

### Highlights

|               |  |
|---------------|--|
| <b>Global</b> | <p><b>US markets were closed for holiday yesterday, whilst European bourses rose following the weekend European Parliament elections.</b> The exception was Italy where it may face a EUR3.5b fine from the European Commission for failing to rein in its debt. The EU also vowed to reject any US quotas on cars and auto parts. <b>Key overnight news was US president Trump opining that the US is “not ready” to make a trade deal with China yet,</b> but “they probably wish they made the deal that they had on the table before they tried to renegotiate it”. Meanwhile, over in China, the regulators takeover of Baoshang Bank Co for “serious” credit risks has heightened uncertainty in the interbank market.</p> <p><b>Asian markets may continue to trade with a more stable tone today.</b> Today’s economic calendar comprises US’ Conference Board consumer expectations and FHFA house price, Eurozone’s consumer confidence, Germany’s GfK consumer confidence and import price index, and Thai manufacturing production. RBNZ’s financial stability report is due and both ECB’s Villeroy and RBNZ governor are speaking.</p> |
| <b>CH</b>     | <p>China’s sovereign bonds were sold off on Monday due to concern about the possible break of implicit guarantee after the Baoshang bank was taken over by the state. There is talk in the market that corporate depositors and interbank investors who expose to the bank for more than CNY50 million may face 20%-30% haircut although all the retail deposits will be fully protected. This may cause interbank lenders to reassess their relationship with the smaller lenders. Cash hoarding activity leads to the sale of liquidity assets such as sovereign bonds.</p>  |
| <b>CMD</b>    | <p>Brent recovered yesterday by 2.1%, closing above \$70/bbl once again – less than a week after it tumbled to as low as \$67.76/bbl on Thursday. Tight supplies, as we have repeatedly mention, continue to hold up crude oil prices and we think it is unlikely that energy prices may repeat the collapse seen in Q4 at this stage.</p>   |

## Major Markets

- **Singapore:** The STI added 0.19% to close up at 3170.77 yesterday, capitalising on the US holiday to advance with the other Asian bourses. STI may continue to range trade between 3140-3200 for today. Longer-dated SGS bonds rallied yesterday with yields falling by 1-2bps, whereas the shorter-tenors remained pressured by elevated short-term rates – note that the 3-month SOR spiked to 2.04% late last week, while the SIBOR also is hovering around 2.0%. There are also the bond auctions for \$2.9b 2-year SGS (with MAS taking \$300m) and \$900m 15-year SGS bonds at noon on 29 May.
- **Macau:** Unemployment rate was unchanged at a more than four-year low of 1.7% during the three-month period through Apr 2019. However, the employment of different industries was also mixed. Specifically, the employed population of the gaming sector rose for the second consecutive month by 4.7% yoy to the highest level since early 2015 despite the weakening gaming activities. Meanwhile, the employed population of hotel and similar activities rose by 5.4% yoy to the strongest since late 2018, thanks to resilient tourism. On the other hand, however, the growth of employed population of construction sector softened to the weakest since late 2018 at 1.6% yoy with the successive completion of new mega projects. Besides, the employed population of retail sector as well as restaurant and similar activities dropped by 6.5% yoy and 11.3% yoy respectively, mainly due to cautious consumption sentiments of both local households and inbound visitors. Moving forward, total unemployment rate may be sticky around 1.7% as it is a lagging indicator. Nevertheless, with tourism, retail and gaming sectors all succumbed to external headwinds including renewed US-China trade war, we suspect the sustainability of the low unemployment rate in the medium term.
- **Hong Kong:** Trade data for Apr 2019 surprised on the downside with exports and imports falling by 2.6% yoy and 5.5% yoy respectively. Trade deficit shrank by more than expected to HK\$35.1 billion. Though exports to Mainland China dropped at a much slower pace by 1.3% yoy as compared to the 10.1% yoy decline in the previous month, exports to other major trading partners including the USA (-17% yoy), India (-15.3% yoy), Japan (-12.5% yoy), Taiwan (-24.4% yoy) and Vietnam (-12.4% yoy) all decreased notably. This confirms that the green shoots in China's economy did not help to revive other Asian countries' growth or demand while US-China trade war continued to materialize. On the other hand, despite the rebound in commodity prices in Apr, imports dropped at a faster pace. Moving ahead, we are wary of further contraction in HK's trade activities as the US-China trade war escalation is set to put a lid on global economic recovery and hit global demand. More notably, with the trade war evolving into technology war, should the trade war escalate further, HK's trade sector which focuses mainly on the high-tech products may inevitably take a hard hit.
- **Thailand:** The Bhum Jai Thai party has formally joined the pro-military coalition led by the Palang Pracharath party. That likely brings the total pro-military seats in the Lower House to 181/500 vs the anti-junta camp of 245/500, with neither obtaining a clear majority of the Lower House just yet. Thailand is expected to elect a Prime Minister as soon as this week, although it is unclear when the exact announcement would take place.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened slightly yesterday, with the shorter tenors and belly trading little changed while the longer tenors traded within 1bps

higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS saw no change at 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was little changed at 493bps. 10Y UST yields remain unchanged at 2.32%, as US markets were shut yesterday in observance of Memorial Day.

- **New Issues:** Shaanxi Xixian New Area Qinhan New City Development and Construction Group Co Ltd has scheduled investor meetings from 28 May for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 97.613    | --       | <b>USD-SGD</b> | 1.3752    | -0.01%   |
| <b>USD-JPY</b> | 109.510   | 0.18%    | <b>EUR-SGD</b> | 1.5393    | -0.09%   |
| <b>EUR-USD</b> | 1.1194    | -0.08%   | <b>JPY-SGD</b> | 1.2557    | -0.18%   |
| <b>AUD-USD</b> | 0.6918    | -0.13%   | <b>GBP-SGD</b> | 1.7436    | -0.27%   |
| <b>GBP-USD</b> | 1.2679    | -0.28%   | <b>AUD-SGD</b> | 0.9513    | -0.09%   |
| <b>USD-MYR</b> | 4.1870    | -0.02%   | <b>NZD-SGD</b> | 0.8998    | -0.12%   |
| <b>USD-CNY</b> | 6.8980    | -0.03%   | <b>CHF-SGD</b> | 1.3700    | -0.17%   |
| <b>USD-IDR</b> | 14380     | -0.07%   | <b>SGD-MYR</b> | 3.0460    | 0.10%    |
| <b>USD-VND</b> | 23391     | -0.01%   | <b>SGD-CNY</b> | 5.0167    | 0.03%    |

#### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD Libor | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3720 | --     | <b>O/N</b> | 2.3565    | --     |
| <b>2M</b>  | -0.3360 | --     | <b>1M</b>  | 2.4281    | --     |
| <b>3M</b>  | -0.3110 | --     | <b>2M</b>  | 2.4866    | --     |
| <b>6M</b>  | -0.2410 | --     | <b>3M</b>  | 2.5249    | --     |
| <b>9M</b>  | -0.1940 | --     | <b>6M</b>  | 2.5486    | --     |
| <b>12M</b> | -0.1480 | --     | <b>12M</b> | 2.6190    | --     |

#### Fed Rate Hike Probability

| Meeting    | Prob Hike | Prob Cut | 1.75-2% | 2-2.25% | 2.25-2.5% |
|------------|-----------|----------|---------|---------|-----------|
| 06/19/2019 | 0.0%      | 6.3%     | 0.00%   | 6.30%   | 93.70%    |
| 07/31/2019 | 0.00%     | 17.60%   | 0.80%   | 16.80%  | 82.40%    |
| 09/18/2019 | 0.00%     | 49.20%   | 6.90%   | 42.00%  | 50.80%    |
| 10/30/2019 | 0.00%     | 61.20%   | 15.20%  | 44.10%  | 38.80%    |
| 12/11/2019 | 0.00%     | 78.60%   | 28.20%  | 41.70%  | 21.40%    |
| 01/29/2020 | 0.00%     | 84.40%   | 31.80%  | 36.20%  | 15.60%    |

