Research Monitor (June)

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Key Themes

1. The “sell in May and go away” could extend into June as swirling global trade and geopolitical tensions continue to prevail into thinning summer trading conditions. While the US-North Korea summit looks fairly probable to materialise on 12 June, nevertheless the resumption of trade tariffs for steel and aluminium against EU, Mexico and Canada, as well as a hot-cold negotiating stance against China may sustain market uncertainty in June. The FX and rates volatility theme appears here to stay amid the Trump trade tantrum. Still, the 3-month LIBOR has stabilised around 2.3% while the LIBOR-OIS spread has narrowed to 41bps. The pullback in the 10-year UST bond yield is likely temporary as the Italian political drama blows over and market players refocus on the upcoming 14 June FOMC rate hike. The next 25bp rate hike is almost a done deal, but we stick to our view of three hikes this year given that the 2 May FOMC minutes suggest some hesitation for a clearer tilt towards a more aggressive stance. The jury is still out if the June FOMC statement and the median dots plot would shift to favouring four hikes this year rather than three.
2. Themes that moved in an aligned fashion in favour of the broad USD in the past month are starting to diverge. This may precipitate some near term consolidation in broad USD momentum. For one, long-end UST yields appear slippery in the near term. With the broad USD re-engaging yield differentials since mid-April, we may see little upside momentum from here.
3. US and China ended the latest trade talk with no concrete deals and China failed to obtain the commitment from the Washington to stop going ahead with its tariff threats. In a unilateral statement, China said it will not comply with any deal if US decides to go ahead with tariff after 15 June. On policy, China announced fresh measures to deepen its de-leverage campaign to discourage bank’s excessive credit exposure to large companies via syndicated loan.
4. The WTI-Brent spread widened to its widest since March 2015, a clear reflection of higher US shale oil production gains and pipeline constraints. Note US oil production continue to climb into end April, a sign that shale producers remain profitable even as oil prices edge lower to-date. Still, do expect oil prices to stay volatile given fluctuating risk premiums as global market-watchers monitor the kaleidoscope of global events. These include US trade tariffs against its key trading partners, US-Pyongyang tensions and trade sanctions against Iran & Venezuela, though market expectations for higher oil supplies into 2H18 is building up given Saudi+Russia call to increase supplies then. In a nutshell, how supplies trend in the future will likely dominate market expectations on crude oil valuations into the coming month.
5. Global equities were a popular choice amongst investors as it clocked a net-inflow worth $17.9bn in May. Meanwhile, global bonds witnessed net-outflows worth $207.7mn. Zooming in, there was a clear preference for DM- over EM-assets. EM continued to experience net-outflows on both the equity (-$2.2bn) and bond (-$4.1bn) fronts, this compared with April’s +$10.8bn and +$3.0bn for EM equities and bonds, respectively. Conversely, DM equities and bonds witnessed $20.1bn and $4.1bn worth of net-inflows, respectively. A bulk of the headline figure comprised of net-inflows into the North American equity (+$26.6bn) and bond (+$6.9bn) market. Sustained political uncertainties and trade tensions pose probable headwinds for EM asset classes going forward.

