

Highlights

Global	<p>The US data dump began on the month-end - US personal spending rose more than expected by 1.0% in April, the strongest since August 2009, as disposable income rose 0.2% mom (+3.3% yoy) and suggesting that consumption is recovering after the 1Q soft patch. However, this was insufficient from preventing Wall Street from sliding and UST bonds from rallying on month-end buying interest, as the consumer confidence index unexpectedly slipped from a revised 94.7 in April to 92.6 in May. Market focus today will be on the PMI data coming out in Europe and Asia, especially China, Australia's 1Q16 GDP growth and US' manufacturing ISM.</p>
US	<p>While the PCE deflator climbed 0.3% mom (+1.1% yoy) in April, up from 0.1% mom (0.8% yoy) in March, the core PCE deflator also edged higher to 0.2% mom (+1.6% yoy), but remains way below the Fed's 2% inflation target. Meanwhile, the S&P/CaseShiller 20-city homeprice index rose faster than expected by 5.4% yoy amid healthy demand and a tight inventory. That said, manufacturing momentum remained weak - the Chicago PMI also unexpectedly weakened from 50.4 in April to 49.3 in May (contraction territory) while the Dallas Fed manufacturing activity went from -13.9 to -20.8.</p> <p>Elsewhere, Wall Street closed mostly down as investors engaged in bond buying. Dow and S&P 500 were lower by 0.48% and 0.1% respectively while the Nasdaq index etched 0.29% worth of gains. VIX up by 8.16% to close at 14.19. Meanwhile, demand for US Treasury pushed prices up as 2 - 10year bond yielded 0.877% (-3bps) and 1.845% (-1bps) respectively.</p>
JP	<p>PM Abe is due to hold a press conference today and is likely to announce he will delay the planned sales tax hike for April 2017</p>
SG	<p>The NWC has recommended low-wage workers earning up to \$1,100 a month to have a built-in wage increase, but recommended a range of \$50-65 instead of last year's \$60 minimum, amid the uncertain environment.</p> <p>The STI closed down 0.20% at 2791.06 yesterday, and may continue to slide today amid weak cues from Wall Street overnight and morning slippage in Kospi and Nikkei. STI could see support and resistance at 2740 and 2800. SGS bond yields closed with a more supportive tone amid month-end positioning, and may trade with a relatively bid tone today as well, taking the cue from the overnight UST rally.</p>
China	<p>Equity markets rallied yesterday led by broker shares on the back of speculation that China's A share may be included in the MSCI index. The MSCI will announce the decision on whether to include A share into its well tracked index in the mid June. Meanwhile, China's currency regulator said as of May 2016, China has granted total US\$89.9 billion QDII quota and US\$81 billion QFII quota.</p>
Indonesia	<p>The government is reportedly submitting a draft of revised 2016 budget to parliament tomorrow. Local daily, Kontan, reports that the revision will assume growth at 5.3%, inflation at 4.7% and average USDIDR level of 13900. Budget deficit is seen to be at 2.5% of GDP, with oil price assumption of USD50/barrel.</p>

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Major Market

- **Hong Kong:** Total value of retail sales fell for the 14th straight month, down by 7.5% yoy to HK\$ 37 billion. The retail sector remains in doldrums amid weak inbound tourism and subdued tourists spending. Jobless rates are climbing up, especially in the retail sector (5.3% in April), which have also dented domestic consumer sentiment. A stronger HKD, China's ongoing anti-corruption campaign and the decreasing appeal of Hong Kong to Mainland visitors all signal that growth in Hong Kong's tourism sector is unlikely to pick up pace any time soon. Looking forward, a combination of fewer tourists, tepid tourist spending as well as cautious local consumer sentiment will further add downward pressure onto the retail sector. The sector's employment will also continue to take a hit. As a result, HK's retail shop property market may tumble further.
- RMB deposits shrank for the 8th straight month to RMB 723 billion and the decline deepened to 24.3% yoy in April as raising expectations over Fed's summer rate hike pushed USDCNH up by 0.4% during the same month. Interestingly, the recent depreciation of the RMB has been orderly as the PBOC well managed market expectation via its new fixing mechanism. Nonetheless, the increasing volatility of the RMB would certainly dent market sentiment of the currency. As such, we believe RMB deposits may continue to decline moderately in the coming months. Elsewhere, loans for use outside HK dropped by 0.5%, indicating that demand for Mainland related loans remained soft and will continue to shrink given lower borrowing cost in China and banks' increasing cautiousness of Chinese names after a series of credit events. Moreover, loans to finance HK's visible trade slumped significantly by 13.5% yoy amid sluggish trading activities in HK.
- **Macau:** Thanks to the string of new hotels openings, the nine straight month of overnight visitors growth pushed the total number of hotel guests (+11.5% yoy) up, printing a double-digit annual growth for the fourth consecutive month in April. However, the resulting greater room capacity has weighed on the hotel occupancy rate, which was down by 0.7 percentage points on yearly basis to 79% despite an increased number of hotel guests. On a positive note, excluding the effect of Easter Holidays, the data prints of visitor arrivals surprised on the upside, indicating that more new hotel openings ahead may be able to attract more overnight visitors, which in turn will bolster a gradual recovery in the tourism sector. On the flip side, more hotel openings may also cap the occupancy rate at 80% and dilute hotels' profits. As such, employers in this sector may be prompted to slow wage growth or even increase retrenchments, thereby hurting domestic demand.

