

Highlights

Global	<p>US markets overnight turned flattish, after two days of advance. Data release offered mixed picture, with jobless claims down for a second week and supportive pending home sales contrasting with an unexpected fall in order figures for capital goods. Apart from the lack of direction provided by the data overnight, markets are also focusing on clues tonight regarding the probability of June rate hike by the Fed. Just ahead of the Memorial Day long weekend in the US, Fed chief Janet Yellen is due to be receiving the Radcliffe Award at Harvard. Markets are also hoping to hear more details about her view regarding rate hike potential at the event. She might deem the event inappropriate to divulge much about her near-term policy thinking, however. Market might well have to wait for June 6th, when she is due to speak next at a luncheon event in Philadelphia, for more concrete clues. Up today we have Japan's inflation prints, Macau's April unemployment rate, France's May consumer confidence index and both Taiwan and US' 1Q GDP figures. In addition, Macau's April's unemployment rate is also due, with May's numbers for the US' University of Mich. sentiment survey also out later tonight.</p>
Singapore	<p>The MAS announced that the loan tenure and maximum loan-to-value (LTV) ratios for motor vehicle loans will be eased from May 27 onwards. The maximum LTV ratio for vehicles on the open market less than or equal to S\$20,000 is raised from 60 to 70 percent while the LTV for vehicles more than S\$20,000 will rise from 50 to 60 percent. In addition, the maximum loan tenure for all motor vehicles in the open market will also be raised to 7 years, as compared to the previous 5 year tenure. Meanwhile, April's industrial production figures beat estimates to come in at +2.9% yoy (est: -0.2%), on the back of pharmaceutical output growth (+17.7% yoy).</p>
China	<p>PBoC admitted yesterday in its latest report that it was forced to cut interest rate in June 2015 and injected liquidity in January 2016 in reaction to the sharp sell-off in China's equity market as there is no better alternative to prevent from the outbreak of systemic risk. As such, the M2 growth was distorted by those two rescue measures. PBoC expects the M2 to slow down further in the coming months as a result of high base effect. We sensed that PBoC is unlikely to carry out broad based monetary easing but will focus more on targeted easing going forwards. Meanwhile, China's Ministry of Finance said the risk of local government debt is still contained and there is still room for Chinese government to leverage up to support growth, signalling easing fiscal policy.</p>
Indonesia	<p>Bank Indonesia is preparing rules to allow structured products for use in FX hedging. Head of BI's financial market development department, Nanang Hendarsah, reportedly said that the central bank seeks to complete rules as soon as this year, with a target of having FX derivatives account for 48% of all FX trades in 2016, compared to 40% currently.</p>

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Major Market

- US:** Equity markets took a breather on Thursday with major indices closing largely unchanged. S&P 500 (-0.02%), Dow (-0.13%) and Nasdaq (+0.14%). Investors appear to be taking stock of the strong gains over the last two days, while awaiting further cues on the strength of the US economy. Keep an eye on Yellen's speech on Friday. Elsewhere, US Treasury concluded yet another well received auction, this time of 7-yr bonds. The \$28b, 7-yr auction was awarded at 1.652%. Benchmark yields were lower as a result, with 2- and 10-yr US Treasuries yielding 0.87% and 1.83% respectively. VIX continues its slide, closing down 3.38% to 13.43.
- Singapore:** The STI climbed by 0.24% to close at 2773.31 yesterday, led by Jardine Cycle and Carriage (+2.47%), Keppel Corp Ltd (+2.47%) and City Developments Limited (+1.46%). However, gains were weighed down by losses from Singapore Exchange Ltd (-1.17%) and Hutchison Port Holdings Ltd (-1.16%). Given a relatively tepid Wall Street last night, STI today may continue to consolidate, seeing support and resistance at 2760 and 2800 respectively.
- Hong Kong:** Total exports value declined for the 12th consecutive month albeit at a slower pace, falling by 2.3% yoy in April due to sour external demand. Meanwhile, imports value (HK\$ 316.3 billion) decline also narrowed to 4.5% yoy in April, improving the trade deficit to HK\$31 billion. Looking ahead, we expect the decline in exports and imports to moderate in Hong Kong on the back of rebounding demand from EU and some Asian markets. Notably, exports to Mainland China slipped by 4.8% yoy, whereas imports from HK reported by China's customs jumped significantly by 203.5% yoy. The prominent mismatch in data prints points out that pressure of capital outflow from the onshore market is still alive. We will keep monitoring trade data across border to assess whether HKMA's and HK customs' crackdown on fake trade invoicing from China has taken effect.

