

Highlights

Global	The oil rebound is keeping the US equity market rally alive for now at least with the OPEC agreement to extend its output cuts till March 2018, notwithstanding the softer tone in the Chinese macro data. Asian markets are likely to stage a modest comeback this morning, while awaiting further cues from RBA's minutes and UK inflation data. Other economic data to keep an eye on include US' building permits, industrial production and capacity utilisation, Eurozone's 1Q17 GDP print, German ZEW survey, and UK's CPI/RPI/PPI. Speakers include ECB's Nowotny and Coeure.
US	NAHB housing market index improved 2 points to 70 for May, the second-highest on record since 2005, with the six-month sales outlook also climbing to 79 (highest since Jun05). Meanwhile, the Empire manufacturing unexpectedly slipped from +5.2 in Mar to -1.0 in April as the post-election euphoria dissipated. Separately, both Japan and China increased their UST bond holdings in March by US\$ 3.4b and US\$27.9b (the most since Mar15) to US\$1.12t and US\$1.09t respectively.
CH	Retail sales (+10.7% yoy) and industrial production (+6.5% yoy) both grew at a slower pace in April. For the first four months, fixed asset investments increased by 8.9% yoy, missing expectations. Despite the acceleration of growth in property investment, property construction and completion, both grew at a slower rate during the first four months. The growth in property transaction volume and value has also moderated. Elsewhere, the PBOC's yuan forex positions declined at a slower pace by CNY42 billion in April (a decrease of CNY54.69 billion in March). This means that the capital controls and a stable RMB have collectively alleviated the pressure of further capital outflows.
HK	Last Friday, the HKMA announced its plans to tighten lending to developers with effect from June 1, in order to ease credit and moral hazard risks faced by banks. Developers have increasingly offered mortgages with high loan-to-value ratio to buyers.
KR	The Financial Services Commission commented that the pace of increase in household debt had stabilised into the first few months of 2017. This is due to higher lending rates, amid government measures to manage these risks.
MA	PM Najib Razak said that Arul Kanda remains the president of 1MDB and continues to be involved in the development of TRX City. He reportedly added that he just wanted to "clarify this because there are all kinds of rumours swirling in the market."
TH	1Q17 GDP growth printed stronger than market estimates at 3.3% yoy (+1.3% qoqsa), up from 4Q16's 3.0% yoy print. Note that officials revised its GDP expectation to 3.3% - 3.8%, up from a previous call of 3.0% - 4.0%.
Commodities	Commodity prices are edging higher across the board, but reasons for the rally differ for the various classes. Gold rose 0.2% to settle at \$1,230/oz overnight, the highest since 3 rd May, as market-watchers turned to safe haven demand on recent show of nuclear strength by Pyongyang. Crude oil surged over 2.0% as market-watchers digested recent rhetoric by Saudi Arabia for another nine-month extension of its production agreement made late last year.