Asset Class Views

	House View		Trading Views
FX	**DXY and majors:** Themes that moved in an aligned fashion in favour of the broad USD in the past month are starting to diverge. On one hand, US long-end yields are starting to look slippery in the near term, with the 10y yield slipping under the 3.00% handle after hitting a high of 3.11%. Note that the broad USD has regained traction with yield differentials in the latest move higher. We are cautiously optimistic this correlation may be sustained. The broad USD, however, may find little upside momentum from here if the 10y UST yield fails to regain and consolidate above the 3.00% handle. On the flipside, differentials in economic performance are still favourable to the USD. Data prints in the US have stayed comparatively more robust, while the slowdown in economic momentum in Eurozone and Asia has extended well into 2Q18. We do need to acknowledge that global central banks will increasingly find it difficult to adopt a hawkish posture in 2018 under this context. Meanwhile, Fed-centric expectations have essentially remained static, with three hikes in 2018 still appearing to be the consensus. We continue to bounce global central bank rhetoric against the Fed benchmark. At this stage, the bar for other central banks to overcome is set quite high.		Overall, the broad USD may potentially enter a near-term consolidative phase as the markets start to contemplate the longevity of recent USD strength. EUR may see some near-term recovery as the worst appears to be over in Italy. Expect the markets to trade on typical risk-on-risk-off dynamics, pending further directionality from the upcoming FOMC and ECB meetings.
FX	**Asian FX and SGD:** Risk sentiments have started to stir uncomfortably again on over trade and geopolitical issues. Our FX Sentiment Index is still in the risk-neutral zone, although it is on a slow grind higher towards risk-off territory. Recent improvements on Sino-US trade relations may have lulled the markets into overlooking it as a driver for FX markets. However, with Trump appearing to back-track on the trade-related talks and the new threat of tariffs on imported cars and trucks, we still need to keep a look-out for an escalation of trade issues. Meanwhile, US-North Korea relations are evolving and switching on a seemingly daily basis. Also cast a watchful eye over possible contagion from the sell-off in Turkey. Notably, much of these jitters are reflected as selective USD weakness against the likes of JPY and CHF, and have yet to significantly implicate USD-Asia. Actual net portfolio flow environment does not look favourable for Asian currencies. North Asia is holding up comparatively better, with net inflows in Korea picking up again from already-healthy levels and the outflows from Taiwan compressing meaningfully. In contrast, persistent outflows from India, Thailand and Indonesia continue to impart downside pressure on their respective currencies.		Notwithstanding a potential consolidation in the broad USD momentum, we expect the Asian currencies (SGD included) to drift weaker against the USD. If we come across a significant risk event that tilts sentiments towards an outright risk-off mode, expect USD-Asia to move higher in a sustained fashion. Meanwhile, we expect the SGD to outperform the likes of EUR and GBP on idiosyncratic factors plaguing Europe.
Rates	Monetary policy normalisation expectations have been somewhat dented by growing trade war concerns. Given wide swings in the crude oil price, the conviction levels on the inflation	**US:** The 10-year UST bond yield treaded a wide range between 2.78-3.11% in May. While the US' 1Q18 GDP growth was revised down from 2.3% to 2.2% qoq annualised, there are hopes for a stronger 2Q rebound amid stronger business spending. Note the Fed's Beige Book noted economic activity expanded moderately", albeit "contacts noted some concern about the uncertainty of international trade policy". From the Fed rhetoric, Bullard reiterated that the US is already at a neutral interest rate and the Fed needs to be cautious about turning to restrictive mode, as the yield curve could invert later in 2018 or 2019. Separately, Brainard opined that a strong fiscal boost to the US economy when unemployment is low suggests a gradual tightening pace remains "the appropriate path". We stick to our house view of three 25bp rate hikes this year given the Fed's preference that "a temporary period of inflation modestly above 2 percent would be consistent with the Committee's symmetric inflation objective and could be helpful in anchoring longer-run inflation	→	

	trajectory may waver. A retest of the 3% handle for the 10-year will likely raise fears of another global bond market rout.	expectations at a level consistent with that objective". **SG:** Recall we said last month that May would still be a choppy period for SGD rates given the upward creep in inflationary prints and a softer SGD. The post-MAS MPS dip in SOR did not last and both the 3-month SIBOR and SOR are currently hugging the 1.5% handle again Still, the 2-10 year SGS bond yield curve steepened by around 8bps in May. The recent $2.2b 5-year SGS bond re-opening fetched a cut-off yield of 2.39% with a bid-cover ratio of 1.53x and a median yield of 2.33%. Next up will be a 20-year SGS bond re-opening on 2 July, with the issue size announcement on 20 June and auction on 27 June. This could prompt a further curve steepening running into the auction in late June, but first we have to ride past the anticipated June FOMC rate hike and the current bout of Italeave and Trump trade tantrum. On the macro-side, the upgrade of the full-year 2018 official GDP growth forecast from the previous 1.5-3.5% to 2.5-3.5% suggest greater confidence in the growth trajectory into 2H18 as the growth drivers broaden from manufacturing, specifically electronics, to services, including domestic-oriented services. Looking ahead, SIBOR and SOR may continue to creep higher as the year progresses, taking the cue from broader global interest rates as well as the improvement in domestic loan demand. The $3b new 10-year bond auction fetched a cut-off yield of 2.65% with a bid-cover ratio of 1.57x. Next is a re-opening of the 5-year SGS bond on 1 June.	→

