

Highlights

Global	<p>Market sentiments took a slight risk-off tone, as US earnings weakness from Macy's Inc and Kohl's Corp exacerbated concerns on consumer spending strength. Meanwhile, Fed's Dudley reiterated that "we are pretty close to full employment" and "sometime later this year or next year we will begin to gradually decide to normalize our balance sheet", whilst president Trump said "regardless of recommendation, I was going to fire Comey" as "he's a showboat, he's a grandstander, the FBI has been in turmoil".</p> <p>Asian markets are likely to pullback slightly today, given the overnight slippage in US equities and after reaching multi-year highs for many Asian bourses. Both BOE and BSP kept policy rates steady as anticipated. Today's market focus will be on the BNM policy decision is likely to keep OPR steady at 3% today as it looks past the recent uptick in inflation. Today's economic data calendar comprises US' University of Michigan sentiments, retail sales and CPI, 1Q17 GDP growth for Hong Kong and Germany, and S'pore's retail sales. Speakers include Fed's Evans and BOJ's Harada.</p>
US	<p>US' initial jobless claims fell 2k to 236k, while PPI surged 0.5% mom in Mar, driven by food and energy. Core PPI also accelerated to 0.4% mom.</p>
UK	<p>BOE left policy settings static as widely expected, with Kirsten Forbes remaining the sole dissenter in favour for tightening. BOE noted that "if the economy follows a path broadly consistent with the May central projection, then monetary policy could need to be tightened by a somewhat greater extent over the forecast period than the very gently rising path implied by the market yield curve". BOE governor Carney elaborated the new forecasts assume a "smooth" Brexit process and reflect government hopes for a "bold, comprehensive trade agreement". He noted that "we would have had to do an alternative forecast with some variant of a disorderly negotiating process, and we have not done that". However, the GBP fell on lingering market doubts. The MPC also revised their growth forecasts to 1.9% (previously 2%) for 2017 and inflation to 2.7% (previously 2.4%).</p>
EZ	<p>European Commission revised its growth forecast higher by 0.1% point to 1.7% for 2017 while retaining its 2018 forecast of 1.8%, but trimmed inflation forecasts to 1.6% and 1.3% respectively. Meanwhile, ECB's Constancio said "we are explicitly committed to our policy until December, that means automatically that in the fall we will have to decide what we will do next" and "we need to be sure about the sustainability of the path towards inflation near to our goal...in particular we need to see wages that are the most important domestic factors of inflation to reach higher growth".</p>
MA	<p>Industrial production rose 4.6% yoy (+11.0% mom) in Mar, similar to the 4.7% yoy (-5.7% mom) pace in Feb. Meanwhile, PM Najib has called for party unity ahead of potential elections.</p>
JP	<p>Both the current and outlook gauges for the Eco Watchers survey improved to 48.1 (previously 47.4) and 48.8 (previously 48.1) respectively in Apr.</p>
SG	<p>Retail sales likely fell 1.0% yoy (-2.3% mom sa) in Mar, following a 2.5% yoy decline (+2.3% mom sa) in Feb.</p>