Bond Market Updates

- Market Commentary:** SGD swap rates traded 4-6bps lower across all tenors yesterday. Flows in SGD corporates were heavy, where we saw better buyers in MFC 3.85%'26s, NAB 4.15%'28s, UOBSP 4%'49s, GEMAU 5.5%'19s. There was better selling in, VIBGSP 7.35%'49s and BPCEGP 4.45%'25s possibly as investors made room for the new BPCE T2 deal yesterday. Meanwhile we also saw mixed interests in SOCGEN 4.3%'26s, FRESHK 4.25%'17s and MLTSP 4.18%'49s. In the broader dollar space, the spread on JACI IG corporates was level at 221bps, while the yield on JACI HY corporates also remains relative unchanged at 7.22%. 10y UST yield decreased by 4bps to 1.83%.
- New Issues:** China Huarong Asset Management Company Limited priced a 3-tranche USD bond deal yesterday. The USD700mn 3-year tranche priced at CT3+177.5bps, tightening from IPG of CT3+210bps, the USD900mn 5-year tranche came in at CT5+200bps, tightening from IPG of CT5+230bps, while the USD900mn 10-year tranche priced at CT10+290bps, tightening from IPG of CT10+320bps. BPCE SA priced a SGD130m 10NC5 Tier-2 bond at 4.50%, tightening from its initial guidance of 4.60%. The expected ratings are "BBB/Baa3/A-". Midea Group Company Limited priced a USD700m 3-year bond at CT3+135bps, tightening from its initial guidance of CT3+160bps. The expected issue ratings are "A-/NR/A-". Bank of China (Sydney) launched a 3-year AUD bond deal with initial guidance of BBSW+120-122bps. The bond may be priced tomorrow and the expected issue ratings are "A/NR/NR".
- Rating Changes:** Fitch affirmed its credit rating on China Shenhua Energy Company Limited of "A+" and revised its outlook to negative from stable. Despite China Shenhua's strong credit metrics, Fitch considers China Shenhua credit profile to be tightly linked to that of Shenhua Group (Parent Company), which has a deteriorating credit profile. The negative outlook reflects the possibility of

negative rating action if Shenhua Group were unable to improve its credit metrics through 2018 under what Fitch expects to be a difficult operating environment for thermal coal. Moody's downgraded Mitsui Company Limited (Mineral, metal resources and energy business) senior debt rating to "A3" from "A2" and its MTN program to "A3" from "A2". This concludes the review for downgrade initiated on March 10, 2016. The downgrade reflects heightened concerns over Mitsui's ability to generate adequate and sustainable earnings and cash flow from its operations, given their volatile performance and challenging condition in their sector. The outlook is negative. Moody's upgraded its credit rating of Mitsui Fudosan Company Limited (Real Estate) to "A2" from "A3", concluding the review initiated on March 1, 2016. The rating action reflects in consideration that cash flows from the company's businesses are growing steadily, and that the cash flow-generating ability of the company will strengthen further. The outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.168	-0.20%	USD-SGD	1.3736	-0.34%
USD-JPY	109.760	-0.39%	EUR-SGD	1.5377	0.02%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2514	0.07%
AUD-USD	0.7226	0.39%	GBP-SGD	2.0152	-0.51%
GBP-USD	1.4670	-0.18%	AUD-SGD	0.9926	0.05%
USD-MYR	4.0765	-0.66%	NZD-SGD	0.9259	-0.32%
USD-CNY	6.5585	0.01%	CHF-SGD	1.3884	-0.14%
USD-IDR	13585	-0.38%	SGD-MYR	2.9621	-0.37%
USD-VND	22370	2.12%	SGD-CNY	4.7731	0.41%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3490	--	O/N	0.3861	--
2M	-0.2980	--	1M	0.4497	--
3M	-0.2580	--	2M	0.5531	--
6M	-0.1440	--	3M	0.6666	--
9M	-0.0790	--	6M	0.9756	--
12M	-0.0130	--	12M	1.3227	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.49	1.30	3.02
Italy	-0.07	0.80	1.38
Ireland	-0.38	-2.50	0.78
Greece*	6.90	-55.40	7.20
Spain	-0.10	2.00	1.50
Russia^	2.97	-2.30	4.83

* 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	17,828.29	-23.20
S&P	2,090.10	-0.40
Nasdaq	4,901.77	6.90
Nikkei 225	16,772.46	15.10
STI	2,773.31	6.70
KLCI	1,631.09	0.10
JCI	4,784.57	11.60
Baltic Dry	601.00	-4.00
VIX	13.43	-0.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.04 (-0.03)	0.87 (-0.05)
5Y	1.67 (-0.07)	1.35 (-0.05)
10Y	2.11 (-0.06)	1.83 (-0.04)
15Y	2.40 (-0.07)	--
20Y	2.44 (-0.07)	--
30Y	2.50 (-0.06)	2.64 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	20.65	0.77
EURIBOR-OIS	8.50	-0.10
TED	38.92	4.82