	House View	Trading Views	
Commodities	**Crude Oil:** Crude oil fundamentals continue its balancing stance into mid-2018, while global inventories continue to narrow. Geopolitical tensions and/or policy uncertainties could sway prices quickly, while Saudi and Russia's decision to inject more supplies into 2H18 underlines further downside in prices. We keep our year-end outlook for WTI and Brent at $65/bbl and $70/bbl respectively.	Sustained profit-taking into end-May have left key crude oil benchmarks starkly lower versus April's levels. Prices were dragged mostly be the narrowing risk premiums, whilst speculative net-long positions have tapered lower of late as investors unwind bullish positions. Note Saudi+Russia's rhetoric to deliver more supplies into 2H18 has fueled bearish selling into the last week of May, and further downside in crude oil prices can be expected into June should expectations over stronger supplies materialize then.	↓
	Gold: We keep our gold outlook to $1,400/oz into end-year given the recent uptick in geopolitical tensions amid a flattening US treasury yield curve. Moreover, the dollar weakness expected into end-year would further exacerbate gold's climb, especially if the ECB initiates a stop/taper of its asset purchase programme at end Sept 2018.	Interim dollar strength seen into May in tandem with higher UST yields dragged gold prices from its $1,370/oz handle to near its $1,300/oz support. Higher short-term US rates may continue to drag gold prices given the yellow metal's status as a zero-yielding asset. Still, street talk for ECB to taper its quantitative easing programme in Sept 2018 and a potential rate hike into 2019 could garner greenback weakness and consequently stronger bullion.	↑
	Crude Palm Oil: A relatively weak La Nina has been seen in early 2018, while Asia's CPO production level seasonally slows into early 2Q18. Strong MYR could eventually cap CPO's rally. We keep our CPO outlook at MYR2,400/MT with downside risk.	The on-off uncertainties over US-Sino trade tensions have clear implications for palm oil prices, given its substitutability to US soybeans. However, early cues in palm oil demand in April & May have been relatively weaker, a rather disconcerting trend given the lack of demand during this Ramadan period.	↓

	House View	Trading Views	
Credit	May 2018 saw 10-yr US Treasuries firm at around and/or above 3% for much for the month though political uncertainty in Italy reignited fears over the possibility of the Euro breaking-up. The ensuing flight to safety (which is likely temporary in our view) saw 10Y US Treasuries falling sharply to 2.78% on 29/05/2018 before recovering slightly to 2.85% by month-end. Also signalling risk aversion, emerging market bond funds saw an outflow of USD6.3bn for the 4-weeks to 23/05/2018 alongside technical considerations. AxJ G3 bond issuance was muted in May 2018, with only USD16.0bn issued (down 64.3% y/y). A handful of Chinese high-yield property developers took the opportunity to re-tap and issue bonds in primary markets for refinancing needs, though overall issuance activity was dominated by financial institutions issuers (eg: HSBC, QNB Finance, Westpac, ICBC). Three issuers defaulted in May, namely Hsin Chong (a construction company and property developer), Midas (products for the rail industry) and China Energy Reserve (focusing on oil & gas, indirectly-state owned). Notwithstanding idiosyncratic reasons leading to the various defaults, the latest default of China Energy Reserve may signal a broader trend of the Chinese state (1) being more comfortable with defaults and (2) attempting to reduce implicit guarantees relied upon by investors. Overall SGD primary issuance activity was soft, with total issuance of SGD0.8bn against SGD2.7bn in May 2017. Issuance in May 2018 was driven by HDB's SGD500mn 12 year bond. In the SGD high yield space, Hyflux Ltd ("HFY"), which had also tapped the retail hybrid market, entered into a court supervised reorganization process. As a knock-on impact, other SGD high yield issuers wishing to come to market may find themselves subject to higher level of scrutiny with a need to pay up. Following April's bear flattening of the SGD swap curve, the SGD swap curve continued to flatten in May 2018, which may encourage issuers to access the market going into June.	**IG Pick: BAERVX 5.75% PERPc'22 (4.88% YTC):** Julius Baer Group Ltd (JBG)'s is unique amongst our coverage as the only pure play private bank. Its solid franchise and scale, which is mostly in Europe and growing in Asia, provides diversification and support to its credit profile (which otherwise is susceptible to high market risk). Assets under management (AUM) grew CHF13bn, or 3% from 31 December 2017 to a record CHF401bn, crossing the CHF400bn mark for the first time as at 30 April 2018. While growth has slowed since the change in CEO, net new money inflows remained healthy at over 5% annualized (target of 4% – 6%) with particular strong inflows from Europe, Switzerland and Asia. Gross margins also expanded driven by heightened client activity in January and March, boosting both net commission and fee income as well as net trading income. Despite the acquisition of the residual 20% stake in Kairos (January 2018), BIS CET1 ratios had remained relatively stable at 13.3% (end-2017: 13.5%).	↑
		HY Switch trade idea: Switch from BTHSP 4.85% '20 (Ask YTW: 5.14%) to HTONSP 6.1% '20 (Ask YTW: 5.54%): Heeton Holdings Ltd ("HHL") is a smaller residential property developer focused on the Singapore market. Net gearing of HHL is moderate at 0.5x though may increase to 0.8x when cash proceeds from the SGD118mn issuance of HTONSP 6.08% '21s are utilized (we think for expansion of its hospitality portfolio). The BTHSP 4.85% '20 and HTONSP 6.1% '20 have a similar maturity profile and a switch trade allows a spread pick-up of 40 bps. While BTHSP has a highly recognizable brand name, we have both the issuer profile at Neutral (5). Following BTHSP's increasing its stake in its subsidiary Laguna Resorts & Hotels Pcl, we think BTH's net gearing has tilted up (31 March 2018: 0.5x).	↑

