

Highlights

Global	<p>Global risk appetite remained resilient on Friday, with the Dow chalking up its 7th straight session and the 10-year UST bond yield holding at 2.97%, while crude oil prices retreated slightly. In yet another turnaround, US President Trump has told the Commerce Department to get ZTE back in business. Meanwhile, North Korea has said it would dismantle its nuclear test site ahead of its talks with US president Trump in June. Over the weekend, the announcement of Malaysia's DPM, 3 ministers for Finance, Home Affairs and Defence, as well as the Council of Elders may set the tone ahead of this morning's re-opening of trading in the Malaysian financial markets.</p> <p>Asian bourses may open firmer this morning, with market players likely watching potential volatility in the Malaysian markets, given a very light economic data calendar with only Japan's machine tool orders and India's CPI. Speakers scheduled include Fed's Mester, ECB's Villeroy, Mersch, Lautenschlager and Praet. Key central bank meetings this week include BOT (likely static at 1.5% on 16 May) and BI (possible hike of 25bps to 4.5% amid the recent IDR weakness), as well as Fed speak including confirmation hearings for incoming Fed Vice-Chair nominee Richard Clarida and Fed Governor nominee Michelle Bowman on Tue. Key economic data releases to watch for the week ahead include US' retail sales and China's industrial production, retail sales and FAI.</p>
US	<p>Fed's Bullard warned that "the yield curve inversion is getting close to crunch time" and it "would be a bearish signal for the US economy if that happens". Interestingly, he said "we're not in any danger of any breakout in inflation at any time over the forecast horizon" and "I basically have no problem with some overshooting of the target".</p> <p>Meanwhile, US' University of Michigan sentiment was unchanged at 98.8 in May, with the current conditions gauge a tad softer at 113.3 (previously 114.9) versus the expectations gauge which rose to 89.5 (from 88.4). Note the 1-year inflation gauge edged higher from 2.7% to 2.8%, albeit the 5-10 year inflation gauge was steady at 2.5%.</p>
SG	<p>Retail sales unexpectedly fell 1.5% yoy (+2.3% mom sa) in Mar, dragged down by vehicle sales (-16.1% yoy). Retail sales excluding autos also moderated from 14.0% yoy in Feb to 2.6% in Mar, led by department stores (9.1% yoy), petrol service stations (6.4%) and medical goods & toiletries (6.2%).</p>
CH	<p>Aggregate credit expansion stabilized in April after eight months of consecutive decline. Credit supply continued to shift from off-balance sheet to on-balance sheet and direct financing, which is in line with government's target. One worrying trend from the credit data is that household deposit fell by a record high of CNY1.32 trillion due to competition from wealth management product and money market fund.</p>
CMD	<p>More news over Saudi Arabia and OPEC's ability to cushion potential shortfalls in Iran's oil production came to light, easing market-watchers' concerns over further fundamental tightening which could rally prices further. Energy prices fell over the weekend, especially with WTI which dipped back to \$70.42/bbl on intraday trading. Note that UAE energy minister Mazrouei commented "Don't worry about supply... I don't think there will be issues as a result of sanctions".</p>