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.48	-0.16%	Coffee (per lb)	1.215	0.08%
Brent (per barrel)	49.59	-0.30%	Cotton (per lb)	0.6433	2.27%
Heating Oil (per gallon)	1.501	-0.75%	Sugar (per lb)	0.1742	1.52%
Gasoline (per gallon)	1.62	-1.35%	Orange Juice (per lb)	1.4805	0.17%
Natural Gas (per MMBtu)	1.963	-1.46%	Cocoa (per mt)	2,916	-0.27%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,661.0	0.15%	Wheat (per bushel)	4.8125	3.27%
Nickel (per mt)	8,362	0.54%	Soybean (per bushel)	10.798	-0.53%
Aluminium (per mt)	1,548.0	0.73%	Corn (per bushel)	4.0825	0.86%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,220.4	-0.28%	Crude Palm Oil (MYR/MT)	2,618.0	1.71%
Silver (per oz)	16.338	0.51%	Rubber (JPY/KG)	158.5	-0.25%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/26/2016 07:50	JN Foreign Buying Japan Stocks	May-20	--	¥40.4b	¥71.7b	¥72.5b
05/26/2016 09:30	AU Private Capital Expenditure	1Q	-3.50%	-5.20%	0.80%	1.80%
05/26/2016 13:00	SI Industrial Production SA MoM	Apr	1.60%	4.80%	1.00%	1.30%
05/26/2016 13:00	SI Industrial Production YoY	Apr	-0.20%	2.90%	-0.50%	0.10%
05/26/2016 16:00	IT Retail Sales MoM	Mar	--	-0.60%	0.30%	--
05/26/2016 16:00	IT Retail Sales YoY	Mar	--	2.20%	2.70%	--
05/26/2016 16:30	UK BBA Loans for House Purchase	Apr	44700	40104	45096	43854
05/26/2016 16:30	HK Exports YoY	Apr	-7.60%	-2.30%	-7.00%	--
05/26/2016 16:30	HK Imports YoY	Apr	-5.50%	-4.50%	-5.80%	--
05/26/2016 16:30	HK Trade Balance	Apr	-42.0b	-31.0b	-47.0b	--
05/26/2016 16:30	UK GDP QoQ	1Q P	0.40%	0.40%	0.40%	--
05/26/2016 16:30	UK GDP YoY	1Q P	2.10%	2.00%	2.10%	--
05/26/2016 20:30	US Initial Jobless Claims	May-21	275k	268k	278k	--
05/26/2016 20:30	US Continuing Claims	May-14	2142k	2163k	2152k	2153k
05/26/2016 20:30	US Durable Goods Orders	Apr P	0.50%	3.40%	0.80%	1.90%
05/26/2016 20:30	US Durables Ex Transportation	Apr P	0.30%	0.40%	-0.20%	0.10%
05/26/2016 20:30	US Cap Goods Ship Nondef Ex Air	Apr P	0.10%	0.30%	0.50%	-0.30%
05/26/2016 21:45	US Bloomberg Consumer Comfort	May-22	--	42	42.6	--
05/26/2016 22:00	US Pending Home Sales MoM	Apr	0.70%	5.10%	1.40%	1.60%
05/27/2016 07:05	UK GfK Consumer Confidence	May	-4	-1	-3	--
05/27/2016 07:30	JN Natl CPI YoY	Apr	-0.40%	-0.30%	-0.10%	--
05/27/2016 07:30	JN Natl CPI Ex Fresh Food YoY	Apr	-0.40%	-0.30%	-0.30%	--
05/27/2016 07:30	JN Natl CPI Ex Food, Energy YoY	Apr	0.70%	0.70%	0.70%	--
05/27/2016 07:30	JN Tokyo CPI YoY	May	-0.50%	-0.50%	-0.40%	--
05/27/2016 07:30	JN Tokyo CPI Ex-Fresh Food YoY	May	-0.40%	-0.50%	-0.30%	--
05/27/2016 14:45	FR Consumer Confidence	May	95	--	94	--
05/27/2016 15:30	TH Foreign Reserves	May-19	--	--	\$177.7b	--
05/27/2016 16:00	IT Consumer Confidence Index	May	114.5	--	114.2	--
05/27/2016 16:00	IT Business Confidence	May	103	--	102.7	--
05/27/2016 16:00	IT Economic Sentiment	May	--	--	102.7	--
05/27/2016 17:00	TA GDP YoY	1Q F	-0.80%	--	-0.84%	--
05/27/2016 20:30	US GDP Annualized QoQ	1Q S	0.90%	--	0.50%	--
05/27/2016 20:30	US Personal Consumption	1Q S	2.10%	--	1.90%	--
05/27/2016 20:30	US GDP Price Index	1Q S	0.70%	--	0.70%	--
05/27/2016 20:30	US Core PCE QoQ	1Q S	2.10%	--	2.10%	--
05/27/2016 22:00	US U. of Mich. Sentiment	May F	95.4	--	95.8	--
05/27/2016	MU Unemployment Rate	Apr	--	--	1.90%	--
05/27/2016 05/31	VN Exports YTD YoY	May	6.30%	--	6.00%	--

Source: Bloomberg

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