Major Markets

- **US:** Equities made a slight retreat from highs, with all three major indices marking losses. The S&P 500 and Nasdaq fell 0.22%, while the Dow ended softer by 0.11%. Declines would have been sharper if not for a late session recovery in healthcare and consumer staples stocks. Retailers took the largest hit after weak corporate results by Macy's Inc. and Kohl's Corp., while energy stocks did not benefit from the WTI's rally past \$48. VIX nudged higher to 10.6, up 3.8%. Meanwhile, US Treasuries were supported by early declines in the equity markets. Yields were lower across the board, with the 2- and 10-year benchmark yields standing at 1.33% and 2.39%.
- **Singapore:** STI rallied 0.65% to close at 3271.11 yesterday but may run out of steam today given the softer trading tone and weak leads from Wall Street overnight and morning slippage in Nikkei and Kospi. STI's support and resistance tipped at 3260 and 3280. With risk appetite taking a bit of a backseat, UST bonds gained led by the longer tenors, and the SGS market also copy its market action today as well.
- **China:** The PBOC said that it would inject liquidity via the MLF operation on Friday. This helped to ease market anxiety about the tighter liquidity and the intensifying deleverage campaign. As a result, 10-year government bond yield retreated from its two-year high.
- **Commodities:** Some weakness in the greenback lifted dollar-denominated commodity prices across the board. Specifically, crude oil prices inched higher yesterday, as market-watchers digested the huge drawdown in US crude oil stocks amid further short-covering buying after its tumble into its sub-\$45/bbl handle late last month. Gold also pointed north as investors observed a string of poor earnings result from US brick-and-mortar names which left Wall Street fading lower yesterday night.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was relatively flattish yesterday. Flows in SGD corporates were heavy, with better buying seen in FCLSP 4.15%'27s, mixed interest in FNNSP 3.8%'27s, TATAIN 4.95%'23s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 193bps yesterday, while the yield on JACI HY corporates added 3bps to 6.66%. 10y UST yields fell 3bps to 2.39% yesterday, following the fall in stocks yesterday, although supported by a soft 30y Treasuries auction which weighed on the long-end of the curve.
- **New Issues:** Radiant Access Ltd. priced a USD1.5bn Perp NC3 (guaranteed by Cheung Kong Property Holdings Ltd.) at 4.60%, tightening from initial guidance of 5%. The expected issue ratings are 'NR/A2/NR'. The Bank of East Asia Ltd. priced a USD500mn AT1 Perp NC5 at 5.625%, tightening from initial guidance of 6%. The expected issue ratings are 'BB/Ba2/NR'. Huachen Energy Co. Ltd. priced a USD500mn 3-year bond at 6.625%, tightening from initial guidance of 7%. The expected issue ratings are 'NR/B2/NR'. Zhong Hai Sheng Rong (Beijing) Capital Management Ltd. scheduled investor meetings from 16 May for potential USD bond issuance. The expected issue ratings are 'B/NR/NR'.
- **Rating Changes:** S&P assigned Zhong Hai Sheng Rong (Beijing) Capital Management Ltd. Co. (ZHSR) a 'B' corporate credit rating and issue rating to the senior unsecured notes (guaranteed by ZHSR) that Mighty Ocean I Ltd., a special purpose vehicle, proposes to issue. The rating action reflects S&P's expectation for ZHSR to maintain high debt leverage over the next 12 months at least, due to its short track record and very heavy reliance on debt funding for new investments. Fitch withdrew its 'A' Issuer Default Rating and 'A'-subordinated debt rating on Industrial & Commercial Bank of China Asia Ltd.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	99.623	-0.05%	USD-SGD	1.4074	-0.23%
USD-JPY	113.860	-0.37%	EUR-SGD	1.5286	-0.29%
EUR-USD	1.0861	-0.06%	JPY-SGD	1.2361	0.15%
AUD-USD	0.7379	0.16%	GBP-SGD	1.8136	-0.62%
GBP-USD	1.2886	-0.40%	AUD-SGD	1.0385	-0.06%
USD-MYR	4.3485	0.03%	NZD-SGD	0.9640	-1.53%
USD-CNY	6.9037	0.01%	CHF-SGD	1.3965	-0.11%
USD-IDR	13346	-0.10%	SGD-MYR	3.0854	0.11%
USD-VND	22725	-0.07%	SGD-CNY	4.9012	0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9283	--
2M	-0.3410	--	1M	0.9886	--
3M	-0.3290	--	2M	1.0703	--
6M	-0.2490	--	3M	1.1809	--
9M	-0.1780	--	6M	1.4421	--
12M	-0.1240	--	12M	1.7876	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.27 (+0.01)	1.33 (-0.02)	-0.68 (-0.01)	-0.44 (--)	-0.17 (-0.01)
5Y	1.68 (+0.02)	1.91 (-0.02)	-0.30 (--)	-0.04 (+0.01)	0.98 (--)
10Y	2.21 (+0.01)	2.39 (-0.03)	0.43 (+0.01)	0.87 (+0.03)	2.29 (+0.04)
15Y	2.38 (+0.01)	--	0.65 (+0.01)	1.24 (+0.04)	2.80 (+0.06)
20Y	2.49 (+0.01)	--	0.93 (+0.01)	1.57 (+0.04)	2.93 (+0.07)
30Y	2.55 (+0.01)	3.03 (-0.02)	1.22 (+0.01)	1.87 (+0.04)	3.36 (+0.06)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	100.0%	0.0%	95.0%	5.0%	0.0%
26/07/2017	95.3%	0.0%	90.5%	4.8%	0.0%
20/09/2017	97.3%	0.0%	52.8%	42.5%	2.1%
13/12/2017	98.1%	0.0%	39.2%	44.8%	13.1%
31/01/2018	98.2%	0.0%	37.0%	44.4%	15.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.83	1.06%	Copper (per mt)	5,513.8	0.56%
Brent (per barrel)	50.77	1.10%	Nickel (per mt)	9,267.0	2.16%
Heating Oil (per gallon)	1.4899	0.98%	Aluminium (per mt)	1,869.5	0.55%
Gasoline (per gallon)	1.5622	1.47%			
Natural Gas (per MMBtu)	3.3760	2.55%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,895.0	1.58%
			Rubber (JPY/KG)	271.9	3.94%
Precious Metals	Futures	% chg			
Gold (per oz)	1,224.2	0.43%			
Silver (per oz)	16.209	0.36%			

