

Highlights

Global	<p>With the rejection of UK PM May's Brexit deal for the third time by 58 votes, markets remain in suspense and pressure continues to brew for her to step down and/or to call a fresh election amid the stalemate. Meanwhile, China will suspend retaliatory tariffs on US autos and car parts from today, as part of the ongoing trade talks with Liu He due to visit Washington for further trade talks from Wednesday. China's official manufacturing PMI also rose from 49.2 to 50.5 (back to expansion territory and marking the largest jump since 2012), amid higher new orders and new export orders. Asian markets may trade with a fresh note of optimism to start the week, especially with the stabilization in global risk sentiments towards the end of last week. For today's economic data calendar, first up will be China's Caixin PMI, Thai CPI, Eurozone's manufacturing PMIs and CPI, and US' retail sales and manufacturing ISM. BOC governor Poloz is also speaking. The UK House of Commons may vote on indicative votes between an extension, a no-deal Brexit or an acceptance of the withdrawal agreement. For the week ahead, watch for RBA's policy meeting and federal budget tomorrow, RBI policy meeting on 4 Apr (likely a 25bp cut to its repurchase and reverse repo rates currently at 6.25% and 6.0% respectively), and Friday's US nonfarm payrolls and unemployment report (where market consensus is eyeing +175k and 3.8% respectively).</p>
US	<p>The core PCE deflator rose by a subdued 0.1% mom in Jan, while personal spending was also tepid at +0.1% mom despite personal income rising by 0.2% mom in Feb. Meanwhile, the Chicago PMI slumped to 58.7 in Mar, albeit the University of Michigan consumer index was revised up to 98.4, and new home sales also rose 4.9% mom in Feb. Fed's Kashkari said "while I don't take the yield curve signals as gospel – that it's perfect – I do think it's giving us feedback on where neutral is" and "I don't think we should be in a contractionary stance". Separately, White House adviser Kudlow has called for the Fed to cut rates by 50bps immediately whilst president Trump also tweeted "had the Fed not mistakenly raised interest rates, especially since there is very little inflation, and had they not done the ridiculously timed quantitative tightening, the 3.0% GDP, & Stock Market, would have both been much higher & World Markets would be in a better place!".</p>
CH	<p>China's official PMI rebounded strongly to 50.5 from 49.2 in February, back to expansionary territory for the first time since November 2018. The rebound of March manufacturing activity was partly due to seasonal effect as the 15th day of lunar month fell in February and manufacturing factories restarted earlier this year as compared to last year. Interesting to note that PMI for large enterprise fell slightly to 51.1 from 51.5 while PMI for medium and small enterprises rebounded to 49.9 and 49.3 respectively from 46.9 and 45.3. The strong rebound of confidence from medium and small enterprises could be the result of supporting measures from government such as the VAT cut, which will take effect from April.</p>

Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 climbing 0.7%. The DJIA rose 0.8%, and the Nasdaq composite increased 0.8%.
- **Singapore:** The STI added 0.29% to close at 3212.88 on Friday and may gain further today amid more upbeat cues from Wall Street on Friday and morning gains in Nikkei and Kospi. STI could tread a 3200-3230 range. With UST bond yields retracing up to 2bps higher at the front end of the curve, SGS bonds are likely to follow suit today.
- **Hong Kong:** Total loan growth continued to decelerate to 3.03% yoy in February, the weakest since August 2016 despite market rally. First, trade finance dropped for the sixth consecutive month by 7.4% yoy to HK\$477.7 billion due to weak trade activities. Second, loans for use in HK (excluding trade finance) grew at a slower pace by 3.5% yoy to HK\$6.36 trillion. Though eased concerns about higher interest rates as well as US-China trade truce helped to revive investment sentiment, loan demand remained cautious probably due to concerns about external uncertainties. Third, the growth of loans for use outside of HK rebounded from 3.8% yoy to 4.0% yoy. Lately, China's monetary easing has brought Mainland China's financing demand back to the onshore market. However, with the Fed's pause in rate hikes, USD-CNH yield differential will likely remain wide. As such, unless the PBOC further loosens its monetary policy, the growth of loans for use outside of HK may stabilize. All in all, we hold onto our view that total loan growth will remain benign against a faltering global growth and lingering trade tension. For the total loans in 2019, we expect to see lower single-digit growth than last year's 4.4% yoy.
- **Japan:** Japan's Tankan survey showed that large manufacturers' sentiments fell from 19 in Dec18 to 12 in Mar, the largest decline in six years and suggesting momentum is slowing.
- **ASEAN PMI:** Following China's manufacturing PMI re-entry to expansion territory in March, ASEAN's PMIs however did not uniformly follow suit and still continued to struggle. Malaysia and Singapore PMI remained in contraction territory. The former in particular still saw notable falls in output and new orders whilst the latter saw business conditions continue to deteriorate. The Philippines may still remain in expansion territory but it was a fall from 51.9 in February to 51.5 in March as output increased at the softest rate in 7 months. Thailand meanwhile did move out of contraction territory at 49.9 in February to 50.3 in March driven by both growth in output and new orders but there was indication that foreign demand worsened. Going forward, we remain wary of the health of ASEAN's manufacturing sector as the recent PMI numbers provided a reflection of the fragility of the global trade situation.
- **Thailand:** King Vajiralongkorn has revoked royal decorations given to ex-PM Thaksin Shinawatra. The statement on the Royal Gazette stated that Thaksin has displayed "extremely inappropriate behaviour" because he fled the country after being sentenced to prison. This royal decision comes amid a time when the pro-military camp and the pro-democracy group are jostling for power in the government's Lower House. The Thaksin-led Pheu Thai group is expected to command the most seats in both the pro-democracy coalition and possibly in the entire Lower House.
- **South Korea:** South Korea exports in March continued their downward slump, contracting -8.2% YoY to mark a fourth consecutive month of contractions in the export-

oriented economy. Fragility in the economy has prompted talks of further expansionary fiscal policies in the country. The BoK said last week that it may consider adjusting its monetary stance if economic conditions continue to remain lacklustre.

- **Malaysia:** Finance Minister Lim Guan Eng said today that 121 BN-era projects will proceed after renegotiations resulted in cost savings of RM805.99 million. He added that the total value of the projects has been brought down to RM13.126 billion. The mentioned cost savings however, does not include megaprojects that Putrajaya had also renegotiated such as the LRT3 and MRT2. The Finance Minister had noted that the two renegotiated megaprojects represented an additional RM23.84 billion in savings.
- **Indonesia:** The Finance Ministry has revoked a regulation on tax treatment for e-commerce transactions, namely Finance Ministerial Regulation No. 210/2018. The regulation had been signed by Finance Minister Sri Mulyani Indrawati on 31st December 2018 and it was originally meant to be enforced on 1st April 2019. Sri Mulyani herself has said that the revocation was decided amid widespread confusion among the public as the government was perceived to have been set to collect specially designed taxes for online transactions through the regulation.
- **Commodities:**
 - Energy:** WTI closed Q1 with gains of +29.3%; Brent clocked a Q1 return of +23.8%. Short covering after a massive selloff in Q4 and supply cuts from OPEC, together with optimism over ongoing US-China trade talks, have lifted crude prices off their multi-year lows going into 2019. Entering Q2, expect the issues of Iranian sanction waivers as well as the uncertainty related to the extension of the OPEC+ cuts to send the crude market into a volatile range. Any further upside in oil may likely come from a significant breakthrough in US-China trade talks.
 - Gold:** Gold closed below the \$1,300/oz handle at \$1,292.39/oz last Friday to eke out marginal gains of +0.8% for the quarter. The precious metal has endured a choppy Q1, rising to a high of almost \$1,350/oz but constantly finding support at \$1,280/oz. Expect prices to remain volatile in Q1 and to trade in a large range of \$1,250/oz to \$1,350/oz, as we enter a highly uncertain economic growth environment while US-China trade talks remain ongoing.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with the shorter tenors trading little change while the belly and longer tenors traded 2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 136bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 464bps. 10Y UST yields rose 2bps to close the session at 2.41%, on the back of improvement in market risk sentiments and lowering of safe haven demand. US equities rose along with positive news from US-China trade talks, however, the increase in yields was offset by the lower-than-expected US consumer spending data released. The yield curve between the 3-month and 10-year treasury yields turned positive, after lingering in a state of inversion for the week.
- **New Issues:** 21 Vianet Group Inc has scheduled investor meetings from 1 April for its potential USD bond issuance. BOC Aviation Ltd has scheduled investor meetings from 29 March for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.284	0.08%	USD-SGD	1.3557	-0.06%
USD-JPY	110.860	0.21%	EUR-SGD	1.5209	-0.09%
EUR-USD	1.1218	-0.03%	JPY-SGD	1.2232	-0.23%
AUD-USD	0.7096	0.31%	GBP-SGD	1.7669	-0.15%
GBP-USD	1.3035	-0.07%	AUD-SGD	0.9621	0.24%
USD-MYR	4.0820	0.06%	NZD-SGD	0.9233	0.45%
USD-CNY	6.7121	-0.40%	CHF-SGD	1.3625	0.01%
USD-IDR	14241	-0.01%	SGD-MYR	3.0129	0.13%
USD-VND	23189	-0.06%	SGD-CNY	4.9554	-0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3820	-0.0107
2M	-0.3360	-0.0107	1M	2.4945	-0.0070
3M	-0.3110	-0.0070	2M	2.5639	0.0115
6M	-0.2280	0.0115	3M	2.5998	0.0080
9M	-0.1940	0.0080	6M	2.6595	0.0184
12M	-0.1120	0.0184	12M	2.7106	0.0164