#### Commodities Futures

| Energy                   | Futures        | % chg        | Soft Commodities        | Futures        | % chg        |
|--------------------------|----------------|--------------|-------------------------|----------------|--------------|
| WTI (per barrel)         | 58.63          | --           | Corn (per bushel)       | 4.0425         | --           |
| Brent (per barrel)       | 70.11          | 2.1%         | Soybean (per bushel)    | 8.298          | --           |
| Heating Oil (per gallon) | 1.9713         | --           | Wheat (per bushel)      | 4.8950         | --           |
| Gasoline (per gallon)    | 1.9345         | --           | Crude Palm Oil (MYR/MT) | 1,987.0        | 0.6%         |
| Natural Gas (per MMBtu)  | 2.5980         | --           | Rubber (JPY/KG)         | 212.0          | 1.4%         |
| <b>Base Metals</b>       | <b>Futures</b> | <b>% chg</b> | <b>Precious Metals</b>  | <b>Futures</b> | <b>% chg</b> |
| Copper (per mt)          | 5,955          | --           | Gold (per oz)           | 1,283.6        | --           |
| Nickel (per mt)          | 12,355         | --           | Silver (per oz)         | 14.520         | --           |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 25,585.69 | --         |
| <b>S&amp;P</b>    | 2,826.06  | --         |
| <b>Nasdaq</b>     | 7,637.01  | --         |
| <b>Nikkei 225</b> | 21,182.58 | 65.36      |
| <b>STI</b>        | 3,170.77  | 0.88       |
| <b>KLCI</b>       | 1,601.35  | 3.03       |
| <b>JCI</b>        | 6,098.97  | 41.62      |
| <b>Baltic Dry</b> | 1,066.00  | --         |
| <b>VIX</b>        | 15.85     | --         |

#### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg) |
|------------|--------------|-----------|
| <b>2Y</b>  | 1.95 (+0.01) | 2.16 (--) |
| <b>5Y</b>  | 1.95 (--)    | 2.12 (--) |
| <b>10Y</b> | 2.13 (--)    | 2.32 (--) |
| <b>15Y</b> | 2.37 (-0.01) | --        |
| <b>20Y</b> | 2.42 (-0.02) | --        |
| <b>30Y</b> | 2.61 (-0.02) | 2.75 (--) |

#### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>EURIBOR-OIS</b> | 5.55  | -0.02  |
| <b>TED</b>         | 35.36 | --     |

#### Secured Overnight Fin. Rate

|             |      |
|-------------|------|
| <b>SOFR</b> | 2.37 |
|-------------|------|

### Economic Calendar

| Date Time        | Event                              | Survey | Actual | Prior  | Revised |
|------------------|------------------------------------|--------|--------|--------|---------|
| 05/27/2019 13:00 | JN Leading Index CI                | Mar F  | --     | 95.9   | 96.3    |
| 05/27/2019 16:30 | HK Exports YoY                     | Apr    | 0.10%  | -2.60% | -1.20%  |
| 05/27/2019 16:30 | HK Imports YoY                     | Apr    | -0.10% | -5.50% | -0.10%  |
| 05/28/2019 14:00 | GE GfK Consumer Confidence         | Jun    | 10.4   | --     | 10.4    |
| 05/28/2019 16:00 | EC M3 Money Supply YoY             | Apr    | 4.40%  | --     | 4.50%   |
| 05/28/2019 17:00 | EC Consumer Confidence             | May F  | -6.5   | --     | -6.5    |
| 05/28/2019 21:00 | US FHFA House Price Index MoM      | Mar    | 0.20%  | --     | 0.30%   |
| 05/28/2019 22:00 | US Conf. Board Consumer Confidence | May    | 130    | --     | 129.2   |
| 05/28/2019 22:30 | US Dallas Fed Manf. Activity       | May    | 5.8    | --     | 2       |
| 05/28/2019 06/03 | UK Nationwide House PX MoM         | May    | 0.00%  | --     | 0.40%   |
| 05/28/2019 06/03 | UK Nationwide House Px NSA YoY     | May    | 1.20%  | --     | 0.90%   |

Source: Bloomberg

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|--|--|
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