Macroeconomic Views

	House View	Key Themes
US	Fed remains finely balanced between 3 or 4 rate hikes this year. Some signs of softening economic momentum may be mitigated by tax reforms and fiscal stimulus, and a pickup in inflation data may give the Fed more ammunition to press on.	The 10y UST bond went on a roller coaster ride to touch a recent high of 3.12% while the USD rose past the 95 handle to post a multi-year high. Positive domestic data also added legs to the economy's ascent as it posted 2.8% yoy in its 1Q18 GDP, up from 2.6% yoy in 4Q17. Trade tensions are back in focus and risk appetite remains to be subdued. The 2 May FOMC minutes signalled that "it would likely soon be appropriate" to hike the policy rate, but expressed "a range of views on the amount of further policy firming that would likely be required". On inflation, Fed members opined that transitory inflation being "modestly above 2% would be consistent with the committee's symmetric inflation objective and could be helpful in anchoring longer-run inflation expectations", which suggested no urgency to be more hawkish.
EU	ECB maintained that growth was still solid and broad based, but also acknowledged that the economic outlook is more uncertain. On inflation, underlying pressures still remained subdued for 2018. That said, June or July will be key for watching if the ECB hardens its rhetoric to guide market that asset purchases would wind down after Sep18.	Signs of slowing economic activity across the Eurozone reinforces that a build-up of underlying inflationary pressures is unlikely to pick up steam. However, the ECB maintained that growth remained broad-based and resilient. Recently released data for 1Q18 showed that real GDP growth came in at 2.5% yoy, slightly down from 4Q17's 2.7% yoy. With the ECB's €2.55tn of QE bond buying set to expire in Sep18, policymakers are debating whether to wind down purchases or keep the stimulus for longer given the unexpected slowdown in growth and rising risks surrounding Brexit as well as in France. On a positive note, the Italian government was finally formed after three months of political gridlock. With the departure of a Eurosceptic candidate, the newly formed government is unlikely to fuel Euro Exit concerns though it may challenge the Eurozone's fiscal austerity stance.
Japan	With JPY strength, soft inflation prints, and BOJ leadership continuity, market expectations for any BOJ policy exit have been pushed back yet again.	With BOJ governor helming the central bank for the sixth year, Japan's core inflation remains stuck at 0.7% in April. He termed this the "missing inflation" or "missing wage inflation" puzzle. That said, BOJ's bond purchases have been under some market scrutiny of late, as BOJ had recently cut its buying of 5- to 10-year bonds and the 10-year yield had dropped to a low of 0.03% on 29 May. The Japanese economy had contracted for the first time in two years by an annualised rate of 0.6% due to weak capital investment and flat private consumption, albeit 2Q growth is tipped to resume as trade regains traction.
Singapore	MAS chose to slightly steepen the S$NEER slope at the April MPS amid expectations that headline and core inflation will come in at the upper half of their 2018 forecast ranges, While 2Q18 GDP growth momentum remains intact, the 2H18 outlook is likely more modest.	1Q18 GDP growth was revised up to 4.4 yoy (1.7% qoq saar), faster than the flash estimates of 4.3% yoy (1.4% qoq saar) and compared to 3.6% yoy (2.1% qoq saar) in 4Q17. While the 1Q18 yoy data was revised up a notch, the qoq saar data suggested a second quarter of deceleration in momentum, and this could sustain into 2Q18 where the qoq saar growth number could flat-line or even decline slightly. That said, MTI narrowed its 2018 official GDP growth forecast from 1.5-3.5% to 2.5-3.5%. Inflation remains very subdued for now. At this juncture, MAS is likely to adopt a wait-and-see attitude towards the October MPS given that growth-inflation dynamics are not out of sync with their forecasted trajectories.