Bond Market Updates

- **Market Commentary:** SGD swap rates were range-bound yesterday, with the short-end and belly trading 1bps lower while the long end traded 1bps higher. Flows in SGD corporates were heavy with better buying in STANLN 4.4%'26s, UOBSP 4%'49s, GEMAU 5.5%'19s, SOCGEN 4.3%'26s, NAB 4.15%'28s and better selling in, HYFSP 6%'49s. Meanwhile we also saw mixed interests in, ABNANV 4.75%'26s, FRESHK 4.25%'19s, ASPSP 4.5%'17s and UCGIM 5.5%'23s. In the broader dollar space, the spread on JACI IG corporates decreased by 3 bps to 219bps, while the yield on JACI HY corporates decreased by 9bps to 7.12%. 10y UST yield remained relatively unchanged overnight at 1.85%.
- **New Issues:** GSH Corporation Ld priced a SGD60m 3-year bond at 5.15%, tightening from its initial guidance of 5.25%. Prudential PLC priced a USD1bn tier 2 bond at 5.25%, tightening from its initial guidance of 5.75%. The expected ratings are "A-/A3/BBB+". Starhub Ltd priced a SGD300m 10-year bond at 3.55%, tightening from its initial guidance of SOR+110bps. SGSP Australia Asset Property Ltd. has scheduled investor meetings in Melbourne, Sydney, Singapore, Hong Kong and London from June 6 onwards.
- **Rating Changes:** S&P downgraded its corporate credit rating on Advanced Info Service (AIS) Public

Co. Ltd. to “BBB+” from “A-“, reflecting AIS weakened capital structure, given the debt-funded substantial payment that the company has committed to make to secure the 900 megahertz spectrum license on May 27, 2016. The outlook is negative. S&P affirmed AGL Energy Ltd. (AGL) corporate credit rating of “BBB” and subsequently withdrew all credit rating on AGL. Prior withdrawal, the rating reflects AGL’s strong market position as one of the three largest integrated utility companies with strong market share as the largest merchant generator in the National Electricity Market. Moody’s withdrew all credit ratings on China Automation Group Limited for its own business reason. The rating prior withdrawal was “B1” with stable outlook. S&P downgraded its credit rating of China United SME Guarantee Corporation to “BB+” from “BBB-“, reflecting the reduced likelihood of extraordinary government support or intervention by the Chinese government to Sino Guarantee in time of stress. The outlook is negative. S&P affirmed CLP Holdings “A1” long term corporate credit rating and revised its outlook to positive from stable. At the same time, S&P also revised its outlook on CLP Power Hong Kong Ltd (Subsidiary of CLP Holdings) to positive from stable. The revision reflects the reduction in its parent company’s debt levels through the proceeds from asset sales and improvement in its cash flow leveraging. S&P affirmed its credit ratings of “A” on Mitsui & Co. Ltd. and company’s rated overseas subsidiary, Mitsui & Co Australia Ltd. The outlook is negative, reflecting S&P’s view that profitability may recover at a slower pace than its assumption, because of risk of fluctuation on commodity prices and other risks related to its unprofitable nonresource businesses. Moody’s has withdrawn all credit rating on OUE Commercial Real Estate Investment Trust for its own business reasons. The rating prior withdrawal was “Ba1” with stable outlook. Fitch affirmed its credit rating of “B+” on Zoomlion Heavy Industry Science and Technology Co. Ltd. (Zoomlion). The outlook is negative, reflecting Fitch’s expectation of the poor market environment for construction equipment in China to continue to pressure Zoomlion’s performance.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	95.891	0.39%	USD-SGD	1.3777	-0.28%	DJIA	17,787.20	-86.00
USD-JPY	110.730	-0.35%	EUR-SGD	1.5338	-0.33%	S&P	2,096.96	-2.10
EUR-USD	1.1132	0.00%	JPY-SGD	1.2442	0.06%	Nasdaq	4,948.06	14.60
AUD-USD	0.7234	0.71%	GBP-SGD	1.9953	-1.36%	Nikkei 225	17,234.98	167.00
GBP-USD	1.4483	-1.07%	AUD-SGD	0.9966	0.42%	STI	2,791.06	-5.70
USD-MYR	4.1287	0.30%	NZD-SGD	0.9318	0.75%	KLCI	1,626.00	-3.90
USD-CNY	6.5854	0.03%	CHF-SGD	1.3862	-0.45%	JCI	4,796.87	-39.20
USD-IDR	13648	0.06%	SGD-MYR	2.9919	0.39%	Baltic Dry	612.00	6.00
USD-VND	22390	-0.12%	SGD-CNY	4.7794	0.29%	VIX	14.19	1.10

