

Highlights

Global	<p>Global risk appetite may remain fragile amid the lack of consensus among central bank governors and finance ministers. Notably on the JPY, Japan's finance minister Aso said "I told him that one-sided, abrupt, and speculative moves were seen in the FX market recently, and abrupt moves in the currency market are undesirable and the stability of currencies is important", but US Treasury Secretary Lew opined "it's a pretty high bar to have disorderly conditions". There was no G7 communique but a Japanese statement and the unsettling background puts the onus on individualistic policies as there is no panacea, albeit they agreed that global growth is flagging and risks abound from terrorism, refugee flows, political conflicts and Brexit. On Japan's previous call for coordinated fiscal stimulus, Aso also noted that some cannot "due to their own situations" and Japan will hike its sales tax as planned in April 2017. Meanwhile, oil prices extended losses after Iran, which is joining OPEC for its upcoming 2 June meeting, reiterated that it will not participate in any output freeze but is in fact looking to hike production. Expect Asian markets to cap the week on a mixed tone, with market focus on the US' manufacturing PMI, and various services and composite PMIs from Europe, and Singapore's April CPI. For the week, there is a slew of Fed speakers scheduled, starting with Bullard and Williams today, followed by Harker, Kashkari, Kaplan and Powell.</p>
US	<p>Existing home sales rose by 1.7% mom to a 3-month high of 5.45m in April, up from an upwardly revised 5.7% mom clip at 5.36m in March. The median price of an existing home surged 6.3% yoy to \$232,500 (highest since June 2015), led by sales in the Midwest and first time buyers (32% of total sales), whilst the inventory fell 3.6% yoy to 2.14m units. At the current sales pace, it would take 4.7 months to clear inventories, which is telling of a tight market.</p>
JP	<p>Exports contracted for the 7th straight month by 10.1% yoy in April amid the stronger JPY, but imports slumped 23.3% which indicates a softening domestic demand, and resulting in a wider trade surplus of JPY823.5b, up from JPY755.0b in March.</p>
S'pore	<p>The 27 May offering of \$2.5b (of which MAS is taking \$200m) 10-year SGS bonds is similar in size to the last 10-year SGS bond auction was in May 2015 with \$2.6b on tap. Meanwhile, CPI may decline for the 18th straight month in April, dragged down by domestic asset prices corrections and notwithstanding the recent support in oil prices.</p>
China	<p>RMB headed for another weekly loss amid dollar strength on renewed Fed tightening expectation in summer. Still, the 0.39% gain in RMB Index helped contain the volatility in the currency market. As such, the renewed Yuan's weakness has not induced a fresh round of disorderly sale of RMB. Yet, the daily USDCNY trading volume has picked gradually in the onshore market. Should dollar strength prevail too long, it may affect the market sentiment, which may trigger another round of corporate dollar purchase.</p>
Indonesia	<p>Home Affairs Minister Tjahjo Kumolo reportedly said that the government is planning to revoke more than 3200 bylaws, including some local restrictions on alcohol sales, in order to streamline the country's legislation. He added that many of the bylaws have become disincentives to investors, echoing President Jokowi's comments that the regulation landscape has been "burdensome" both to local population and businesses.</p>

Treasury Advisory
Corporate FX & Structured Products

Tel: 6349-1888 / 1881

Interest Rate Derivatives

Tel: 6349-1899

Investments & Structured Products

Tel: 6349-1886

GT Institutional Sales

Tel: 6349-1810

Major Market

- **US:** Equities markets staged a rebound on Friday. S&P 500 (+0.60%), Dow (+0.38%) and Nasdaq (+1.21%). For the week, equities were mixed, with S&P 500 and Nasdaq recording gains, but the Dow slipping. The week ahead should be positive for equities as the initial anxiety of the possible June rate hike subsides. Continue to look out for data releases that give further hints on the US economy. US Treasuries yields closed lower, with 2- and 10-year Treasuries yielding 0.87% and 1.83% respectively. VIX declined 6.92% to close at 15.20.
- **Singapore:** The STI gained 0.87% to close at 2763.82 on Friday, but may find it challenging to hold on to those gains amid mixed morning leads from Nikkei and Kospi, even though Wall Street had closed higher on Friday as market players digested the prospect of future Fed policy normalisation. The STI could see support and resistance at 2740 and 2780 respectively. SGS bonds could range trade today, tracking the Friday action in the UST bond market, albeit the upcoming 10-year SGS bond auction this Friday could keep the back-end of the yield curve side-lined for now.