Major Market

- **US:** Equities closed the week firmer on Friday to cap a good week. The S&P 500 added 0.17% and the Dow gained 0.37%. The Nasdaq Composite closed marginally weaker. VIX stood at 12.65, down from 13.23. US Treasury yields were largely unchanged to firmer across the curve. The 2y and 10y benchmark yields closed at 2.535% and 2.970%.
- Going forward, equity players should continue to keep an eye on long-end yields. The stalling of the 10y near the 3.00% mark on its second attempt may signal limited upside, and potentially provide further support to equities. Nevertheless, US data releases remain sufficiently strong to make a June hike almost a certainty. The Fed calendar is heavy this week, watch for hints on the FOMC members' inclinations towards the 4th rate hike in 2019. We will also see confirmation hearings for Clarida (Fed Vice Chair) and Bowman (Fed governor), though both candidates are not expected to upset the balance. On the data front, watch for retail sales and industrial production.
- **Singapore:** The STI added 0.92% to close at 3570.17 on Friday, and may trade with a firmer tone today given positive overnight cues from Wall Street and a stronger morning opening by Kospi. STI support and resistance are tipped 3550 and 3578 respectively. With the UST bond yields higher by 1bp on Fri, the SGS bond market may also range trade today.
- **China:** In PBoC's 1Q18 monetary policy report unveiled last Friday, the central bank reckoned the impact of two-tier interest rate system on bank's liability. It said the current two-tier interest rate system has led to the outflows of bank deposits, which resulted in shorter duration of bank's liability. This has forced banks to rely more on interbank funding which destabilized the funding. As such, merging China's two-tier interest rate system is the goal of China's central bank in the near term.
- Other than the two-tier interest rate systems, the monetary policy report showed that weighted average loan rate increased by 22bps to 5.96% in 1Q18. This confirms our previous concern that the higher interbank funding costs arising from China's de-leverage efforts has been transmitted to the real economy. This is likely to further weigh down China's growth prospect. On financial regulation, the PBoC will continue to tighten its macro prudential assessment by applying the NCD issuance assessment to all banks including smaller banks with asset size less than CNY500bn from 1Q19.
- **Malaysia:** Prime Minister Mahathir Mohamad has announced the appointments for the Minister of Finance, Minister of Home Affairs and Minister of Defence. The former Penang Chief Minister, Lim Guan Eng, has been appointed as new Minister of Finance whilst former Deputy Prime Minister Muhyiddin Yassin will be the Minister of Home Affairs. Mohamad Sabu will be taking up the position of the Minister of Defence. The new government also announced the appointment of the Council of Elders consisting of Daim Zainuddin, Robert Kuok, Zeti Akhtar Aziz, Hassan Marican and Jomo Kwame Sundaram. Mahathir also made mention that the entire cabinet may eventually have between 25 – 30 ministers in total. He also said that the rest of the 10 core ministers would be decided this week whilst the remaining cabinet appointments would be announced in the next 2-3 weeks.
- **Indonesia:** BI's Board of Governors will meet this Wednesday-Thursday (16th-17th May 2018) to decide on the level of the benchmark interest rate. The recent weakening of the IDR has put increased pressure on the central bank to raise rates. Therefore, watch closely for any movement in the rate and key comments from the Board of Governors.

- **Hong Kong:** 1Q18 GDP grew at the strongest level of 4.7% since 2Q11, mainly attributed to resilient external demand and domestic consumption. Externally, owing to sustained global economic growth as well as a weaker HKD, exports of goods grew by 5.2% yoy, the strongest pace since 3Q17. Exports of travel services expanded remarkably by 11.8% yoy, in line with buoyant inbound tourism. Domestically, private consumption advanced 8.6% yoy, the fastest pace since 3Q11. This is mainly due to wealth effect from a resilient stock market and booming housing market. The tight labour market with unemployment at a twenty-year low as well as benign real wage growth also bode well for consumer sentiment. Furthermore, expansionary fiscal policy has supported government consumption and public investment to increase by 3.9% yoy and 10.5% yoy. Moving forward, we expect that strong external and internal demand will continue to bolster the economy. However, should US-China trade tensions escalate in 2H18, trade activities may take a hit. Besides, prospects for higher interest rates in 2H18 could weigh down the wealth effect and in turn soften the growth of household spending. Adding onto high base effect, we expect GDP growth to moderate in the coming quarters. Still, given the strong momentum in 1H18, we revise our forecasts on GDP growth from 2.9% yoy to 3.6% yoy for 2018.
- **Macau:** Housing transactions reduced notably by 57.6% mom or 39.1% yoy to 644 deals in March. In contrast, average housing price advanced 8.4% yoy to MOP 99543/square meter after gaining 24.7% yoy in the previous month. Approved new mortgage loans jumped by 133.9% mom or 47.1% yoy to MOP6.08 billion. The data prints indicate that government's property control measures have been effective. Housing transactions are expected to remain sluggish in the coming months. On the other hand, pent-up demand of potential first-home buyers has translated into resilient housing prices and notable growth in mortgage loans. Moving forwards, buoyant economic outlook will bode well for the labor market. Positive earnings prospects will in turn lend more supports to first-home buyers. On the supply front, housing completion decreased by 52% yoy to 247 units while housing start fell by 88% yoy to 338 units in 1Q 2018. Scarce home supply combined with strong demand from first-home buyers will likely keep housing prices elevated. Nevertheless, we expect higher borrowing costs and potential stock market correction will cap the upside for housing prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates trading 4-5bps lower across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 1.35% while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 11bps to 414bps. 10Y UST yields rose 1bps to 2.97% last Friday in the absence of major price catalysts.
- **New issues:** Suntec REIT MTN Pte Ltd has priced a SGD80mn re-tap of its SUNSP 3.4%'23s at 3.4%. Zhongyuan Sincere Investment Co Ltd has scheduled for investor meetings from 14 May for its potential USD bond issuance (guaranteed by Zhongyuan Yuzi Investment Holdings Group Co Ltd). Beijing Construction Engineering Group (HongKong) Co Ltd has scheduled for investor meetings from 14 May for its potential USD bond issuance (guaranteed by Beijing Construction Engineering Group Co Ltd). China Overseas Grand Oceans Group Ltd has scheduled for investor meetings from 14 May for its potential bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.537	-0.12%	USD-SGD	1.3365	-0.10%
USD-JPY	109.390	-0.01%	EUR-SGD	1.5962	0.11%
EUR-USD	1.1943	0.23%	JPY-SGD	1.2216	-0.08%
AUD-USD	0.7543	0.15%	GBP-SGD	1.8096	0.04%
GBP-USD	1.3542	0.17%	AUD-SGD	1.0075	-0.04%
USD-MYR	3.9497	--	NZD-SGD	0.9306	-0.08%
USD-CNY	6.3340	-0.24%	CHF-SGD	1.3361	0.23%
USD-IDR	13960	-0.88%	SGD-MYR	2.9578	0.44%
USD-VND	22769	--	SGD-CNY	4.7404	0.01%