	House View	Key Themes
Indonesia	After the two rate hikes last month, we still see that BI will do another rate hike at the end of June in their attempt to stay ahead of the curve.	BI has now become, as in the words of its new governor, "pre-emptive, front-loading and ahead-of-the-curve". Therefore, given there is at least a wide expectation of at least three Fed rate hikes this year, we believe that BI will make the decision for another hike next month. Meanwhile, 1Q 2018 GDP growth was disappointing at 5.06% yoy due to continued sluggish household consumption growth at 4.95% yoy. However, investment growth was still strong at 7.95% yoy. It has now become increasingly difficult to explain this strange consumption puzzle in Indonesia despite the fairly stable labor market conditions and moderate inflation averaging 3.3% for 1Q 2018. The consumer confidence index was also as high as 121.6 in March.
China	The economy is expected to slow down to 6.5% yoy in 2018 from 6.9% in 2017 due to higher funding costs, decelerating credit growth and uncertainty from the US-China trade tension. As capital outflow is no longer the concern, China is likely to re-open outflow channels under the capital account such as QDII, RQDII etc.	The flip flop stance by the Trump Administration on US-China trade talks suggests that there is no easy fix to this problem. Trump's unpredictability approach has rallied the animal spirits in the US, waking up China hawks. The recent ZTE case is a good example. The US Congress is planning to ban the firm from the US market despite Trump softening his tone. We think the trade tension is likely to be prolonged. Market await 15 June, when the US plans to unveil the lists of Chinese imports. On data, China's economy show signs of cooling domestically though external demand remain supportive. China's commitment to tighten local government funding is likely to weigh down growth outlook. In addition, more bond default cases emerged in both onshore and offshore market as a result of tightening credit condition. Investors may prepare for more potential defaults from Chinese companies. On policy, China announced fresh measures to deepen its de-leverage campaign to discourage bank's excessive credit exposure to large companies via syndicated loan. In addition, China's central bank announced to expand its scope of collateral for its medium term lending facility, which may downplay RRR cut expectation.
Hong Kong	Fiscal stimulus, a stable labour market, improved tourism activities and resilient external demand may continue to support the economy. As such, we revise our forecasts for 2018 GDP from 2.9% to 3.6%. Still, we will closely monitor the potential tightening of global liquidity and the lingering trade conflicts. Elsewhere, recent round of HKD weakness is unlikely to cause market turmoil. With HIBOR to tick up gradually, HKD may rebound while housing growth could moderate.	1Q18 GDP grew at the strongest pace since 2Q11 by 4.7% yoy. This was mainly attributed to resilient external demand and domestic consumption. Moving forward, we remain wary of trade conflicts and local interest rate hikes in 2H18 as these two factors could hit external and domestic demand. Still, given the strong growth momentum in 1H18, we revise our forecasts on GDP growth from 2.9% yoy to 3.6% yoy for 2018. Elsewhere, flushed liquidity has encouraged carry trade activities and prompted renewed FX intervention of the HKMA. As a result, aggregate balance fell by another HK$19.02 billion to HK$109 billion. On top of further reduction in aggregate balance, we will have month-end, quarter-end, mega IPOs, Fed's possible rate hike and dividend payments. These factors are set to tighten the liquidity and side-line carry trade activities in the coming months. Therefore, we expect HIBOR to tick up and USD/HKD to retreat to around 7.84 by end of Jun18.
Macau	Factors including a weaker MOP, mega projects openings, completion of Hong Kong-Zhuhai-Macau Bridge and Asia's strong growth are likely to support tourism activities and mass-market segment of gaming. VIP segment may be succumbed to policy risks. Given high base effect, we expect GDP to expand 7% in 2018.	GDP advanced 9.2% yoy in 1Q18, marking the seventh consecutive quarter of positive growth. Moving forward, we expect sustained global growth and a weaker MOP will continue to support exports of goods and services. Also, the upcoming completion of new mega entertainment project and the Hong Kong-Zhuhai-Macau Bridge could provide more impetus for the tourism and the gaming sector. Recent data shows that growth momentum of gaming activities sustained into 2Q18 with gross revenue advancing 27.6% yoy in April. As such, positive economic outlook could boost wage growth as well as private consumption. Besides, infrastructure investment is likely to hold up well on the back of fiscal stimulus.

