

Highlights

Global	Both BOE and BSP held their policy rates static yesterday, but the weaker tone from the US initial jobless claims and the retreating crude oil prices may see Asian markets trade on a softer tone this morning. Note overnight Fed rhetoric from both Rosengren and George (both doves and voters) remained slightly inclined to the hawkish side. Today's economic data calendar will zoom in on Malaysia's 1Q16 GDP growth (market eyeing +4.0% yoy and +0.7% qoq sa, versus +4.5% yoy and +1.5% qoq sa in 4Q15, so any downside surprise may add to dovish market speculation for the upcoming BNM policy meeting on 19 May which will be presided over by the new BNM governor Muhammad bin Ibrahim), as well as 1Q16 growth cues from Eurozone and HK too. In addition, there are the BOK policy meeting (expected to be static at 1.5%), US' retail sales, PPI and University of Michigan sentiments, and S'pore's retail sales. China will also release its new Yuan loans data this weekend.
US	Initial jobless claims surged 20k to a 1-year high of 294k, led by a surge in filings (+14,389) in New York, and bringing the 4-week average from 258k to 268,250. Meanwhile, continuing jobless claims also rose by 37k to 2.16m. Separately, import prices rose 0.3% mom for the second month in April, as petroleum and food prices picked up. Fed's George indicated that she is "very sceptical of negative interest rates" and opined that current rates are "too low for today's economic conditions" and "what you don't want to see is the Fed get behind the curve" so as to warrant "a more rapid adjustment". Rosengren also opined that "if the incoming economic data continue to be consistent with gradual improvement in labour markets and inflation getting closer to target, the Fed should be ready to gradually normalise interest rates" and that "the market remains too pessimistic about the fundamental strength of the US economy, and the likelihood of removing monetary accommodation is higher than is currently priced into financial markets based on current data".
SG	Retail sales may come in flat mom but expand 5.4% yoy in March, after rising 1.7% mom (-3.2% yoy) in February. Separately, DPM Tharman will cover Finance Minister Heng's duties after the latter suffered a stroke.
China	European lawmakers overwhelmingly voted against to grant market economy status to China. This may spark fear about the rising trade distribute amid economic slowdown as Beijing is expecting the market economy status this year according to the agreement in 2001 when China first joined the WTO.
MA	GDP figure for Q1 is due out at noon today. We have a figure of 4.1%yoy pencilled in for the quarter, in what may show the slowest pace of growth in five years. The economy grew by 4.5%yoy in the previous quarter.
Commodities	The rally in crude oil prices sustained overnight, now with the WTI and Brent rising to \$46 and \$48/bbl handle respectively. Note that oil production in North Dakota, home of one of the highest-cost sources of US oil production, has reportedly fell for the fourth consecutive month to 1.1mbpd in March. The sustained fall in production clearly suggested that crude oil prices are still below the break-even point for some wells in the less prolific parts of Bakken. Elsewhere, we upgrade our year-end gold outlook to \$1,200/oz, from a prior forecast of \$1,100/oz, given diminishing probability for a Fed rate hike this year, coupled with wildcard events that could lift safe haven demand.