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.0%	5.7%	0.0%	5.7%	94.3%
05/01/2019	0.0%	20.6%	0.9%	19.7%	79.4%
06/19/2019	0.0%	27.0%	2.4%	24.5%	73.0%
07/31/2019	0.0%	47.9%	8.7%	38.4%	52.1%
09/18/2019	0.0%	52.8%	11.5%	39.7%	47.2%
10/30/2019	0.0%	65.9%	19.3%	41.8%	34.1%

Equity and Commodity

Index	Value	Net change
DJIA	25,928.68	211.22
S&P	2,834.40	18.96
Nasdaq	7,729.32	60.15
Nikkei 225	21,205.81	172.05
STI	3,212.88	9.30
KLCI	1,643.63	2.30
JCI	6,468.76	-12.03
Baltic Dry	689.00	-3.00
VIX	13.71	-0.72

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (+0.02)	2.26 (+0.02)
5Y	1.94 (+0.02)	2.23 (+0.02)
10Y	2.07 (+0.02)	2.41 (+0.01)
15Y	2.31 (+0.02)	--
20Y	2.38 (+0.02)	--
30Y	2.54 (+0.02)	2.81 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.20	0.13
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.43
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	60.14	1.4%	Corn (per bushel)	3.5650	-4.7%
Brent (per barrel)	68.39	0.8%	Soybean (per bushel)	8.843	-0.6%
Heating Oil (per gallon)	1.9734	0.1%	Wheat (per bushel)	4.5775	-1.5%
Gasoline (per gallon)	1.8956	0.8%	Crude Palm Oil (MYR/MT)	2,001.0	-0.6%
Natural Gas (per MMBtu)	2.6620	-1.8%	Rubber (JPY/KG)	173.1	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,483	1.9%	Gold (per oz)	1,293.0	0.2%
Nickel (per mt)	12,984	0.8%	Silver (per oz)	15.110	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
03/29/2019 07:30	JN Jobless Rate	Feb 2.50%	2.30%	2.50%	--
03/29/2019 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Mar 1.10%	1.10%	1.10%	--
03/29/2019 07:50	JN Industrial Production MoM	Feb P 1.40%	1.40%	-3.40%	--
03/29/2019 17:30	UK GDP QoQ	4Q F 0.20%	0.20%	0.20%	--
03/29/2019 17:30	UK GDP YoY	4Q F 1.30%	1.40%	1.30%	--
03/29/2019 22:00	US New Home Sales	Feb 620k	667k	607k	636k
03/29/2019 22:00	US U. of Mich. Sentiment	Mar F 97.8	98.4	97.8	--
04/01/2019 09:45	CH Caixin China PMI Mfg	Mar 50	--	49.9	--
04/01/2019 12:00	TH CPI YoY	Mar 0.93%	--	0.73%	--
04/01/2019 16:30	HK Retail Sales Value YoY	Feb 2.80%	--	7.10%	--
04/01/2019 20:30	US Retail Sales Advance MoM	Feb 0.30%	--	0.20%	--
04/01/2019 22:00	US ISM Manufacturing	Mar 54.5	--	54.2	--

Source: Bloomberg

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