Equity and Commodity

Index	Value	Net change
DJIA	24,831.17	91.64
S&P	2,727.72	4.65
Nasdaq	7,402.88	-2.09
Nikkei 225	22,758.48	261.30
STI	3,570.17	32.58
KLCI	1,846.51	--
JCI	5,956.83	48.89
Baltic Dry	1,472.00	19.00
VIX	12.65	-0.58

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7063	0.0012
2M	-0.3410	--	1M	1.9187	0.0003
3M	-0.3270	-0.0010	2M	2.0865	-0.0052
6M	-0.2710	--	3M	2.3425	-0.0125
9M	-0.2190	--	6M	2.5150	-0.0019
12M	-0.1890	--	12M	2.7658	-0.0023

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (-0.02)	2.53 (--)
5Y	2.19 (-0.04)	2.84 (+0.01)
10Y	2.59 (-0.03)	2.97 (+0.01)
15Y	2.81 (-0.05)	--
20Y	2.81 (-0.06)	--
30Y	2.92 (-0.04)	3.10 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
06/13/2018	100.0%	74.0%	26.0%	0.0%	0.0%
08/01/2018	100.0%	69.4%	29.0%	1.6%	0.0%
09/26/2018	100.0%	18.2%	58.8%	21.8%	1.2%
11/08/2018	100.0%	16.2%	54.4%	25.8%	3.4%
12/19/2018	100.0%	8.6%	36.4%	39.3%	14.0%
01/30/2019	100.0%	7.7%	33.6%	39.0%	16.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	46.93	-0.44
EURIBOR-OIS	2.93	0.53
TED	44.30	-3.53

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	70.70	-0.92%	Copper (per mt)	6,859.7	0.05%
Brent (per barrel)	77.12	-0.45%	Nickel (per mt)	13,996.0	1.26%
Heating Oil (per gallon)	2.2220	-0.04%	Aluminium (per mt)	2,278.8	-2.25%
Gasoline (per gallon)	2.1888	-0.01%			
Natural Gas (per MMBtu)	2.8060	-0.28%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,381.0	--
			Rubber (JPY/KG)	193.4	0.26%
Precious Metals	Futures	% chg			
Gold (per oz)	1,320.7	-0.12%			
Silver (per oz)	16.752	-0.04%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 08 May 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	351,002	330,217	20,785	Soybean	163,909	202,421	-38,512
Wheat	16,379	-3,775	20,154	Natural Gas	-124,424	-95,910	-28,514
Cotton	118,282	106,601	11,681	Nymex Crude	723,189	735,871	-12,682
Sugar	-91,360	-99,738	8,378	Lean Hogs	-5,610	-1,168	-4,442
Silver	-1,185	-8,159	6,974	Copper	32,171	33,836	-1,665
Heating Oil	32,632	27,136	5,496	Cocoa	58,096	58,990	-894
Coffee	-32,795	-36,700	3,905	Palladium	10,365	10,795	-430
Live Cattle	25,240	23,225	2,015	Platinum	10,130	10,459	-329
RBOB Gasoline	86,633	84,634	1,999	Gold	103,540	103,367	173