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3480	--	O/N	0.3850	--	2Y	1.09 (-0.03)	0.88 (-0.03)
2M	-0.2990	--	1M	0.4567	--	5Y	1.79 (-0.01)	1.37 (-0.01)
3M	-0.2610	--	2M	0.5580	--	10Y	2.24 (--)	1.85 (-0.01)
6M	-0.1510	--	3M	0.6731	--	15Y	2.51 (--)	--
9M	-0.0840	--	6M	0.9781	--	20Y	2.55 (--)	--
12M	-0.0150	--	12M	1.3167	--	30Y	2.59 (--)	2.65 (--)

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %		Value	Change
Portugal	0.50	-2.10	3.06	-0.70	2.92	LIBOR-OIS	18.57	-0.99
Italy	-0.08	-0.70	1.36	-0.80	1.22	EURIBOR-OIS	8.10	-0.20
Ireland	-0.36	-0.70	0.76	-3.70	0.62	TED	40.09	3.81
Greece*	7.39	17.90	7.27	1.20	7.13			
Spain	-0.10	-1.30	1.47	-1.50	1.33			
Russia^	2.96	-0.70	4.82	1.00	4.68			

Commodities Futures					
	Futures	% chg		Futures	% chg
Energy			Soft Commodities		
WTI (per barrel)	49.10	-0.47%	Coffee (per lb)	1.216	0.21%
Brent (per barrel)	49.69	-0.14%	Cotton (per lb)	0.6394	-0.53%
Heating Oil (per gallon)	1.498	0.23%	Sugar (per lb)	0.1749	-0.17%
Gasoline (per gallon)	1.61	-1.04%	Orange Juice (per lb)	1.5255	4.13%
Natural Gas (per MMBtu)	2.288	5.49%	Cocoa (per mt)	3,059	1.80%
Base Metals			Grains		
Copper (per mt)	4,671.0	-0.51%	Wheat (per bushel)	4.6450	-3.53%
Nickel (per mt)	8,399	0.14%	Soybean (per bushel)	10.785	-0.74%
Aluminium (per mt)	1,545.8	-0.10%	Corn (per bushel)	4.0475	-1.94%
Precious Metals			Asian Commodities		
Gold (per oz)	1,214.8	0.08%	Crude Palm Oil (MYR/MT)	2,635.0	0.53%
Silver (per oz)	15.994	-1.69%	Rubber (JPY/KG)	162.3	1.44%

