

Highlights

Global	<p>Global risk appetite may be tentative amid a choppy overnight US trading session and ahead of the ECB policy meeting. Note palpable market anticipation of a shift in ECB's nuancing to signal their intention to end their asset purchase program after it expires in Sep. The 10-year US Treasury bond yield climbed to 3.03%, with a stronger USD and the Dow closed higher, led by industrials (Facebook and AMD reported upbeat earnings after market close, but EBay missed analyst expectations). Meanwhile, French president Macron opined that US president Trump could withdraw from the Iran nuclear accord for domestic reasons. This could potentially trigger higher oil prices ahead of the 12 May deadline. In Asia, South Korea reported 1Q18 GDP growth of 1.1% qoq (2.8% yoy) in line with market expectations, while Malaysian PM Najib pledged to progressively cut corporate and personal income tax in the next 5 years to continue the shift to a consumption-based taxation.</p> <p>Asian bourses may attempt to open and trade with a firmer tone today, amid tech stock optimism. The economic data calendar comprises US' initial jobless claims, durable goods orders and wholesale inventories, HK trade, and S'pore industrial production. Speakers include ECB's Draghi's press briefing, BOE's Brazier and ECB's Nouy.</p>
US	<p>Moody's affirmed US' Aaa long-term issuer and senior unsecured ratings with a stable outlook, citing its exceptional economic strength, the very high strength of its institutions and its low exposure to credit-related shocks given the unique and central roles of the US dollar and US Treasury bond market in the global financial system.</p>
SG	<p>Industrial production likely rose 4.5% yoy (0.7% mom sa) in Mar, slower than the Feb pace of 8.9% yoy (-0.5% mom sa). To recap, today there is an auction for \$3b new 10-year SGS bond, with MAS taking \$300m, which leaves a net issue size of \$2.7b which is still the largest since June11 (also \$2.7b).</p>
CH	<p>The country resumed to grant the Qualified Domestic Institution Investors (QDII) quota after suspending it for more than three years. Total QDII quota increased by US\$8.34 billion in April to US\$98.33 billion. Together with this week's announcement to increase QDLP quota, it shows that China is no longer worried about capital outflows. Balanced capital flows rather than encouraging one-way capital inflows will be the new guideline. In addition, China's State Council announced fresh measures of tax cuts to support innovation and boost the development of small and micro businesses. The new measures will bring total tax burden down by CNY60 billion.</p>
CMD	<p>Crude oil prices rallied despite the unexpected build in US crude oil stocks despite record-high exports (2.3 million bpd) while domestic production climbed further (10.6 million bpd). Note that implied crude oil demand still climbed into recent week, as the accumulation in stocks were led by higher imports and less refinery activity, though overall inventories still remained under the 5-year average handle.</p>

Major Market

- **US:** Equities were mostly positive, save for some tech weakness which dragged Nasdaq (-0.05%). Note the surge in Boeing shares following its latest earnings report, though lacklustre earnings by Twitter led tech stocks lower. Meanwhile, the Dow and S&P 500 ended higher by 0.25% and 0.18%, respectively. VIX fell 1% to close lower at 17.84, compared with 18.02 previously. On the treasuries front, the 2y- and 10y- yield rose to 2.488% (+1bp) and 3.026% (+2bps, highest since Dec 2013), bringing the 2-10 yield spread wider to 53.8bps.
- **Singapore:** The STI retreated 0.46% to close at 3568.01 yesterday, but may see a firmer opening this morning amid positive cues from Nikkei and Kospi, STI may trade in a 3555-3585 range today. With the bear curve steepening in the UST bond market, as the US\$35b 5-year auction fetched a yield of 2.837% (highest stop since 3.129% in Sep08), SGS bonds are likely to stay pressured today, especially ahead of the \$3b issue size (with MAS taking \$300m) for the new 10-year SGS bond being auctioned today.
- There is no upcoming maturity of SGS bonds, with the next maturity being \$6.8b of 15-year SGS bonds maturing only in Sep18. The average cut-off yield for the last five 10-year SGS bond auctions was 2.38%. Even though the current 10-year SGS bond yield and swap rate have both risen to 2.55% and 2.71%, given the ongoing bear steepening bias for the 10-year UST bond yield which has broken the key 3% handle, we reckon there is still downside risk for the new 10-year SGS bond to trade closer to the 2.7% region.
- **Korea:** GDP growth disappointed at 2.8% y/y in 1Q18 (vs market estimate of 2.9%), though q/q growth rebounded to 1.1%, up from -0.2% in 4Q17. Across industries, the manufacturing sector rebounded by 1.9% q/q (up from -1.7%) while construction activities encouragingly picked up by 3.3% q/q. Across the services industries, finance/insurance activities rose 2.8%, although the rest of the services sector only saw moderate sub 2.0% q/q growth. We note that while the overall export sector indeed saw expansionary growth, overall growth is still not broad-based given lacklustre employment and consumption growth over the same period. With BOK and the government's growth target at 3.0% this year, 2Q18 growth data into the coming quarter will be key to see if growth will pick up substantially to meet this forecast. Elsewhere, with inflation still contained to-date, policy-makers would likely be reluctant to move rates higher into the year should consumption data remain weak amid tame domestic prices.
- **Hong Kong:** The stock market registered month-to-date outflows of RMB 7.5 billion under southbound stock connect in April, after marking 29 consecutive months of net southbound inflows. A stable RMB, expectations on an easing bias of the PBOC and the upcoming inclusion of A-shares to MSCI emerging market index have been encouraging capital flows to Mainland stock market. Besides, Hang Seng China AH Premium Index slid from a recent high of 137.8 on 6 February to 122.64 on 25 April. This means that the valuation of H-shares becomes less attractive as compared to few months earlier. However, in the near term, a new wave of large IPOs following HKEX's revamp of IPO rules may help to encourage Mainland investors to re-enter Hong Kong's stock market. Also, the increasing demand of Mainland investors to diversify their portfolio will likely lure capital flows to HK from China in the medium to long term.
- **Malaysia:** According to an interview with Bloomberg on Tuesday, Prime Minister Najib Razak has said that he will progressively cut corporate and personal income tax in the