Treasury Advisory

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Major Market

- **US:** Equity markets fluctuated between gains and losses before closing little changed. Investors appear to be on the sidelines as they await further data that will give hints to the strength of the US economy. S&P 500 (-0.02%), Dow (+0.05%) and Nasdaq (-0.49%). US Treasury yields rose on the back of Rosengren's hawkish comments that the market is underpricing the likelihood of rate hikes. 2-year and 10-year US Treasuries yield 0.75% and 1.75% respectively. Meanwhile, VIX is down 1.91%.
- **Eurozone:** Industrial production unexpectedly shrank for a second month by 0.8% mom sa (+0.2% yoy) in March, weighed down by non-durable consumer (-1.9%) and capital (-1.1%) goods, and suggesting that the region lost momentum towards the end of 1Q16.
- **Japan:** The Eco Watchers survey revealed a slight softening of the current conditions and the outlook expectations gauge to 43.5 (previously 45.4) and 45.5 (previously 46.7) respectively in April.
- **Singapore:** The STI added another 0.46% to close at 2745.39 yesterday, but may tread water today amid mixed cues from Wall Street overnight and differing directions from Nikkei and Kospi this morning. The STI could see support and resistance at 2720 and 2760 respectively. Meanwhile, SGS bonds could range trade today as investors, already sidelined by the recent surge in corporate bond issues especially the perps from UOB and SocGen, weigh the overnight UST bond market rally with the slightly more hawkish Fed rhetoric.
- **Macau:** Total residential property transaction volumes picked up by 63.5% mom to 497 units in March, the highest in the recent three months. Average residential property transaction volumes recorded 405 units in 1Q, still lower than the average 498 units in last year. As housing transaction volumes rebounded in March, new residential mortgage loan (RML) approvals also increased by 31.4% mom to MOP2.96 billion in the same month. However, on yearly basis, it still plunged 39.85%. Despite the rebound in residential property transaction and new residential mortgage loan, we may need more data points in order to conclude a genuine recovery in housing market. Looking ahead, the uncertainty over the domestic economy as well as expectations of a slow recovery in the gaming sector continue to dent local sentiment. Therefore, we continue to believe that housing transaction will remain low around 500 units in 1H while private housing price to fall around 10% yoy by end of this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, trading 4bps-6bps lower across all tenors. Flows in the SGD corporate were heavy, where we saw better buyers in the newly issued SOCGEN 4.3%'26s, GEMAU 5.5%'19s, STANLN 4.4%'26s, better sellers in ABNANV 4.75%'26s, FRESHK 4.25%'19s and OCBC 3.8%'49s. We also saw mixed interests in BAERVX 5.9%'49s, OHLSP 5.1%'17s and UCGIM 5.5%'23s. In the broader dollar space, the spread on JACI IG corporates tightened by 1bp to 214bps, while the yield on the JACI HY corporate decreased 4bps to 7.18%. 10y UST increased by 2bps to 1.75% following renewed talk of potential US rate hikes in 2016 and a relatively strong week for oil prices.
- **New Issues:** National Australia Bank Ltd priced a SGD450mn Tier 2 12NC7 bond at 4.15%, tightening from an initial guidance of 4.3%. The issue is rated "BBB+/A3/NR". Sun Hung Kai has announced that it is planning to issue a USD 5-year bond, with minimum coupon of 4.75%, to refinance its USD350mn 6.375%'17s notes. GSH Corp has scheduled investor meetings in Singapore on 16 May 2016. Zhejiang Geely has scheduled for investor meetings in Asia and Europe from 13 May 2016. Australia and New Zealand Banking Group Ltd priced a US\$1.5bn 10 year Tier-2

issue at 4.4% to yield 265bps over UST, slightly tighter than initial guidance of the high 200s.

- **Rating Changes:** S&P downgraded its rating on Shanghai Huayi Group to “BBB-” from “BBB”, with no further information furnished on Bloomberg. S&P downgraded its rating on Huayi Group Hong Kong Ltd to “BB+” from “BBB-”, with no further information furnished on Bloomberg. Moody’s upgraded GS Caltex Corp. to “Baa2” from “Baa3” with a stable outlook. The upgrade reflects GS Caltex’s stronger financial profile from lower debt and steady earnings.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.150	0.35%	USD-SGD	1.3730	0.53%
USD-JPY	109.020	0.56%	EUR-SGD	1.5620	0.11%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2596	-0.03%
AUD-USD	0.7325	-0.68%	GBP-SGD	1.9840	0.56%
GBP-USD	1.4451	0.02%	AUD-SGD	1.0058	-0.14%
USD-MYR	4.0250	-0.25%	NZD-SGD	0.9363	0.54%
USD-CNY	6.5167	0.28%	CHF-SGD	1.4148	0.60%
USD-IDR	13299	-0.08%	SGD-MYR	2.9387	-0.23%
USD-VND	22310	0.10%	SGD-CNY	4.7519	-0.05%

