

Highlights

Global	<p>Wall Street slipped overnight while the 10-year UST bond yield fell to fresh multi-year lows at 2.27% and the 3-month to 10-year yield curve inverted further to -9.2bps (most negative since March) amid renewed trade tensions. The good news is that the US administration refrained from naming China as a currency manipulator, but the bad news is that it expanded its watchlist from 12 to 21 to include Ireland, Italy, Vietnam, Singapore and Malaysia, in addition to China, Japan, South Korea and Germany, whereas India and Switzerland were removed.</p> <p>Asian markets are likely to trade with a defensive tone today. Watch BOC policy decision today (likely static at 1.75%). Today's economic calendar comprises US' Richmond Fed manufacturing index and MBA mortgage applications, and German unemployment change. ECB's Mersch and Rehn are also speaking.</p>
US	<p>Conference Board consumer expectations rose more than expected from 129.2 in April to 134.1 in May, the highest since November, with the present situation and expectations gauges improving to 175.2 and 106.6 respectively. This suggests that the healthy labor market is likely providing a buffer to the recent market volatility amid renewed trade tensions. Meanwhile, the FHFA house price rose a more muted 0.1% mom in March, but the February data was revised upwards to 0.4% mom.</p>
EU	<p>Eurozone's consumer confidence unexpectedly improved to 105.1 in May, marking the first increase since June 2018, amid an uptick in industry and notwithstanding the concerns about export orders and business climate.</p>
CH	<p>China said it will further shrink its negative list to open its service sector to foreign investors. Meanwhile, PBoC net injected CNY70 billion of liquidity via the reverse repo yesterday, easing the liquidity pressure caused by the takeover of Baoshang bank. China's bond market rebounded following the sell-off on Monday. In addition, PBoC Governor Yi Gang said the current deposit and lending benchmark interest rates are at reasonable levels and China will continue to push ahead with its interest rate liberalisation plan. China will also study the feasibility of not publishing the deposit and lending benchmark rates.</p>
SG	<p>Singapore has been added to the US watchlist for currency manipulation for making estimated net FX purchases of at least US \$17b in 2018, equivalent to 4.6% of GDP and the IMF's most recent assessment noted that Singapore's exchange rate is 4-16% weaker than warranted by fundamentals. Separately, Singapore has leapfrogged Hong Kong and the US to be the world's most competitive economy for the first time in nine years, according to the IMD World Competitiveness survey.</p>

Major Markets

- **US:** Wall Street ended lower on Tuesday, with the S&P500 declining 0.8%. The DJIA fell 0.9%, and the Nasdaq composite tumbled 0.4%.
- **Singapore:** The STI declined 0.17% to close at 3165.32 yesterday, and given the risk-off sentiments prevailing today, STI may continue to consolidate lower towards the 3140 support today. With UST yields falling by up to 6bps overnight led by the longer-dated bonds to flatten the curve, SGS bonds are likely to be similarly pressured today, especially with the bond auctions for \$2.9b 2-year SGS (with MAS taking \$300m) and \$900m 15-year SGS bonds closing at noon later today.
- **Hong Kong:** It is reported that Alibaba Group Holding Ltd. is planning to raise US\$20 billion through a second listing in HK in 2H 2019 at the earliest. The reason behind could be the renewed US-China trade tensions as well as the Hong Kong Exchange's revamp of listing rules last year which helped to lure high-tech companies (such as Xiaomi and Meituan) to launch IPO in HK. With the dual-class shares to be included into the stock connect schemes from July, the expected second listing of Alibaba in HK may help to attract more equity inflows from Mainland to HK under the stock connect schemes. On the interest rate front, despite the muted investor sentiments, such a large size of second listing by such a renowned Chinese name will likely lock up a substantial amount of HKD liquidity. In addition, AB InBev, World's largest brewer, is planning to raise US\$5 billion via IPO in HK probably in July. The potential large IPOs together with the seasonal factors could temporarily tighten the HKD liquidity and in turn lend short-term support to the HIBOR and HKD.
- **Thailand:** Thailand has shifted the start date of its 2020 budget from 1 Oct 2019 to 1 Jan 2020. The delay is largely to allow more time for the recently elected government to approve details of the budget. Approvals of new projects are put on hold during this government transition and outlays are to be capped at half of 2019 budget's expenditure.
- **Commodities:** WTI closed higher on Tuesday after Monday's Memorial Day holiday in the US; Brent continues to hold steady at the \$70/bbl level. WTI-Brent spread has now widened to \$11/bbl, which may boost US oil exports more relative to OPEC+. We continue to expect the spread to stabilise at about \$10/bbl, as the possibility of higher US export market share likely to push OPEC into turning on the production tap.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors and belly trading 1-2bps lower while the longer tenors traded 3-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 496bps. 10Y UST yields fell 5bps to 2.27%, on the back of safe haven demand sparked by worrying developments in the US-China trade talks and Italy's budget policy. US President Donald Trump has commented that the US was not ready to make a deal with China, while Italy could be imposed a EUR3bn fine by the European Commission for breaking EU rules with regards to its rising debt and structural deficit levels.
- **New Issues:** Chongqing Nan'an Urban Construction & Development Group Co Ltd has priced a USD500mn 5-year bond at 4.80%, tightening from IPT of low 5% area. KEB

