05/08/2019 11:03	ID Foreign Reserves	Apr	--	\$124.30b	\$124.54b
05/08/2019 11:04	CH Trade Balance	Apr	\$34.56b	\$13.84b	\$32.64b
05/08/2019 11:04	CH Exports YoY	Apr	3.00%	-2.70%	14.20%
05/08/2019 14:00	GE Industrial Production SA MoM	Mar	-0.50%	0.50%	0.70%
05/08/2019 15:05	TH BoT Benchmark Interest Rate	May-08	1.75%	1.75%	1.75%
05/08/2019 15:30	UK Halifax House Prices MoM	Apr	0.10%	1.10%	-1.60%
05/08/2019 19:00	US MBA Mortgage Applications	May-03	--	2.70%	-4.30%
05/09/2019 09:30	CH CPI YoY	Apr	2.50%	--	2.30%
05/09/2019 10:00	PH GDP YoY	1Q	6.00%	--	6.10%
05/09/2019 16:00	PH BSP Overnight Borrowing Rate	May-09	4.50%	--	4.75%
05/09/2019 20:30	US Trade Balance	Mar	-\$50.1b	--	-\$49.4b
05/09/2019 20:30	US Initial Jobless Claims	May-04	220k	--	230k
05/09/2019 22:00	US Wholesale Inventories MoM	Mar F	0.00%	--	0.00%

Source: Bloomberg

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