Major Markets

- **US:** Equities rallied to record highs on Monday, with the S&P 500 leading the way with a 0.48% gain, marking its first close above 2400. The Dow and Nasdaq followed up with gains of 0.41% and 0.47%. Financials and energy stocks led the rally, while the defensive stocks like utilities lagged. A recovery in commodity prices appeared to be fueling positive sentiments in the equity markets. VIX closed at 10.42. Meanwhile, US Treasury yields were slightly firmer, with the 2- and 10-year benchmark yields at 1.30% and 2.34%, up 1-2 bps.
- **Singapore:** STI added 0.27% to close at 3264.21 yesterday and may extend gains today with resistance tipped at 3280 and support at 3240. With risk appetite making a small comeback overnight, UST bond yields rose by up to 2bps, and SGS bonds may play copycat today.
- **China:** We believe that the lagged impact of the housing cooling measures might have manifested and calmed the housing frenzy. Furthermore, growth in private investments retreated to 6.9% yoy for the first four months, as compared to a 7.7% growth for Jan-Mar. All the disappointing data prints for April reinforces our view that China's growth has peaked in 1Q and will slow down from 2Q onwards amid the crackdown on financial leverage and the tightened policy in the property market.
- **Hong Kong:** New mortgage loans offered by developers accounted for 15.5% of total new mortgage loans approved for new home purchases. The new rule may dampen market sentiments to some extent. Also, we expect China's slowdown and a moderate hike in prime rate late this year to hit the housing market. On the supply front, housing completions started to pick up pace with total completions in March increasing significantly by 401.9% yoy after dipping for two consecutive months. Meanwhile, housing starts also rebounded by 53.8% yoy in March. Increasing supply together with cooling demand is likely to lead to housing market correction in 2H. Nevertheless, given 1) a bullish stock market, 2) a stable labor market and 3) the low borrowing costs even after a 25 bps increase in prime rate, housing correction is more likely to be moderate. Our forecast on overall housing price growth of 0%-5% for 2017 remains unchanged.
- **Indonesia:** Bank Indonesia has issued a new rule regarding foreign banknotes. From March 2018 onward, carrying foreign banknotes equivalent to IDR1bn (~USD75k) or more into and out of the country can only be done by licensed bodies, including banks or registered money changers. The rule is meant to prevent money laundering operations and also to support effectiveness of the central bank's monetary policy, especially in overseeing the exchange rate.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 1-6bps lower across tenors. Flows in SGD corporates were heavy, with better buying seen in CHIPEN 4.9%'22s, better selling seen in GENSSP 5.13%'49s, mixed interest in CENSUN 7.2%'18s, LBBW 3.75%'27s, OLAMSP 4.25%'19s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 195bps, while the yield on JACI HY corporates changed little, at 6.78%. 10y UST yield rose 1bps to 2.34% yesterday, alongside the rally in oil prices.
