

Highlights

Global	<p>Wall Street slipped overnight as trade war concerns weighed on tech stocks, after US Treasury Secretary Mnuchin said he has no plans to go to China for trade talks yet, with chipmakers bearing the brunt of the selling amid news of Qualcomm's antitrust ruling, while the 10-year UST bond yield treated down to 2.38% as risk appetite ebbed. FOMC minutes continued to telegraph patience amid what members perceived as a transitory soft patch in PCE inflation. Meanwhile, UK PM May's fourth attempt to pass her Brexit deal appears to be failing as Andrea Leadsom, the leader of the House of Commons, has resigned.</p> <p>Asian markets may see some modest erosion today, while attempting to speculate on the endgame for US-China trade tensions. The economic calendar comprises US' new home sales, initial jobless claims and services and composite PMIs from US and Europe, German final 1Q19 GDP and IFO business climate, HK CPI, and S'pore inflation and COE tender results. Speakers include ECB's Guidos and Nowotny, and Fed's Kaplan, Daly, Bostic and Barkin. The European Parliament elections will also be held from 23-26 May.</p>
US	<p>FOMC minutes highlighted that "In light of global economic and financial developments as well as muted inflation pressures, participants generally agreed that a patient approach to determining future adjustments to the target range for the federal funds rate remained appropriate. Participants noted that even if global economic and financial conditions continued to improve, a patient approach would likely remain warranted, especially in an environment of continued moderate economic growth and muted inflation pressures". This suggests that the Fed is done with hikes, consistent with recent Fed rhetoric (eg. Williams opined "I don't see any strong argument today...to move interest rates one way or the other"), but does not suggest any imminent rate cuts either even though futures is still pricing in a 70% probability of a cut by year-end.</p>
CH	<p>There is no sign of de-escalation of US-China trade tension yet after the US government extend its target at other Chinese high tech companies such as drone company DJI and surveillance camera maker Hikvision. Meanwhile, domestically, China is also preparing for the worst with the State Council announced to set up a new job committee to coordinate the job creation nationwide.</p>
SG	<p>MAS will issue \$2.9b (of which it is taking \$300m) of the 2-year SGS bond re-opening and \$900m of the SGS bond maturing in 2033. The bond auctions will be held on 29 May and issue date is 3 June. Headline and core CPI are likely to print at 0.7% yoy (-0.3% mom nsa) and 1.7% yoy respectively for April, versus 0.6% yoy (-0.1% mom ns) and 1.4% yoy for March.</p>

Major Markets

- **US:** Wall Street ended lower on Wednesday, with the S&P500 declining 0.3%. The DJIA fell 0.4%, and the Nasdaq composite tumbled 0.5%.
- **Singapore:** The STI closed flat at 3183.14 yesterday, but may see some slippage today amid weak cues from Wall Street overnight and morning declined in Kospi. STI support and resistance are tipped 3160 and 3200 respectively. With the UST bond yields dragged around 4-5bps lower led by the belly of the curve, SGS bonds may also benefit today from the slight de-risking mode.
- **Thailand:** Thai exports in April fell -2.6%, the second consecutive month of decline and the fifth contraction in the past six months. Exports to China fell -5.0% YoY, as the mainland's demand for Thailand's principle manufacturing products sank -14.5%. Exports to neighbouring Laos and Myanmar also declined by -6.8% and -11.2% respectively.
- **South Korea:** Officials from the Ministry of Finance and the Bank of Korea stated that the won's recent decline is "excessive" and is planning to hold a meeting to discuss the impact of trading on currency stability. A BoK official said that the won has dropped too rapidly in a short span of time and is "excessive compared to fundamentals". Asian central banks such as the BoK and BI have attempted to talk up their currencies in the past few days as the US-China tensions take its toll on Asian currencies.
- **Commodities:** WTI declined -2.7% yesterday, the biggest one-day decline since the start of the month, as an US Energy Department report showed weekly crude inventories rising to the highest level in 22 months. Brent fell -1.7%. US inventory levels for both crude and gasoline do not appear excessive in our opinion, with crude languishing at average levels and gasoline still looking tight seasonally. The decline would, in our opinion, be attributed largely to concerns over energy demand over the US-China tensions and speculation that Russia is unlikely to extend its crude production curbs beyond June. Prices are likely to move range-bound at about current levels for the time-being as the forces of weakened demand and tightening supplies negate each other.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded higher yesterday, with most tenors trading ~1bps higher aside from the shorter tenors (6m and less). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 133bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps yesterday to 485bps. 10Y UST yields fell 5bps to 2.38%, as the Federal Reserve's minutes from May confirmed a patient approach to rates for some time and escalating trade tensions related to technology companies led to a fall in US stocks
- **New Issues:** Kaisa Group Holdings Ltd. priced a USD400mn 3.67NC2 bond (Subsidiary guarantors: Certain restricted subsidiaries incorporated outside the PRC) at 11.625%, tightening from IPT of 11.75% area. Soar Wise Ltd priced a USD450mn 3 year bond (Guarantor: AVIC International Leasing Co., Ltd) at CT3+132.5bps, tightening from IPT of CT3+170bps area. Horse Gallop Finance Ltd. issued a USD700mn 3 year bond (Guarantor: ICBC International Holdings Ltd.) at CT3+112.5bps, tightening from IPT of CT3+140bps area. Pingxiang Urban Construction