	House View	Key Themes
Malaysia	At this point, we keep our GDP growth forecast at 5.5% yoy for 2018. We expect that consumption should grow at 6.0% yoy whilst investment growth should come out at 6.2% yoy. Trade growth is expected to be slower but still strong. We see exports of goods and services to be at 7.1% yoy and growth imports of goods and services to be at 8.1% yoy. We also do not expect BNM to further raise interest rates this year as the central bank has pre-emptively raised rates in January and it will probably be on monitoring mode for this year.	Malaysia witnessed a historic change of government last month with Pakatan Harapan ousting the incumbent Barisan Nasional. The new government has already reduced GST to 0%, introduced a price petrol stabilization program and announced a Hari Raya special assistance to lower ranked civil servants. Regardless, they estimate that they can maintain the budget deficit at 2.8% for 2018 through a RM10bn expenditure rationalization exercise, increase in corporate taxes due to the rise in global oil prices and higher dividends from GLCs. The new government has also cancelled the Kuala Lumpur – Singapore high speed rail project and the MRT line 3. The government will also be tabling the mid-year review of the 11th Malaysia plan in September of which goal of the new government will be incorporated. Meanwhile, GDP growth in 1Q 2018 came in at 5.4% yoy, just slightly above our forecast of 5.3% yoy but below the median consensus of 5.6% yoy. Private consumption still grew at 6.9% yoy but investment growth came out slow at 0.1% yoy due to a decline in public investment at 2.0%.
Thailand	Official call for growth stands at 3.6 - 4.6% in 2018. Growth outlook remains positive, and underpinned by private consumption, investments, tourism, manufacturing, and trade. We upgrade growth to 4.2% while keeping inflation at 1.4%, respectively.	1Q18 growth data was surprisingly solid at 4.8% y/y (+2.0% qoqsa), the fastest growth pace since 1Q13. Growth is led by the expansion in private & government consumption, investment and export growth. Note that Thailand's Macroeconomic Strategy and Planning Office has upgraded their 2018 growth outlook to 4.2% – 4.7%, up from their previous projection of between 3.6% - 4.6% made earlier in 4Q17. The robust growth print could give Thailand's policy-makers more reason to normalise its monetary policy higher to 1.75% (currently 1.50%) into 2H18.
Korea	We remain cautiously optimistic on Korea; growth may print at a respectable 3.0% in 2018 following easing geopolitical tensions. Inflation is likely to stay tame at ~2.0%. BOK will likely stand pat at 1.50% for the year ahead.	Further normalization in growth prints are seen into end-May. BOK's recent preference to keep rates unchanged at 1.50% signals policy-makers' uneasiness over Korea's "sluggish" employment conditions. Net foreign equity investments has also seen three consecutive months of outflows, while manufacturing confidence continue to decline deeper into the pessimistic territory. Woes over the relatively weaker April's exports (-1.5% y/y) does set the precedence for exports likely moderate further should we account for the relatively higher 2H17 base effects.
PH	The BSP remains on a hawkish trajectory, with inflationary pressures still spreading. BSP remains comfortable with rate of PHP depreciation	CPI inflation in April continued to pick up, reaching 4.5% yoy, the highest since 2013. The BSP expects inflation to keep climbing, with a forecast range of 4.6%-5.6% for May. The rate hike on 10 May failed to rein in on inflation, therefore, we expect the BSP to follow up with similar moves in the upcoming meetings.
Myanmar	Retain a general sense of optimism around Myanmar. Keep close watch on legislative and reform developments to find opportunities.	New investment opportunities continue to open up with regulatory changes. The education sector is the latest to open up to foreign investments, with foreigners now able to provide a full funding for education services covering the entire spectrum from basic to higher education.

FX/Rates Forecast

USD Interest Rates	2Q18	3Q18	4Q18	2019	2020
Fed Funds Target Rate	2.00%	2.00%	2.25%	3.00%	3.25%
1-month LIBOR	2.01%	2.15%	2.28%	2.80%	3.10%
2-month LIBOR	2.15%	2.22%	2.29%	2.85%	3.17%
3-month LIBOR	2.47%	2.63%	2.80%	3.25%	3.62%
6-month LIBOR	2.55%	2.70%	2.85%	3.35%	3.70%
12-month LIBOR	2.85%	2.90%	2.95%	3.40%	3.75%
1-year swap rate	2.65%	2.83%	3.00%	3.55%	3.80%
2-year swap rate	2.85%	2.95%	3.04%	3.65%	4.00%
3-year swap rate	2.95%	3.02%	3.09%	3.70%	4.10%
5-year swap rate	3.00%	3.13%	3.25%	3.75%	4.20%
10-year swap rate	3.05%	3.20%	3.35%	3.98%	4.38%
15-year swap rate	3.10%	3.25%	3.40%	4.05%	4.43%
20-year swap rate	3.13%	3.29%	3.45%	4.10%	4.50%
30-year swap rate	3.17%	3.34%	3.50%	4.15%	4.55%
SGD Interest Rates	**2Q18**	**3Q18**	**4Q18**	**2019**	**2020**
1-month SIBOR	1.49%	1.61%	1.73%	2.28%	2.80%
1-month SOR	1.50%	1.63%	1.75%	2.30%	2.83%
3-month SIBOR	1.61%	1.71%	1.81%	2.33%	2.85%
3-month SOR	1.65%	1.78%	1.90%	2.35%	2.87%
6-month SIBOR	1.75%	1.89%	2.02%	2.40%	2.88%
6-month SOR	1.78%	1.93%	2.07%	2.50%	2.89%
12-month SIBOR	1.92%	2.01%	2.10%	2.55%	2.92%
1-year swap rate	1.95%	2.07%	2.18%	2.58%	3.00%
2-year swap rate	2.10%	2.28%	2.45%	2.85%	3.20%
3-year swap rate	2.25%	2.38%	2.50%	2.90%	3.26%
5-year swap rate	2.45%	2.53%	2.60%	3.00%	3.38%
10-year swap rate	2.70%	2.83%	2.96%	3.22%	3.50%
15-year swap rate	2.90%	2.98%	3.05%	3.40%	3.60%
20-year swap rate	3.00%	3.08%	3.15%	3.45%	3.70%
30-year swap rate	3.07%	3.16%	3.25%	3.49%	3.80%
Malaysia	**2Q18**	**3Q18**	**4Q18**	**2019**	**2020**
OPR	3.25%	3.25%	3.25%	3.50%	3.50%
1-month KLIBOR	3.46%	3.50%	3.57%	3.70%	3.75%
3-month KLIBOR	3.73%	3.77%	3.85%	3.88%	3.95%
6-month KLIBOR	3.83%	3.86%	3.91%	3.95%	4.00%
12-month KLIBOR	3.92%	3.93%	3.96%	3.98%	4.05%
1-year swap rate	3.79%	3.82%	3.88%	3.90%	4.02%
2-year swap rate	3.83%	3.87%	3.90%	4.00%	4.10%
3-year swap rate	3.86%	3.91%	3.95%	4.09%	4.17%
5-year swap rate	3.95%	3.98%	4.00%	4.20%	4.35%
10-year swap rate	4.25%	4.28%	4.30%	4.50%	4.67%
15-year swap rate	4.45%	4.45%	4.45%	4.59%	4.75%