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/31/2016 06:45	NZ Building Permits MoM	Apr	--	6.60%	-9.80%	-9.70%
05/31/2016 07:00	SK Industrial Production YoY	Apr	-1.30%	-2.80%	-1.50%	-0.60%
05/31/2016 07:30	JN Jobless Rate	Apr	3.20%	3.20%	3.20%	--
05/31/2016 07:50	JN Industrial Production MoM	Apr P	-1.50%	0.30%	3.80%	--
05/31/2016 09:00	NZ ANZ Business Confidence	May	--	11.3	6.2	--
05/31/2016 09:30	AU BoP Current Account Balance	1Q	-19.5b	-20.8b	-21.1b	-22.6b
05/31/2016 09:30	AU Building Approvals MoM	Apr	-3.00%	3.00%	3.70%	2.90%
05/31/2016 09:30	AU Private Sector Credit MoM	Apr	0.50%	0.50%	0.40%	--
05/31/2016 12:30	MU Hotel Occupancy Rate	Apr	--	79	76.5	--
05/31/2016 13:00	JN Housing Starts YoY	Apr	4.10%	9.00%	8.40%	--
05/31/2016 14:01	PH Bank Lending YoY	Apr	--	14.80%	13.50%	--
05/31/2016 14:45	FR CPI YoY	May P	-0.10%	-0.10%	-0.20%	--
05/31/2016 15:30	TH Trade Balance	Apr	--	\$2450m	\$4687m	--
05/31/2016 15:30	TH BoP Current Account Bal	Apr	\$2000m	\$3164m	\$4952m	--
05/31/2016 15:55	GE Unemp Change (000's)	May	-5k	-11k	-16k	--
05/31/2016 16:00	EC M3 Money Supply YoY	Apr	5.00%	4.60%	5.00%	--
05/31/2016 16:30	HK Retail Sales Value YoY	Apr	-10.00%	-7.50%	-9.80%	--
05/31/2016 17:00	EC CPI Estimate YoY	May	-0.10%	-0.10%	-0.20%	--
05/31/2016 17:00	EC CPI Core YoY	May A	0.80%	0.80%	0.70%	--
05/31/2016 17:00	IT CPI EU Harmonized YoY	May P	-0.30%	-0.30%	-0.40%	--
05/31/2016 18:00	IT GDP WDA QoQ	1Q F	0.30%	0.30%	0.30%	--
05/31/2016 20:30	US Personal Income	Apr	0.40%	0.40%	0.40%	--
05/31/2016 20:30	CA GDP MoM	Mar	-0.10%	-0.20%	-0.10%	--
05/31/2016 20:30	US Personal Spending	Apr	0.70%	1.00%	0.10%	0.00%
05/31/2016 20:30	CA Quarterly GDP Annualized	1Q	2.80%	2.40%	0.80%	0.50%
05/31/2016 20:30	US PCE Core MoM	Apr	0.20%	0.20%	0.10%	--
05/31/2016 22:00	US Consumer Confidence Index	May	96.1	92.6	94.2	94.7
06/01/2016 07:00	SK CPI MoM	May	0.20%	0.00%	0.10%	--
06/01/2016 07:00	SK CPI YoY	May	0.90%	0.80%	1.00%	--
06/01/2016 07:30	AU AiG Perf of Mfg Index	May	--	51	53.4	--
06/01/2016 07:50	JN Capital Spending YoY	1Q	2.40%	4.20%	8.50%	--
06/01/2016 08:00	NZ QV House Prices YoY	May	--	--	12.00%	--
06/01/2016 08:00	SK Exports YoY	May	-0.40%	--	-11.20%	--
06/01/2016 08:00	SK Imports YoY	May	-9.70%	--	-14.90%	--
06/01/2016 09:00	CH Manufacturing PMI	May	50	--	50.1	--
06/01/2016 09:30	SK Nikkei South Korea PMI Mfg	May	--	--	50	--
06/01/2016 09:30	AU GDP SA QoQ	1Q	0.80%	--	0.60%	--
06/01/2016 09:45	CH Caixin China PMI Mfg	May	49.2	--	49.4	--
06/01/2016 10:00	JN Nikkei Japan PMI Mfg	May F	--	--	47.6	--
06/01/2016 10:30	TA Nikkei Taiwan PMI Mfg	May	--	--	49.7	--
06/01/2016 11:00	ID Nikkei Indonesia PMI Mfg	May	--	--	50.9	--
06/01/2016 12:00	VN Nikkei Vietnam PMI Mfg	May	--	--	52.3	--
06/01/2016 13:00	IN Nikkei India PMI Mfg	May	--	--	50.5	--
06/01/2016 13:00	JN Vehicle Sales YoY	May	--	--	7.20%	--
06/01/2016 14:00	UK Nationwide House PX MoM	May	0.30%	--	0.20%	--
06/01/2016 14:30	AU Commodity Index AUD	May	--	--	87	--
06/01/2016 14:30	AU Commodity Index YoY	May	--	--	-9.40%	--
06/01/2016 14:30	TH CPI YoY	May	0.27%	--	0.07%	--
06/01/2016 15:45	IT Markit Italy Mfg PMI	May	53	--	53.9	--
06/01/2016 15:50	FR Markit France Mfg PMI	May F	48.3	--	48.3	--
06/01/2016 15:55	GE Markit Germany Mfg PMI	May F	52.4	--	52.4	--
06/01/2016 16:00	EC Markit Eurozone Mfg PMI	May F	51.5	--	51.5	--
06/01/2016 16:30	UK Mortgage Approvals	Apr	67.9k	--	71.4k	--
06/01/2016 16:30	UK Markit UK PMI Mfg SA	May	49.6	--	49.2	--
06/01/2016 21:30	CA RBC Canadian Mfg PMI	May	--	--	52.2	--
06/01/2016 22:00	US ISM Manufacturing	May	50.3	--	50.8	--
06/01/2016 22:00	US Construction Spending MoM	Apr	0.60%	--	0.30%	--
06/01/2016	ID CPI YoY	May	3.30%	--	3.60%	--
06/01/2016	ID CPI Core YoY	May	3.43%	--	3.41%	--
06/01/2016 06/07	ID Foreign Reserves	May	--	--	\$107.71b	--

Source: Bloomberg

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