next 5 years to continue Malaysia's shift toward consumption-based taxation. It was also reported by Bloomberg that Najib said he is willing to cooperate with US Department of Justice on 1MDB investigation as long as it's fair and in line with international protocol.

- **Indonesia:** Regarding the IDR weakness, Governor Agus Martowardojo has said, "BI will continue to be present in the market to maintain the rupiah's stability to reflect its fundamentals". The IDR tumbled to a 27 month low against the dollar on Wednesday despite the central bank intervening in the market since early February. Indonesia's foreign reserves has fallen during this same period after having previously been on a climbing trend.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors. The 1 year, 5 year and 12-year swap rates traded lower however by less than 2bps. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 1.29% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 12 bps to 371bps. 10Y UST yields rose 3bps to 3.03%, closing above the strong psychological level of 3% as worries about growing federal borrowing spurred a fresh wave of selling in the bond market.
- **New issues:** GSH Corp Ltd has priced a SGD50mn 3-year note at 5.15%. CNOOC Finance 2015 USA LLC has priced a USD1.45bn deal (guaranteed by CNOOC Ltd) across two-tranches, with the USD450mn 5-year tranche priced at CT5+105bps (tightening from its initial guidance of CT5+125bps area) and the USD1bn 10-year bond at CT10+140bps (tightening from its initial guidance of CT10+160bps area). PT Perusahaan Listrik Negara has scheduled for investor meetings from 26 Apr for its potential USD/IDR bond issuance. Federal International Finance has scheduled for investor meetings from 26 Apr for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.172	0.45%	USD-SGD	1.3289	0.51%
USD-JPY	109.430	0.56%	EUR-SGD	1.6160	-0.08%
EUR-USD	1.2161	-0.59%	JPY-SGD	1.2145	-0.05%
AUD-USD	0.7565	-0.51%	GBP-SGD	1.8512	0.17%
GBP-USD	1.3932	-0.33%	AUD-SGD	1.0053	--
USD-MYR	3.9115	0.17%	NZD-SGD	0.9391	-0.23%
USD-CNY	6.3266	0.32%	CHF-SGD	1.3515	0.08%
USD-IDR	13921	0.23%	SGD-MYR	2.9489	-0.12%
USD-VND	22769	--	SGD-CNY	4.7630	-0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.7031	--
2M	-0.3410	--	1M	1.8983	--
3M	-0.3280	--	2M	2.0606	--
6M	-0.2700	--	3M	2.3617	--
9M	-0.2190	--	6M	2.5163	--
12M	-0.1890	--	12M	2.7688	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	34.2%	34.2%	0.0%	0.0%	0.0%
06/13/2018	93.3%	62.6%	30.7%	0.0%	0.0%
08/01/2018	93.6%	60.3%	32.0%	1.3%	0.0%
09/26/2018	98.2%	21.6%	52.3%	23.4%	0.9%
11/08/2018	98.4%	19.4%	49.0%	26.5%	3.4%
12/19/2018	99.1%	11.7%	36.2%	36.2%	13.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.05	0.52%	Copper (per mt)	6,961.1	-0.21%
Brent (per barrel)	74.00	0.19%	Nickel (per mt)	14,099.5	1.16%
Heating Oil (per gallon)	2.1360	0.39%	Aluminium (per mt)	2,244.5	0.90%
Gasoline (per gallon)	2.0897	-0.25%			
Natural Gas (per MMBtu)	2.7860	0.18%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,397.0	--
			Rubber (JPY/KG)	188.2	0.16%
Precious Metals	Futures	% chg			
Gold (per oz)	1,322.8	-0.77%			
Silver (per oz)	16.577	-1.25%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,083.83	59.70
S&P	2,639.40	4.84
Nasdaq	7,003.74	-3.62
Nikkei 225	22,215.32	-62.80
STI	3,568.01	-16.55
KLCI	1,851.93	-13.41
JCI	6,079.85	-149.79
Baltic Dry	1,330.00	--
VIX	17.84	-0.18