- **New Issues:** Australia & New Zealand Banking Group Ltd priced a USD2bn 4-tranche deal, with the USD600mn 3.25-year piece at CT3.25+73bp, tightening from initial guidance of CT3.25+80bps; the USD400m 3.25-year piece at 3mL+50bps, tightening from initial guidance of 3mL+60bps; the USD500mn 5-year piece at CT5+78bps, tightening from initial guidance of CT5+90bps; and the USD500mn 5-year piece at 3mL+71bps, tightening from initial guidance of 3mL+80bps. The expected issue ratings are 'AA-/Aa2/NR'. ICBC Dubai (DIFC) Branch launched a new deal for a potential USD 3-year and 5-year floating rate bond. The expected issue ratings are 'NR/A1/NR'. GS

Caltex Corporation scheduled investor roadshows from 23 May for potential USD bond issuance.

- **Rating Changes:** S&P downgraded PT MNC Investama Tbk.'s (MNC Investama) corporate credit rating to 'CCC+' from 'B-'. In addition, S&P downgraded the issue rating on the notes (guaranteed by MNC Investama) issued by its wholly-owned subsidiary, Ottawa Holdings Pte. Ltd. to 'CCC+' from 'B-'. The outlook is negative. The rating action reflects MNC Investama's lack of progress on articulating and implementing a comprehensive and credible repayment or refinancing strategy for the guaranteed USD365mn senior secured notes maturing in mid-May 2018. Moody's Investors Service has placed Baidu Inc.'s 'A3' issuer and senior unsecured bond ratings on review for downgrade. The rating review reflects Baidu's fast-growing finance business, which has higher financial and execution risks when compared with its core businesses. Moody's downgraded Noble Group Limited's (Noble) corporate family rating and senior unsecured bond ratings to 'Caa1' from 'B2'. In addition, Moody's downgraded the rating on the company's senior unsecured medium-term note (MTN) program to '(P)Caa1' from '(P)B2'. The ratings outlook remains at negative. The rating action reflects heightened concern over Noble's liquidity stemming from its weak operating cash flow and large debt maturities over the next 12 months.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.911	-0.34%	USD-SGD	1.3981	-0.41%
USD-JPY	113.790	0.36%	EUR-SGD	1.5345	-0.05%
EUR-USD	1.0975	0.40%	JPY-SGD	1.2287	-0.82%
AUD-USD	0.7413	0.35%	GBP-SGD	1.8029	-0.44%
GBP-USD	1.2896	0.05%	AUD-SGD	1.0365	-0.07%
USD-MYR	4.3288	-0.39%	NZD-SGD	0.9621	-0.19%
USD-CNY	6.8935	-0.09%	CHF-SGD	1.4028	0.03%
USD-IDR	13303	-0.20%	SGD-MYR	3.0917	0.16%
USD-VND	22681	-0.04%	SGD-CNY	4.9286	0.33%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	0.9283	--
2M	-0.3410	--	1M	0.9924	--
3M	-0.3290	--	2M	1.0778	--
6M	-0.2510	--	3M	1.1796	--
9M	-0.1790	--	6M	1.4366	--
12M	-0.1270	--	12M	1.7657	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.20 (-0.03)	1.30 (+0.01)	-0.68 (--)	-0.43 (+0.03)	-0.17 (--)
5Y	1.60 (-0.03)	1.86 (+0.01)	-0.32 (+0.01)	-0.06 (+0.01)	0.97 (+0.02)
10Y	2.14 (-0.04)	2.34 (+0.02)	0.42 (+0.03)	0.88 (+0.04)	2.27 (+0.03)
15Y	2.31 (-0.04)	--	0.66 (+0.04)	1.25 (+0.04)	2.79 (+0.02)
20Y	2.43 (-0.03)	--	0.95 (+0.05)	1.58 (+0.05)	2.91 (+0.01)
30Y	2.49 (-0.03)	3.01 (+0.02)	1.24 (+0.05)	1.88 (+0.05)	3.35 (+0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	97.5%	0.0%	2.5%	97.5%	0.0%
26/07/2017	90.2%	0.2%	9.6%	90.2%	0.0%
20/09/2017	93.7%	0.1%	6.2%	61.2%	32.5%
13/12/2017	95.2%	0.1%	4.7%	47.1%	39.5%
31/01/2018	95.4%	0.1%	4.5%	45.4%	39.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.85	2.11%	Copper (per mt)	5,584.3	0.60%
Brent (per barrel)	51.82	1.93%	Nickel (per mt)	9,177.0	-0.96%
Heating Oil (per gallon)	1.5096	1.09%	Aluminium (per mt)	1,902.3	0.89%
Gasoline (per gallon)	1.5954	1.22%			
Natural Gas (per MMBtu)	3.3490	-2.19%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,920.0	2.10%
			Rubber (JPY/KG)	284.9	2.30%
Precious Metals	Futures	% chg			
Gold (per oz)	1,230.0	0.19%			
Silver (per oz)	16.561	1.32%			