Investment Developing Company Ltd issued a USD300mn 35 month bond (Standby letter of credit provider: Bank of Jiujiang Co., Ltd.) at 4.95%, tightening from IPT of 5.2% area. Chouzhou International Investment Ltd issued a USD600mn 3 year bond (Guarantor: Yiwu State-owned Capital Operation Co., Ltd.) at 4.6%, tightening from IPT of low 5% area. Astrea V Pte has scheduled investor meetings from May 23.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.041	-0.02%	USD-SGD	1.3792	0.16%
USD-JPY	110.360	-0.13%	EUR-SGD	1.5379	0.08%
EUR-USD	1.1150	-0.10%	JPY-SGD	1.2498	0.29%
AUD-USD	0.6882	-0.01%	GBP-SGD	1.7466	-0.17%
GBP-USD	1.2665	-0.32%	AUD-SGD	0.9491	0.13%
USD-MYR	4.1858	--	NZD-SGD	0.8957	-0.02%
USD-CNY	6.9063	0.06%	CHF-SGD	1.3660	0.30%
USD-IDR	14525	0.31%	SGD-MYR	3.0351	-0.03%
USD-VND	23390	-0.03%	SGD-CNY	5.0062	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3710	--	O/N	2.3554	--
2M	-0.3360	--	1M	2.4296	--
3M	-0.3130	--	2M	2.4933	--
6M	-0.2440	--	3M	2.5235	--
9M	-0.1940	--	6M	2.5633	--
12M	-0.1450	--	12M	2.6536	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	4.7%	0.0%	4.7%	95.3%
07/31/2019	0.0%	16.2%	0.6%	15.6%	83.8%
09/18/2019	0.0%	40.2%	4.9%	35.2%	59.8%
10/30/2019	0.0%	50.0%	9.8%	39.2%	50.0%
12/11/2019	0.0%	70.5%	21.9%	43.6%	29.5%
01/29/2020	0.0%	77.0%	26.7%	40.5%	23.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.42	-2.5%	Corn (per bushel)	3.9450	0.1%
Brent (per barrel)	70.99	-1.6%	Soybean (per bushel)	8.285	0.8%
Heating Oil (per gallon)	2.0491	-1.5%	Wheat (per bushel)	4.7275	-1.3%
Gasoline (per gallon)	1.9912	-1.4%	Crude Palm Oil (MYR/MT)	2,008.0	--
Natural Gas (per MMBtu)	2.5430	-2.7%	Rubber (JPY/KG)	207.0	0.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,928	-1.1%	Gold (per oz)	1,274.2	0.1%
Nickel (per mt)	11,981	-0.7%	Silver (per oz)	14.414	0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,776.61	-100.72
S&P	2,856.27	-8.09
Nasdaq	7,750.84	-34.88
Nikkei 225	21,283.37	10.92
STI	3,183.14	-0.12
KLCI	1,603.74	--
JCI	5,939.64	-11.74
Baltic Dry	1,049.00	--
VIX	14.75	-0.20

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.03)	2.22 (-0.03)
5Y	2.01 (+0.02)	2.18 (-0.05)
10Y	2.19 (+0.02)	2.38 (-0.04)
15Y	2.46 (+0.02)	--
20Y	2.53 (+0.02)	--
30Y	2.71 (+0.02)	2.81 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.20	-0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.38
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/22/2019 07:50	JN Core Machine Orders MoM	Mar	0.00%	3.80%	1.80%	--
05/22/2019 16:30	UK CPI YoY	Apr	2.20%	2.10%	1.90%	--
05/22/2019 16:30	UK CPI Core YoY	Apr	1.90%	1.80%	1.80%	--
05/22/2019 19:00	US MBA Mortgage Applications	May-17	--	2.40%	-0.60%	--
05/23/2019 08:30	JN Nikkei Japan PMI Mfg	May P	--	--	50.2	--
05/23/2019 16:00	EC Markit Eurozone Manufacturing PMI	May P	48.1	--	47.9	--
05/23/2019 16:00	GE IFO Business Climate	May	99.1	--	99.2	--
05/23/2019 16:00	GE IFO Expectations	May	95	--	95.2	--
05/23/2019 16:00	GE IFO Current Assessment	May	103.5	--	103.3	--
05/23/2019 16:30	HK CPI Composite YoY	Apr	2.20%	--	2.10%	--
05/23/2019 20:30	US Initial Jobless Claims	May-18	215k	--	212k	--
05/23/2019 21:45	US Markit US Manufacturing PMI	May P	52.7	--	52.6	--
05/23/2019 22:00	US New Home Sales	Apr	675k	--	692k	--
05/23/2019 05/31	SI CPI YoY	Apr	0.80%	--	0.60%	--

Source: Bloomberg

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