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	20,919.42	-23.69
S&P	2,394.44	-5.19
Nasdaq	6,115.96	-13.18
Nikkei 225	19,961.55	61.46
STI	3,271.11	21.14
KLCI	1,775.39	8.83
JCI	5,653.01	--
Baltic Dry	1,012.00	7.00
VIX	10.60	0.39

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.55	-1.00
EURIBOR-OIS	2.98	-0.02
TED	29.29	--

Government CDS (USD)

	5Y	% Change
Germany	16.479	-0.01%
France	29.420	-1.42%
Italy	159.756	0.44%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
05/11/2017	02:00	US Monthly Budget Statement	Apr	\$179.0b	\$182.4b	\$106.5b	--
05/11/2017	05:00	NZ RBNZ Official Cash Rate	May-11	1.75%	1.75%	1.75%	--
05/11/2017	06:45	NZ Food Prices MoM	Apr	--	-0.80%	-0.30%	--
05/11/2017	07:00	SK Unemployment rate SA	Apr	3.60%	4.00%	3.70%	--
05/11/2017	07:50	JN BoP Current Account Balance	Mar	¥2593.0b	¥2907.7b	¥2813.6b	--
05/11/2017	07:50	JN Trade Balance BoP Basis	Mar	¥855.0b	¥865.5b	¥1076.8b	--
05/11/2017	09:00	PH Exports YoY	Mar	15.20%	21.00%	11.00%	--
05/11/2017	09:00	PH Trade Balance	Mar	-\$2005m	-\$2302m	-\$1728m	--
05/11/2017	12:00	MA Industrial Production YoY	Mar	4.80%	4.60%	4.70%	--
05/11/2017	16:00	EC ECB Publishes Economic Bulletin					
05/11/2017	16:00	PH BSP Overnight Borrowing Rate	May-11	3.00%	3.00%	3.00%	--
05/11/2017	16:00	EC Economic Forecasts					
05/11/2017	16:00	SI Automobile COE Open Bid Cat A	May-11	--	51106	51600	--
05/11/2017	16:30	UK Industrial Production YoY	Mar	2.00%	1.40%	2.80%	2.50%
05/11/2017	16:30	UK Manufacturing Production YoY	Mar	3.00%	2.30%	3.30%	3.00%
05/11/2017	16:30	UK Visible Trade Balance GBP/Mn	Mar	£11,600	£13,441	£12,461	£11,448
05/11/2017	16:30	UK Trade Balance Non EU GBP/Mn	Mar	£3,300	£4,674	£3,748	£3,120
05/11/2017	16:30	UK Trade Balance	Mar	£3,000	£4,900	£3,663	£2,650
05/11/2017	19:00	UK Bank of England Bank Rate	May-11	0.25%	0.25%	0.25%	--
05/11/2017	19:00	UK BOE Asset Purchase Target	May	435b	435b	435b	--
05/11/2017	20:30	CA New Housing Price Index MoM	Mar	0.20%	0.20%	0.40%	--
05/11/2017	20:30	US PPI Final Demand MoM	Apr	0.20%	0.50%	-0.10%	--
05/11/2017	20:30	US PPI Final Demand YoY	Apr	2.20%	2.50%	2.30%	--
05/11/2017	20:30	US PPI Ex Food and Energy YoY	Apr	1.60%	1.90%	1.60%	--