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

Equity and Commodity

Index	Value	Net change
DJIA	20,981.94	85.33
S&P	2,402.32	11.42
Nasdaq	6,149.67	28.44
Nikkei 225	19,869.85	-14.05
STI	3,264.21	8.92
KLCI	1,778.65	2.78
JCI	5,688.87	13.65
Baltic Dry	994.00	-20.00
VIX	10.42	--

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.28	1.36
EURIBOR-OIS	2.95	-0.15
TED	31.31	--

Government CDS (USD)

	5Y	% Change
Germany	16.668	0.57%
France	29.997	0.97%
Italy	162.344	1.52%

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
05/15/2017	06:45	NZ Retail Sales Ex Inflation QoQ	1Q	0.90%	1.50%	0.60%	0.90%
05/15/2017	07:50	JN PPI MoM	Apr	-0.10%	0.20%	0.20%	--
05/15/2017	07:50	JN PPI YoY	Apr	1.80%	2.10%	1.40%	--
05/15/2017	09:30	AU Home Loans MoM	Mar	0.00%	-0.50%	-0.50%	-0.80%
05/15/2017	09:30	AU Investment Lending	Mar	--	0.80%	-5.90%	-5.70%
05/15/2017	09:30	AU Owner-Occupier Loan Value MoM	Mar	--	0.90%	-0.50%	-0.70%
05/15/2017	10:00	CH Retail Sales YoY	Apr	10.80%	10.70%	10.90%	--
05/15/2017	10:00	CH Retail Sales YTD YoY	Apr	10.20%	10.20%	10.00%	--
05/15/2017	10:00	CH Fixed Assets Ex Rural YTD YoY	Apr	9.10%	8.90%	9.20%	--
05/15/2017	10:00	CH Industrial Production YoY	Apr	7.00%	6.50%	7.60%	--
05/15/2017	10:00	CH Industrial Production YTD YoY	Apr	6.90%	6.70%	6.80%	--
05/15/2017	10:30	TH GDP SA QoQ	1Q	1.10%	1.30%	0.40%	0.50%
05/15/2017	10:30	TH GDP YoY	1Q	3.10%	3.30%	3.00%	--
05/15/2017	12:06	ID Imports YoY	Apr	20.50%	10.31%	18.19%	17.53%
05/15/2017	12:06	ID Exports YoY	Apr	20.35%	12.63%	23.55%	24.29%
05/15/2017	12:06	ID Trade Balance	Apr	\$946m	\$1238m	\$1234m	\$1395m
05/15/2017	14:00	JN Machine Tool Orders YoY	Apr P	--	34.70%	22.80%	--
05/15/2017	14:35	PH Overseas Remittances YoY	Mar	2.90%	10.70%	3.40%	--
05/15/2017	14:35	PH Overseas Workers Remittances	Mar	\$2413m	\$2615m	\$2169m	--
05/15/2017	16:00	IT CPI EU Harmonized YoY	Apr F	2.00%	2.00%	2.00%	--
05/15/2017	20:17	IN Exports YoY	Apr	--	19.80%	27.60%	--
05/15/2017	20:17	IN Imports YoY	Apr	--	49.10%	45.30%	--
05/15/2017	20:30	US Empire Manufacturing	May	7.5	-1	5.2	--
05/15/2017	22:00	US NAHB Housing Market Index	May	68	70	68	--
05/16/2017	04:00	US Total Net TIC Flows	Mar	--	-\$0.7b	\$19.3b	\$13.2b
05/16/2017	04:00	US Net Long-term TIC Flows	Mar	--	\$59.8b	\$53.4b	\$53.1b
05/16/2017	09:30	AU New Motor Vehicle Sales MoM	Apr	--	--	1.90%	--
05/16/2017	09:30	AU New Motor Vehicle Sales YoY	Apr	--	--	-3.00%	--
05/16/2017	12:30	JN Tertiary Industry Index MoM	Mar	0.10%	--	0.20%	--
05/16/2017	14:00	EC EU27 New Car Registrations	Apr	--	--	11.20%	--
05/16/2017	14:45	FR CPI EU Harmonized MoM	Apr F	0.10%	--	0.10%	--
05/16/2017	14:45	FR CPI EU Harmonized YoY	Apr F	1.40%	--	1.40%	--
05/16/2017	14:45	FR CPI MoM	Apr F	0.10%	--	0.10%	--
05/16/2017	14:45	FR CPI YoY	Apr F	1.20%	--	1.20%	--
05/16/2017	14:45	FR CPI Ex-Tobacco Index	Apr	101.23	--	101.14	--
05/16/2017	16:00	IT GDP WDA QoQ	1Q P	0.20%	--	0.20%	--
05/16/2017	16:00	IT GDP WDA YoY	1Q P	0.80%	--	1.00%	--
05/16/2017	16:30	UK CPI MoM	Apr	0.40%	--	0.40%	--
05/16/2017	16:30	UK CPI YoY	Apr	2.60%	--	2.30%	--
05/16/2017	16:30	UK CPI Core YoY	Apr	2.30%	--	1.80%	--
05/16/2017	16:30	UK Retail Price Index	Apr	270.5	--	269.3	--
05/16/2017	16:30	UK RPI MoM	Apr	0.40%	--	0.30%	--
05/16/2017	16:30	UK RPI YoY	Apr	3.40%	--	3.10%	--
05/16/2017	16:30	UK RPI Ex Mort Int.Payments (YoY)	Apr	3.70%	--	3.40%	--
05/16/2017	16:30	UK PPI Input NSA MoM	Apr	0.00%	--	0.40%	--
05/16/2017	16:30	UK PPI Input NSA YoY	Apr	17.00%	--	17.90%	--
05/16/2017	16:30	UK PPI Output NSA MoM	Apr	0.20%	--	0.40%	--
05/16/2017	16:30	UK PPI Output NSA YoY	Apr	3.40%	--	3.60%	--
05/16/2017	16:30	UK PPI Output Core NSA YoY	Apr	2.50%	--	2.50%	--
05/16/2017	17:00	EC Trade Balance SA	Mar	18.7b	--	19.2b	--
05/16/2017	17:00	GE ZEW Survey Current Situation	May	82	--	80.1	--
05/16/2017	17:00	EC ZEW Survey Expectations	May	--	--	26.3	--
05/16/2017	17:00	GE ZEW Survey Expectations	May	22	--	19.5	--
05/16/2017	17:00	EC GDP SA QoQ	1Q P	0.50%	--	0.50%	--
05/16/2017	17:00	EC GDP SA YoY	1Q P	1.70%	--	1.70%	--
05/16/2017	20:30	US Housing Starts	Apr	1260k	--	1215k	--
05/16/2017	20:30	US Building Permits	Apr	1270k	--	1260k	1267k
05/16/2017	21:15	US Industrial Production MoM	Apr	0.40%	--	0.50%	--
05/16/2017	21:15	US Capacity Utilization	Apr	76.30%	--	76.10%	--
05/16/2017	22:00	US Mortgage Delinquencies	1Q	--	--	4.80%	--
05/16/2017	05/19	ID Local Auto Sales	Apr	--	--	101484	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<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 Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.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