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/11/2018 02:00	US Monthly Budget Statement	Apr	\$212.0b	\$214.3b	-\$208.7b	--
05/11/2018 05:00	NZ REINZ House Sales YoY	Apr	--	6.60%	-9.90%	--
05/11/2018 06:30	NZ BusinessNZ Manufacturing PMI	Apr	--	58.9	52.2	53.1
05/11/2018 06:45	NZ Food Prices MoM	Apr	--	0.10%	1.00%	--
05/11/2018 07:50	JN Money Stock M2 YoY	Apr	3.20%	3.30%	3.20%	3.10%
05/11/2018 07:50	JN Money Stock M3 YoY	Apr	2.80%	2.80%	2.80%	2.60%
05/11/2018 09:30	AU Home Loans MoM	Mar	-1.80%	-2.20%	-0.20%	--
05/11/2018 09:30	AU Investment Lending	Mar	--	-9.00%	0.50%	1.20%
05/11/2018 09:30	AU Owner-Occupier Loan Value MoM	Mar	--	-1.90%	1.30%	1.20%
05/11/2018 13:00	SI Retail Sales YoY	Mar	1.50%	-1.50%	8.60%	--
05/11/2018 13:00	SI Retail Sales Ex Auto YoY	Mar	3.10%	2.60%	14.00%	--
05/11/2018 15:30	TH Foreign Reserves	May-04	--	\$214.7b	\$215.4b	--
05/11/2018 15:30	TH Forward Contracts	May-04	--	\$33.8b	\$34.5b	--
05/11/2018 16:30	HK GDP YoY	1Q	3.40%	4.70%	3.40%	--
05/11/2018 17:00	CH Money Supply M2 YoY	Apr	8.50%	8.30%	8.20%	--
05/11/2018 17:00	CH Money Supply M1 YoY	Apr	7.00%	7.20%	7.10%	--
05/11/2018 17:00	CH Money Supply M0 YoY	Apr	5.80%	4.50%	6.00%	--
05/11/2018 17:00	CH Aggregate Financing CNY	Apr	1350.0b	1560.0b	1330.0b	1332.3b
05/11/2018 17:00	CH New Yuan Loans CNY	Apr	1100.0b	1180.0b	1120.0b	--
05/11/2018 18:07	ID BoP Current Account Balance	1Q	-\$6218m	-\$5542m	-\$5761m	-\$6043m
05/11/2018 20:00	IN Industrial Production YoY	Mar	6.20%	4.40%	7.10%	7.00%
05/11/2018 20:30	CA Net Change in Employment	Apr	20.0k	-1.1k	32.3k	--
05/11/2018 20:30	CA Unemployment Rate	Apr	5.80%	5.80%	5.80%	--
05/11/2018 20:30	US Import Price Index MoM	Apr	0.50%	0.30%	0.00%	-0.20%
05/11/2018 20:30	US Import Price Index ex Petroleum MoM	Apr	0.20%	0.10%	0.10%	0.00%
05/11/2018 20:30	CA Hourly Earnings Permanent Empl YoY	Apr	3.20%	3.30%	3.10%	--
05/11/2018 20:30	CA Full Time Employment Change	Apr	16.8	28.8	68.3	--
05/11/2018 20:30	US Import Price Index YoY	Apr	3.90%	3.30%	3.60%	3.30%
05/11/2018 20:30	CA Part Time Employment Change	Apr	12	-30	-35.9	--
05/11/2018 20:30	US Export Price Index MoM	Apr	0.40%	0.60%	0.30%	--
05/11/2018 20:30	US Export Price Index YoY	Apr	--	3.80%	3.40%	--
05/11/2018 20:30	CA Participation Rate	Apr	65.5	65.4	65.5	--
05/11/2018 22:00	US U. of Mich. Sentiment	May P	98.3	98.8	98.8	--
05/14/2018 06:30	NZ Performance Services Index	Apr	--	55.9	58.8	58.6
05/14/2018 07:50	JN PPI YoY	Apr	2.00%	--	2.10%	--
05/14/2018 07:50	JN Loans & Discounts Corp YoY	Mar	--	--	2.15%	--
05/14/2018 09:30	AU Credit Card Purchases	Mar	--	--	A\$25.3b	--
05/14/2018 09:30	AU Credit Card Balances	Mar	--	--	A\$52.7b	--
05/14/2018 14:00	JN Machine Tool Orders YoY	Apr P	--	--	28.10%	--
05/14/2018 14:30	FR Bank of France Ind. Sentiment	Apr	103	--	103	--
05/14/2018 14:30	IN Wholesale Prices YoY	Apr	2.90%	--	2.47%	--
05/14/2018 14:45	IT Bloomberg May Italy Economic Survey					
05/14/2018 20:00	IN CPI YoY	Apr	4.42%	--	4.28%	--
05/14/2018 20:30	CA Teranet/National Bank HPI MoM	Apr	--	--	0.00%	--
05/14/2018 05/19	US Mortgage Delinquencies	1Q	--	--	5.17%	--
05/14/2018 05/19	US MBA Mortgage Foreclosures	1Q	--	--	1.19%	--
05/11/2018 05/18	CH Foreign Direct Investment YoY CNY	Apr	--	--	0.40%	--

Source: Bloomberg

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