UST	2Q18	3Q18	4Q18	2019	2020
2-year	2.50%	2.61%	2.72%	3.32%	3.80%
5-year	2.75%	2.88%	3.00%	3.43%	3.90%
10-year	2.95%	3.08%	3.20%	3.75%	4.10%
30-year	3.10%	3.23%	3.36%	3.83%	4.24%
SGS	**2Q18**	**3Q18**	**4Q18**	**2019**	**2020**
2-year	2.05%	2.15%	2.25%	2.55%	2.91%
5-year	2.25%	2.35%	2.45%	2.75%	3.10%
10-year	2.60%	2.70%	2.80%	2.95%	3.30%
15-year	2.85%	2.93%	3.00%	3.15%	3.40%
20-year	2.90%	3.00%	3.10%	3.25%	3.50%
30-year	3.00%	3.08%	3.15%	3.35%	3.60%
MGS	**2Q18**	**3Q18**	**4Q18**	**2019**	**2020**
6-month	3.33%	3.34%	3.35%	3.40%	3.50%
5-year	3.94%	3.95%	3.96%	4.03%	4.13%
10-year	4.27%	4.29%	4.30%	4.38%	4.48%

FX	Spot	2Q18	3Q18	4Q18	1Q19
USD-JPY	109.14	110.43	111.10	111.70	112.30
EUR-USD	1.1977	1.1825	1.1938	1.2138	1.2338
GBP-USD	1.3570	1.3403	1.3514	1.3716	1.3918
AUD-USD	0.7535	0.7433	0.7504	0.7652	0.7801
NZD-USD	0.7021	0.6920	0.6985	0.7120	0.7255
USD-CAD	1.2852	1.2970	1.2854	1.2681	1.2508
USD-CHF	0.9985	1.0088	1.0023	0.9884	0.9746
USD-SGD	1.3313	1.3390	1.3326	1.3199	1.3072
USD-CNY	6.3510	6.4301	6.4086	6.3640	6.3198
USD-THB	31.67	31.93	31.74	31.36	30.98
USD-IDR	13940	14020	13994	13911	13828
USD-MYR	3.9375	3.9735	3.9434	3.8811	3.8188
USD-KRW	1076.82	1087.50	1078.89	1062.22	1045.56
USD-TWD	29.685	29.850	29.722	29.456	29.189
USD-HKD	7.8498	7.8474	7.8451	7.8429	7.8407
USD-PHP	51.605	51.28	51.11	50.98	50.84
USD-INR	66.77	67.15	66.93	66.38	65.83
EUR-JPY	130.72	130.58	132.63	135.59	138.56
EUR-GBP	0.8826	0.8823	0.8834	0.8850	0.8865
EUR-CHF	1.1959	1.1928	1.1966	1.1998	1.2025
EUR-SGD	1.5945	1.5834	1.5908	1.6021	1.6129
GBP-SGD	1.8066	1.7946	1.8009	1.8104	1.8194
AUD-SGD	1.0031	0.9952	0.9999	1.0100	1.0197
NZD-SGD	0.9347	0.9266	0.9308	0.9398	0.9484
CHF-SGD	1.3333	1.3274	1.3295	1.3353	1.3413
JPY-SGD	1.2198	1.2126	1.1994	1.1816	1.1640
SGD-MYR	2.9576	2.9675	2.9593	2.9405	2.9213
SGD-CNY	4.7705	4.8022	4.8092	4.8216	4.8345