Equity and Commodity

Index	Value	Net change
DJIA	17,720.50	9.40
S&P	2,064.11	-0.30
Nasdaq	4,737.33	-23.40
Nikkei 225	16,646.34	67.30
STI	2,745.39	12.50
KLCI	1,648.98	4.40
JCI	4,803.32	3.40
Baltic Dry	579.00	--
VIX	14.41	-0.30

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3500	--	O/N	0.3850	--
2M	-0.2930	--	1M	0.4347	--
3M	-0.2590	--	2M	0.5174	--
6M	-0.1440	--	3M	0.6266	--
9M	-0.0780	--	6M	0.9049	--
12M	-0.0120	--	12M	1.2252	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.01 (-0.01)	0.75 (+0.03)
5Y	1.55 (-0.03)	1.24 (+0.04)
10Y	1.95 (-0.03)	1.75 (+0.01)
15Y	2.30 (-0.03)	--
20Y	2.36 (-0.04)	--
30Y	2.48 (-0.04)	2.60 (+0.02)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.64	0.80	3.23
Italy	-0.05	1.40	1.51
Ireland	-0.36	0.10	0.86
Greece*	8.56	74.00	7.40
Spain	-0.06	0.90	1.62
Russia^	2.99	-7.90	4.73

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.42	0.08
EURIBOR-OIS	8.30	-0.20
TED	36.16	-1.07