05/11/2017	20:30	US Initial Jobless Claims	May-06	245k	236k	238k	--
05/11/2017	20:30	US Continuing Claims	Apr-29	1980k	1918k	1964k	1979k
05/11/2017	21:45	US Bloomberg Consumer Comfort	May-07	--	49.7	50.9	--
05/12/2017	05:00	NZ REINZ House Sales YoY	Apr	--	-31.00%	-10.70%	--
05/12/2017	06:30	NZ BusinessNZ Manufacturing PMI	Apr	--	56.8	57.8	58
05/12/2017	07:50	JN Money Stock M2 YoY	Apr	4.30%	--	4.30%	--
05/12/2017	07:50	JN Money Stock M3 YoY	Apr	3.60%	--	3.60%	--
05/12/2017	13:00	SI Retail Sales YoY	Mar	0.30%	--	-2.50%	--
05/12/2017	14:00	GE GDP SA QoQ	1Q P	0.60%	--	0.40%	--
05/12/2017	14:00	GE CPI MoM	Apr F	0.00%	--	0.00%	--
05/12/2017	14:00	GE GDP WDA YoY	1Q P	1.70%	--	1.70%	--
05/12/2017	14:00	GE CPI YoY	Apr F	2.00%	--	2.00%	--
05/12/2017	14:00	GE GDP NSA YoY	1Q P	2.80%	--	1.20%	--
05/12/2017	14:00	GE CPI EU Harmonized YoY	Apr F	2.00%	--	2.00%	--
05/12/2017	15:00	MA BNM Overnight Policy Rate	May-12	3.00%	--	3.00%	--
05/12/2017	15:30	TH Foreign Reserves	May-05	--	--	\$184.5b	--
05/12/2017	16:30	HK GDP YoY	1Q	3.70%	--	3.10%	--
05/12/2017	17:00	EC Industrial Production SA MoM	Mar	0.30%	--	-0.30%	--
05/12/2017	17:00	EC Industrial Production WDA YoY	Mar	2.30%	--	1.20%	--
05/12/2017	19:30	IN Wholesale Prices YoY	Apr	4.50%	--	5.70%	--
05/12/2017	20:00	IN CPI YoY	Apr	3.30%	--	3.81%	--
05/12/2017	20:00	IN Industrial Production YoY	Mar	1.90%	--	-1.20%	--
05/12/2017	20:30	US CPI MoM	Apr	0.20%	--	-0.30%	--
05/12/2017	20:30	US CPI Ex Food and Energy MoM	Apr	0.20%	--	-0.10%	--
05/12/2017	20:30	US CPI YoY	Apr	2.30%	--	2.40%	--
05/12/2017	20:30	US CPI Ex Food and Energy YoY	Apr	2.00%	--	2.00%	--
05/12/2017	20:30	US Retail Sales Advance MoM	Apr	0.60%	--	-0.20%	--
05/12/2017	20:30	US Retail Sales Ex Auto MoM	Apr	0.50%	--	0.00%	--
05/12/2017	22:00	US U. of Mich. Sentiment	May P	97	--	97	--
05/12/2017	22:00	US Business Inventories	Mar	0.10%	--	0.30%	--
05/11/2017	05/15	CH Money Supply M2 YoY	Apr	10.80%	--	10.60%	--
05/11/2017	05/15	CH New Yuan Loans CNY	Apr	815.0b	--	1020.0b	--
05/12/2017	05/15	IN Exports YoY	Apr	--	--	27.60%	--

Source: Bloomberg

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