Macroeconomic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
06/01/2018 07:00	SK	GDP YoY	1Q F	2.80%	--	2.80%	--
06/01/2018 15:50	FR	Markit France Manufacturing PMI	May F	55.1	--	55.1	--
06/01/2018 20:30	US	Change in Nonfarm Payrolls	May	190k	--	164k	--
06/01/2018 22:00	US	ISM Manufacturing	May	58.2	--	57.3	--
06/05/2018 12:30	AU	RBA Cash Rate Target	Jun-05	1.50%	--	1.50%	--
06/05/2018 16:00	TA	CPI YoY	May	--	--	1.98%	--
06/06/2018 09:30	AU	GDP SA QoQ	1Q	--	--	0.40%	--
06/06/2018 17:00	IN	RBI Repurchase Rate	Jun-06	6.00%	--	6.00%	--
06/07/2018 20:30	US	Initial Jobless Claims	Jun-02	--	--	--	--
06/08/2018 07:50	JN	BoP Current Account Balance	Apr	--	--	¥3122.3b	--
06/08/2018 07:50	JN	GDP SA QoQ	1Q F	--	--	-0.20%	--
06/08/2018 07:50	JN	GDP Annualized SA QoQ	1Q F	--	--	-0.60%	--
06/09/2018 09:30	CH	CPI YoY	May	--	--	1.80%	--
06/12/2018 17:00	GE	ZEW Survey Current Situation	Jun	--	--	87.4	--
06/12/2018 17:00	GE	ZEW Survey Expectations	Jun	--	--	-8.2	--
06/12/2018 20:30	US	CPI MoM	May	--	--	0.20%	--
06/13/2018 16:30	UK	CPI MoM	May	--	--	0.40%	--
06/13/2018 16:30	UK	CPI YoY	May	--	--	2.40%	--
06/14/2018 02:00	US	FOMC Rate Decision (Upper Bound)	Jun-13	2.00%	--	1.75%	--
06/14/2018 09:30	AU	Employment Change	May	--	--	22.6k	--
06/14/2018 09:30	AU	Unemployment Rate	May	--	--	5.60%	--
06/14/2018 12:30	JN	Industrial Production MoM	Apr F	--	--	0.30%	--
06/14/2018 14:45	FR	CPI YoY	May F	--	--	--	--
06/14/2018 19:45	EC	ECB Main Refinancing Rate	Jun-14	--	--	0.00%	--
06/14/2018 20:30	US	Initial Jobless Claims	Jun-09	--	--	--	--
06/15/2018 17:00	EC	CPI YoY	May F	--	--	1.20%	1.20%
06/15/2018 17:00	IT	CPI EU Harmonized YoY	May F	--	--	--	--
06/15/2018 22:00	US	U. of Mich. Sentiment	Jun P	--	--	98	--
06/20/2018 15:05	TH	BoT Benchmark Interest Rate	Jun-20	1.50%	--	1.50%	--
06/21/2018 06:45	NZ	GDP SA QoQ	1Q	--	--	0.60%	--
06/21/2018 16:00	PH	BSP Overnight Borrowing Rate	Jun-21	--	--	3.25%	--
06/21/2018 19:00	UK	Bank of England Bank Rate	Jun-21	--	--	0.50%	--
06/21/2018 20:30	US	Initial Jobless Claims	Jun-16	--	--	--	--
06/22/2018 15:00	FR	Markit France Manufacturing PMI	Jun P	--	--	--	--
06/22/2018 20:30	CA	CPI YoY	May	--	--	2.20%	--
06/25/2018 13:00	SI	CPI YoY	May	--	--	0.10%	--
06/25/2018 16:00	GE	IFO Business Climate	Jun	--	--	102.2	--
06/27/2018 16:00	IT	Manufacturing Confidence	Jun	--	--	107.7	--
06/28/2018 05:00	NZ	RBNZ Official Cash Rate	Jun-28	1.75%	--	1.75%	--
06/28/2018 17:00	IT	CPI EU Harmonized YoY	Jun P	--	--	--	--
06/28/2018 20:30	US	GDP Annualized QoQ	1Q T	--	--	2.20%	--
06/28/2018 20:30	US	Initial Jobless Claims	Jun-23	--	--	--	--
06/29/2018 07:30	JN	Jobless Rate	May	--	--	2.50%	--
06/29/2018 07:50	JN	Industrial Production MoM	May P	--	--	--	--
06/29/2018 14:45	FR	CPI YoY	Jun P	--	--	--	--
06/29/2018 16:30	UK	GDP QoQ	1Q F	--	--	0.10%	--
06/29/2018 16:30	UK	GDP YoY	1Q F	--	--	1.20%	--
06/29/2018 22:00	US	U. of Mich. Sentiment	Jun F	--	--	--	--

Source: Bloomberg

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