Bond Market Updates

- **Market Commentary:** The SGD swap curve remained relatively unchanged last Friday across different tenors, trading within a tight range of 1bps. Flows in the SGD corporates were heavy, where we continued to see activity centred around the new issues. We saw better buyers in, MFCCN 3.85%'26s, GEMAU 5.5%'19s, STANLN 4.4%'26s, SOCGEN 4.3%'26s, UOBSP 4%'49s, while we saw mixed interests in, NAB 4.15%'28s, FCLSP 4.25%'26s, ABNANV 4.75%'26s and PILLSP 5.9%'17. In the broader dollar space, the spread on JACI IG corporate was level at 222bps, while the yield on the JACI HY corporate was level at 7.24%. 10y UST yields decreased by 1bps to 1.84%.
- **New Issues:** Midea Group has scheduled investor meetings beginning May 23 in Hong Kong, Singapore and London for potential USD Bond. The expected issue ratings are "A-/NR/A-".
- **Rating Changes:** Moody's has assigned an "A1" credit rating to China Pacific Life Insurance Co. Ltd. The rating reflects its strong franchise and brand recognition, with minimum dependency on bancassurance for its product distribution and also with its product mix focusing on long-term value creation and good financial stability. The outlook is negative. Moody's raised ABN Amro Bank N.V.'s baseline credit assessment to "baa1" from "baa2" which impacted the banks unsecured debt ratings (raised to "A1" from "A2"), subordinated debt ratings (raised to "baa2" from "baa3") and high trigger AT1 ratings (raised to "ba1" from "ba2"). The upgrade reflects an improved domestic economy which has positively impacted most of the bank's fundamentals. Outlook is stable reflecting likely steady performance at the current level against the backdrop of low interest rates which will impact the bank's revenues and ability to generate capital. Fitch has assigned PT Sri Rejeki Isman Tbk (Sritex) a "BB-" credit rating reflecting its robust operating cash flow generation supported by its low cost base, growing mix of higher-margin products and rising scale of operations. The outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.334	0.05%	USD-SGD	1.3817	0.05%
USD-JPY	110.150	0.17%	EUR-SGD	1.5507	0.23%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2545	-0.10%
AUD-USD	0.7222	-0.08%	GBP-SGD	2.0041	-0.70%
GBP-USD	1.4502	-0.75%	AUD-SGD	0.9979	-0.05%
USD-MYR	4.0823	0.01%	NZD-SGD	0.9348	0.38%
USD-CNY	6.5490	-0.01%	CHF-SGD	1.3953	0.06%
USD-IDR	13608	0.32%	SGD-MYR	2.9589	-0.10%
USD-VND	22325	-0.15%	SGD-CNY	4.7386	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3490	--	O/N	0.3845	0.0005
2M	-0.2980	-0.0010	1M	0.4433	0.0002
3M	-0.2580	--	2M	0.5439	0.0025
6M	-0.1430	--	3M	0.6613	0.0074
9M	-0.0770	0.0010	6M	0.9554	-0.0017
12M	-0.0110	--	12M	1.3020	0.0035

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.59	-1.60	3.11
Italy	-0.06	-1.00	1.47
Ireland	-0.35	-0.10	0.84
Greece*	9.57	43.60	7.46
Spain	-0.10	-1.50	1.57
Russia^	3.05	-2.20	4.76

* 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

Equity and Commodity

Index	Value	Net change
DJIA	17,500.94	65.50
S&P	2,052.32	12.30
Nasdaq	4,769.56	57.00
Nikkei 225	16,736.35	89.70
STI	2,763.82	23.70
KLCI	1,628.79	-5.00
JCI	4,711.88	7.70
Baltic Dry	625.00	-9.00
VIX	15.20	-1.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.04 (-0.01)	0.88 (-0.01)
5Y	1.64 (-0.01)	1.36 (-0.01)
10Y	2.11 (+0.01)	1.84 (-0.01)
15Y	2.40 (--)	--
20Y	2.47 (--)	--
30Y	2.55 (-0.01)	2.63 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	22.13	2.46
EURIBOR-OIS	8.40	-0.23
TED	35.61	0.23

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	47.75	-0.85%	Coffee (per lb)	1.247	0.61%
Brent (per barrel)	48.72	-0.18%	Cotton (per lb)	0.6167	0.98%
Heating Oil (per gallon)	1.490	0.76%	Sugar (per lb)	0.1707	2.22%
Gasoline (per gallon)	1.64	0.10%	Orange Juice (per lb)	1.5010	1.01%
Natural Gas (per MMBtu)	2.062	1.13%	Cocoa (per mt)	2,912	0.66%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,578.0	-0.04%	Wheat (per bushel)	4.6775	-0.21%
Nickel (per mt)	8,470	-0.65%	Soybean (per bushel)	10.743	0.26%
Aluminium (per mt)	1,540.0	0.11%	Corn (per bushel)	3.9450	1.15%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,252.9	-0.15%	Crude Palm Oil (MYR/MT)	2,557.0	0.20%
Silver (per oz)	16.519	0.24%	Rubber (JPY/KG)	157.0	-0.82%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 17 May 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	408,569	362,159	46,410	Cocoa	44,095	55,020	-10,925
Sugar	284,265	262,049	22,216	Copper	-30,625	-22,808	-7,817
Live Cattle	50,473	30,684	19,789	Silver	77,114	80,275	-3,161
Coffee	22,474	6,790	15,684	RBOB Gasoline	67,176	68,869	-1,693
Corn	147,517	134,391	13,126	Palladium	6,970	7,442	-472
Lean Hogs	73,395	64,048	9,347	Cotton	37,018	37,139	-121
Gold	298,651	293,409	5,242	Platinum	40,578	39,518	1,060
Wheat	-77,050	-80,845	3,795	Soybean	247,317	246,150	1,167
Heating Oil	14,651	12,767	1,884	Natural Gas	-134,660	-135,841	1,181