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (+0.03)	2.49 (+0.01)
5Y	2.20 (+0.04)	2.84 (+0.01)
10Y	2.55 (+0.05)	3.03 (+0.03)
15Y	2.79 (+0.06)	--
20Y	2.79 (+0.06)	--
30Y	2.90 (+0.06)	3.21 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	54.96	-0.22
EURIBOR-OIS	2.20	-1.10
TED	52.06	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
04/25/2018 05:00	SK Consumer Confidence	Apr	--	107.1	108.1	--
04/25/2018 09:51	TH Car Sales	Mar	--	95082	75466	--
04/25/2018 12:30	JN All Industry Activity Index MoM	Feb	0.50%	0.40%	-1.80%	-1.10%
04/25/2018 14:45	FR Consumer Confidence	Apr	100	101	100	--
04/25/2018 19:00	US MBA Mortgage Applications	Apr-20	--	-0.20%	4.90%	--
04/26/2018 07:00	SK GDP YoY	1Q P	2.90%	2.80%	2.80%	--
04/26/2018 07:50	JN Japan Buying Foreign Bonds	Apr-20	--	--	¥797.6b	--
04/26/2018 07:50	JN Japan Buying Foreign Stocks	Apr-20	--	--	¥214.4b	--
04/26/2018 07:50	JN Foreign Buying Japan Bonds	Apr-20	--	--	¥422.7b	--
04/26/2018 07:50	JN Foreign Buying Japan Stocks	Apr-20	--	--	¥308.3b	--
04/26/2018 09:00	CH Swift Global Payments CNY	Mar	--	--	1.56%	--
04/26/2018 09:30	AU Import Price Index QoQ	1Q	1.20%	--	2.00%	--
04/26/2018 09:30	AU Export Price Index QoQ	1Q	4.10%	--	2.80%	--
04/26/2018 13:00	SI Industrial Production YoY	Mar	5.70%	--	8.90%	--
04/26/2018 14:00	GE GfK Consumer Confidence	May	10.8	--	10.9	--
04/26/2018 16:30	UK UK Finance Loans for Housing	Mar	37150	--	38120	--
04/26/2018 16:30	HK Exports YoY	Mar	3.10%	--	1.70%	--
04/26/2018 16:30	HK Imports YoY	Mar	5.20%	--	-3.20%	--
04/26/2018 16:30	HK Trade Balance HKD	Mar	-50.0b	--	-42.7b	--
04/26/2018 19:45	EC ECB Main Refinancing Rate	Apr-26	0.00%	--	0.00%	--
04/26/2018 19:45	EC ECB Marginal Lending Facility	Apr-26	0.25%	--	0.25%	--
04/26/2018 19:45	EC ECB Deposit Facility Rate	Apr-26	-0.40%	--	-0.40%	--
04/26/2018 20:30	US Initial Jobless Claims	Apr-21	230k	--	232k	--
04/26/2018 20:30	US Continuing Claims	Apr-14	1850k	--	1863k	--
04/26/2018 20:30	US Durable Goods Orders	Mar P	1.60%	--	3.00%	--
04/26/2018 20:30	US Durables Ex Transportation	Mar P	0.50%	--	1.00%	--
04/26/2018 20:30	US Cap Goods Orders Nondef Ex Air	Mar P	0.50%	--	1.40%	--
04/26/2018 20:30	US Cap Goods Ship Nondef Ex Air	Mar P	0.30%	--	1.40%	--
04/26/2018 20:30	US Advance Goods Trade Balance	Mar	-\$75.0b	--	-\$75.4b	-\$75.9b
04/26/2018 20:30	US Retail Inventories MoM	Mar	--	--	0.40%	--
04/26/2018 20:30	US Wholesale Inventories MoM	Mar P	0.70%	--	1.00%	--
04/26/2018 21:45	US Bloomberg Consumer Comfort	Apr-22	--	--	58.1	--
04/26/2018 23:00	US Kansas City Fed Manf. Activity	Apr	17	--	17	--
04/26/2018 04/27	CA CFIB Business Barometer	Apr	--	--	60.7	--
04/25/2018 04/30	VN Trade Balance	Apr	--	--	\$800m	--
04/25/2018 04/30	VN Exports YTD YoY	Apr	--	--	22.00%	--
04/25/2018 04/30	VN Imports YTD YoY	Apr	--	--	13.60%	--
04/25/2018 04/30	VN CPI YoY	Apr	3.20%	--	2.66%	--
04/25/2018 04/30	VN Industrial Production YoY	Apr	--	--	8.70%	--
04/25/2018 04/30	VN Retail Sales YTD YoY	Apr	--	--	9.90%	--

Source: Bloomberg

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