Hana Bank has priced a USD400mn 5-year FRN at 3-month US LIBOR+75bps, in line with final guidance. Delhi International Airport Ltd has priced a USD350mn 10-year bond at 6.45%, tightening from IPT of 6.75% area. Export-Import Bank of China has priced a USD100mn 5-year FRN at 3-month US LIBOR +65bps. Ping An Real Estate Co Ltd (guarantor: Pingan Real Estate Capital Ltd) has scheduled investor meetings from 29 May for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.952	0.35%	USD-SGD	1.3795	0.31%
USD-JPY	109.380	-0.12%	EUR-SGD	1.5396	0.02%
EUR-USD	1.1160	-0.30%	JPY-SGD	1.2613	0.45%
AUD-USD	0.6924	0.09%	GBP-SGD	1.7455	0.11%
GBP-USD	1.2653	-0.21%	AUD-SGD	0.9551	0.40%
USD-MYR	4.1880	0.02%	NZD-SGD	0.9026	0.31%
USD-CNY	6.9102	0.18%	CHF-SGD	1.3690	-0.07%
USD-IDR	14377	-0.02%	SGD-MYR	3.0396	-0.21%
USD-VND	23396	0.02%	SGD-CNY	5.0130	-0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3720	--	O/N	2.3565	--
2M	-0.3360	--	1M	2.4281	--
3M	-0.3110	--	2M	2.4866	--
6M	-0.2400	--	3M	2.5249	--
9M	-0.1940	--	6M	2.5486	--
12M	-0.1480	--	12M	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%	3.2%	0.0%	3.2%	96.8%
07/31/2019	0.0%	18.7%	0.5%	18.1%	81.3%
09/18/2019	0.0%	53.5%	8.1%	45.2%	46.5%
10/30/2019	0.0%	65.2%	17.4%	45.5%	34.8%
12/11/2019	0.0%	82.0%	31.0%	40.3%	18.0%
01/29/2020	0.0%	87.2%	33.7%	33.9%	12.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	59.14	0.9%	Corn (per bushel)	4.2025	4.0%
Brent (per barrel)	70.11	0.0%	Soybean (per bushel)	8.560	3.2%
Heating Oil (per gallon)	1.9925	1.1%	Wheat (per bushel)	5.0475	3.1%
Gasoline (per gallon)	1.9567	1.1%	Crude Palm Oil (MYR/MT)	2,018.0	1.6%
Natural Gas (per MMBtu)	2.5820	-0.6%	Rubber (JPY/KG)	217.7	2.7%

Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,960	0.1%	Gold (per oz)	1,277.1	-0.5%
Nickel (per mt)	12,128	-1.8%	Silver (per oz)	14.281	-1.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,347.77	-237.92
S&P	2,802.39	-23.67
Nasdaq	7,607.35	-29.66
Nikkei 225	21,260.14	77.56
STI	3,165.32	-5.45
KLCI	1,614.57	13.22
JCI	6,033.14	-65.83
Baltic Dry	1,066.00	--
VIX	17.50	1.65

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.93 (-0.02)	2.12 (-0.04)
5Y	1.94 (-0.02)	2.07 (-0.05)
10Y	2.11 (-0.01)	2.27 (-0.05)
15Y	2.35 (-0.02)	--
20Y	2.40 (-0.02)	--
30Y	2.59 (-0.02)	2.70 (-0.05)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.60	0.05
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.37
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/28/2019 14:00	GE GfK Consumer Confidence	Jun	10.4	10.1	10.4
05/28/2019 16:00	EC M3 Money Supply YoY	Apr	4.40%	4.70%	4.50%
05/28/2019 17:00	EC Consumer Confidence	May F	-6.5	-6.5	-6.5
05/28/2019 22:00	US Conf. Board Consumer Confidence	May	130	134.1	129.2
05/29/2019 14:45	FR CPI YoY	May P	1.10%	--	1.30%
05/29/2019 14:45	FR GDP QoQ	1Q F	0.30%	--	0.30%
05/29/2019 14:45	FR GDP YoY	1Q F	1.10%	--	1.10%
05/29/2019 15:55	GE Unemployment Change (000's)	May	-8k	--	-12k
05/29/2019 15:55	GE Unemployment Claims Rate SA	May	4.90%	--	4.90%
05/29/2019 16:00	IT Consumer Confidence Index	May	110	--	110.5
05/29/2019 16:00	IT Manufacturing Confidence	May	100.4	--	100.6
05/29/2019 19:00	US MBA Mortgage Applications	May-24	--	--	2.40%
05/29/2019 22:00	US Richmond Fed Manufact. Index	May	7	--	3

Source: Bloomberg

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