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/20/2016 11:00	NZ Credit Card Spending YoY	Apr	--	9.10%	4.80%	--
05/20/2016 12:00	MA CPI YoY	Apr	2.10%	2.10%	2.60%	--
05/20/2016 13:00	JN Nationwide Dept Sales YoY	Apr	--	-3.80%	-2.90%	--
05/20/2016 14:00	GE PPI MoM	Apr	0.10%	0.10%	0.00%	--
05/20/2016 14:00	GE PPI YoY	Apr	-3.00%	-3.10%	-3.10%	--
05/20/2016 16:00	TA Export Orders YoY	Apr	-4.50%	-11.10%	-4.70%	--
05/20/2016 18:00	MA Foreign Reserves	May-13	--	\$97.2b	\$97.0b	--
05/20/2016 20:30	CA Retail Sales MoM	Mar	-0.60%	-1.00%	0.40%	0.60%
05/20/2016 20:30	CA Retail Sales Ex Auto MoM	Mar	-0.40%	-0.30%	0.20%	0.30%
05/20/2016 20:30	CA CPI NSA MoM	Apr	0.30%	0.30%	0.60%	--
05/20/2016 20:30	CA CPI YoY	Apr	1.70%	1.70%	1.30%	--
05/20/2016 20:30	CA CPI Core MoM	Apr	0.10%	0.20%	0.70%	--
05/20/2016 20:30	CA CPI Core YoY	Apr	2.00%	2.20%	2.10%	--
05/20/2016 22:00	US Existing Home Sales	Apr	5.40m	5.45m	5.33m	5.36m
05/20/2016 22:00	US Existing Home Sales MoM	Apr	1.30%	1.70%	5.10%	5.70%
05/23/2016 07:50	JN Trade Balance	Apr	¥540.0b	--	¥755.0b	¥754.2b
05/23/2016 07:50	JN Trade Balance Adjusted	Apr	¥274.1b	--	¥276.5b	--
05/23/2016 08:30	TA Unemployment Rate	Apr	3.93%	--	3.92%	--
05/23/2016 10:00	JN Nikkei Japan PMI Mfg	May P	--	--	48.2	--
05/23/2016 12:30	JN All Industry Act Index MoM	Mar	0.50%	--	-1.20%	--
05/23/2016 13:00	SI CPI NSA MoM	Apr	0.10%	--	0.00%	--
05/23/2016 13:00	SI CPI YoY	Apr	-0.70%	--	-1.00%	--
05/23/2016 13:00	JN Leading Index CI	Mar F	--	--	98.4	--
05/23/2016 15:00	FR Markit France Mfg PMI	May P	49	--	48	--
05/23/2016 15:00	FR Markit France Services PMI	May P	50.6	--	50.6	--
05/23/2016 15:00	FR Markit France Composite PMI	May P	50.4	--	50.2	--
05/23/2016 15:30	GE Markit Germany Mfg PMI	May P	52	--	51.8	--
05/23/2016 15:30	GE Markit Germany Services PMI	May P	54.6	--	54.5	--
05/23/2016 16:00	TA Industrial Production YoY	Apr	-1.80%	--	-3.57%	--
05/23/2016 16:00	EC Markit Eurozone Mfg PMI	May P	51.9	--	51.7	--
05/23/2016 16:00	EC Markit Eurozone Services PMI	May P	53.2	--	53.1	--
05/23/2016 16:00	EC Markit EZ Composite PMI	May P	53.2	--	53	--
05/23/2016 16:30	HK CPI Composite YoY	Apr	3.50%	--	3.00%	2.90%
05/23/2016 21:45	US Markit US Manufacturing PMI	May P	51	--	50.8	--
05/23/2016 22:00	EC Consumer Confidence	May A	-9	--	-9.3	--
05/23/2016	MU Visitor Arrivals	Apr	--	--	2367t	--

Source: Bloomberg

OCBC Treasury Research		
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Koh Jun Ming, Nicholas NicholasKoh@ocbc.com	<u>Wing Hang</u> Kam Liu kamyliu@ocbcwh.com Carie Li carierli@ocbcwh.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W