* 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

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	46.70	1.02%	Coffee (per lb)	1.282	0.23%
Brent (per barrel)	48.08	1.01%	Cotton (per lb)	0.6073	0.21%
Heating Oil (per gallon)	1.394	-0.19%	Sugar (per lb)	0.1698	1.25%
Gasoline (per gallon)	1.58	0.11%	Orange Juice (per lb)	1.4695	0.96%
Natural Gas (per MMBtu)	2.155	-0.83%	Cocoa (per mt)	3,018	-0.89%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,613.0	-2.02%	Wheat (per bushel)	4.5850	2.00%
Nickel (per mt)	8,591	-2.89%	Soybean (per bushel)	10.645	-0.49%
Aluminium (per mt)	1,529.5	-1.27%	Corn (per bushel)	3.8525	3.01%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,271.2	-0.34%	Crude Palm Oil (MYR/MT)	2,675.0	-0.56%
Silver (per oz)	17.087	-1.24%	Rubber (JPY/KG)	174.8	0.46%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/12/2016 02:00	US Monthly Budget Statement	Apr	\$107.0b	\$106.5b	\$156.7b	--
05/12/2016 06:30	NZ BusinessNZ Mfg PMI	Apr	--	56.5	54.7	--
05/12/2016 06:45	NZ Food Prices MoM	Apr	--	0.30%	0.50%	--
05/12/2016 07:01	UK RICS House Price Balance	Apr	35%	41%	42%	--
05/12/2016 07:50	JN BoP Current Acc Balance	Mar	¥2965.6b	¥2980.4b	¥2434.9b	--
05/12/2016 07:50	JN Trade Balance BoP Basis	Mar	¥906.7b	¥927.2b	¥425.2b	--
05/12/2016 12:00	MA Industrial Production YoY	Mar	3.00%	2.80%	3.90%	--
05/12/2016 13:00	JN Eco Watchers Survey Current	Apr	44	43.5	45.4	--
05/12/2016 14:45	FR CPI EU Harmonized YoY	Apr F	-0.10%	-0.10%	-0.10%	--
05/12/2016 14:45	FR CPI MoM	Apr F	0.10%	0.10%	0.10%	--
05/12/2016 14:45	FR CPI YoY	Apr F	-0.20%	-0.20%	-0.20%	--
05/12/2016 16:00	PH BSP Overnight Rate	May-12	4.00%	4.00%	4.00%	--
05/12/2016 17:00	EC Industrial Production SA MoM	Mar	0.00%	-0.80%	-0.80%	-1.20%
05/12/2016 17:00	EC Industrial Production WDA YoY	Mar	0.90%	0.20%	0.80%	1.00%
05/12/2016 19:00	UK Bank of England Bank Rate	May-12	0.50%	0.50%	0.50%	--
05/12/2016 19:00	UK BOE Asset Purchase Target	May	375b	375b	375b	--
05/12/2016 20:00	IN CPI YoY	Apr	5.05%	5.39%	4.83%	--
05/12/2016 20:00	IN Industrial Production YoY	Mar	2.50%	0.10%	2.00%	--
05/12/2016 20:30	US Import Price Index MoM	Apr	0.60%	0.30%	0.20%	0.30%
05/12/2016 20:30	CA New Housing Price Index MoM	Mar	0.10%	0.20%	0.20%	--
05/12/2016 20:30	US Initial Jobless Claims	May-07	270k	294k	274k	--
05/12/2016 20:30	US Continuing Claims	Apr-30	2120k	2161k	2121k	2124k
05/13/2016 07:50	JN Money Stock M2 YoY	Apr	3.20%	--	3.20%	--
05/13/2016 07:50	JN Money Stock M3 YoY	Apr	2.60%	--	2.60%	--
05/13/2016 12:00	MA GDP YoY	1Q	4.00%	--	4.50%	--
05/13/2016 12:30	JN Tertiary Industry Index MoM	Mar	-0.10%	--	-0.10%	--
05/13/2016 13:00	SI Retail Sales YoY	Mar	3.60%	--	-3.20%	--
05/13/2016 13:00	SI Retail Sales SA MoM	Mar	-0.10%	--	1.70%	--
05/13/2016 14:00	GE CPI MoM	Apr F	-0.40%	--	-0.20%	-0.40%
05/13/2016 14:00	GE CPI YoY	Apr F	-0.10%	--	0.10%	-0.10%
05/13/2016 14:00	GE CPI EU Harmonized MoM	Apr F	-0.50%	--	-0.30%	-0.50%
05/13/2016 14:00	GE CPI EU Harmonized YoY	Apr F	-0.30%	--	-0.10%	-0.30%
05/13/2016 14:00	GE GDP SA QoQ	1Q P	0.60%	--	0.30%	--
05/13/2016 14:00	GE GDP WDA YoY	1Q P	1.50%	--	1.30%	--
05/13/2016 14:00	GE GDP NSA YoY	1Q P	1.20%	--	2.10%	--
05/13/2016 14:45	FR Non-Farm Payrolls QoQ	1Q P	0.20%	--	0.20%	--
05/13/2016 15:30	TH Foreign Reserves	May-04	--	--	\$178.6b	--
05/13/2016 16:00	IT GDP WDA QoQ	1Q P	0.30%	--	0.10%	--
05/13/2016 16:00	IT GDP WDA YoY	1Q P	0.90%	--	1.00%	--
05/13/2016 16:30	HK GDP YoY	1Q	1.50%	--	1.90%	--
05/13/2016 17:00	EC GDP SA QoQ	1Q P	0.60%	--	0.60%	--
05/13/2016 17:00	EC GDP SA YoY	1Q P	1.60%	--	1.60%	--
05/13/2016 17:00	IT CPI EU Harmonized YoY	Apr F	-0.30%	--	-0.30%	--
05/13/2016 20:30	US Retail Sales Advance MoM	Apr	0.80%	--	-0.30%	-0.40%
05/13/2016 20:30	US Retail Sales Ex Auto and Gas	Apr	0.30%	--	0.10%	--
05/13/2016 20:30	US PPI Final Demand MoM	Apr	0.30%	--	-0.10%	--
05/13/2016 20:30	US PPI Ex Food and Energy MoM	Apr	0.10%	--	-0.10%	--
05/13/2016 22:00	US U. of Mich. Sentiment	May P	89.5	--	89	--
05/13/2016	SK BoK 7-Day Repo Rate	May-13	1.50%	--	1.50%	--
05/13/2016 05/15	CH New Yuan Loans CNY	Apr	800.0b	--	1370.0b	--
05/13/2016 05/15	CH Money Supply M2 YoY	Apr	13.50%	--	13.40%	--
05/13/2016 05/17	IN Imports YoY	Apr	--	--	-21.60%	--
05/13/2016 05/17	IN Exports YoY	Apr	--	--	-5.50%	--

Source: Bloomberg

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