

Highlights

Global	<p>The US Federal Reserve unanimously voted to keep the fed funds rate unchanged at 2.25-2.5% in a 10-0 vote, but recognised that “growth of household spending and business fixed investment slowed in the first quarter”. The Fed also tweaked the interest on excess reserves (IOER) rate from 2.4% to 2.35%, but ascribed this as a small technical adjustment rather than “any shift in the intended stance of monetary policy”. Fed chair Powell opined that the recent softness is likely to be “transitory” and “we don’t see a strong case for moving in either direction” as “our baseline view remains that...inflation will return to 2 percent over time”, which prompted the UST bond yields to subsequently rebound from the initial dovish reading of the FOMC statement, whilst the S&P500 closed lower. The futures market is currently pricing around 55% possibility of a rate cut by year-end, even as the Fed shows no inclination to budge from its patient for longer stance. Meanwhile, US-China negotiations were deemed “productive” with trade talks due to resume in Washington next week. Global risk appetite may be restrained this morning, and Asian markets are likely to trade with a somewhat more cautious tone today. BOE is likely static at its policy decision later today, with the inflation report also due. The economic data calendar comprises US’ factory orders, initial jobless claims, Challenger job cuts, 1Q19 nonfarm productivity and durable goods orders, Hong Kong’s 1Q19 GDP growth, Eurozone and Asian manufacturing PMIs, German retail sales and Thai consumer confidence. In addition, watch BOE’s Carney and ECB’s Praet who are speaking.</p>
US	<p>The manufacturing ISM retreated more than expected from 55.3 in March to 52.8 in April (forecast: 55.0) as new orders, prices paid and employment gauges all softened. However, the ADP employment data showed 275k jobs added, while the March print was also revised up from 129k to 151k.</p>
CH	<p>China’s banking and insurance regulator Guo Shuqing announced 12 measures to further open China’s domestic financial market such as removing the cap for ownership limitation and allowing foreign investors to invest foreign insurance company in China etc. On economy, China’s manufacturing PMI softened slightly in April but still stayed above 50 for both official and Caixin PMIs, a sign that China’s manufacturing sector continued to expand due to improving business sentiment.</p>
SG	<p>Business expectations surveys for the manufacturing and services sectors suggest 1Q19 may have been the bottom for the Singapore economy. A rebound was seen in the net weighted 4% of services firms that anticipate more favourable business conditions in 2Q-3Q 2019, compared to -4% three months ago. Manufacturing sentiments also improved to a 1% net weighted balance tipping an improved business situation for 2Q-3Q 2019. This is a sharp turnaround from the -14% seen three months ago, albeit still lower than the +13% seen in the same period a year ago.</p>

Major Markets

- **US:** Wall Street ended lower on Wednesday, with the S&P500 declining 0.8%. The DJIA and the Nasdaq composite tumbled 0.6%.
- **Singapore:** Total bank loans growth slowed to 2.2% yoy in March, down from 3.3% yoy in February, and marking the slowest pace of expansion since November 2016. Business loans growth eased to 3.4% yoy in March (previously 5.2% yoy) but the drag came from consumer loans that cooled dramatically to just 0.3% in March (previously 0.5% yoy), due to weak housing loans growth (0.9% yoy which is the lowest since at least 1992) amid the soft private residential property market.
The STI declined 0.20% to close at 3400.20 on Tuesday, and may play catch up today after the May day holiday, taking the cue from Wall Street's slippage overnight and morning cues by Kospi. STI may face resistance and support at 3427 and 3362 respectively. With the UST bond curve bear-flattening as front-end yields rose around 4bps, while the 10-year closed at 2.5%, the SGS bond market may also react to the less than dovish signal from the FOMC meeting.
- **Hong Kong:** The growth in total loans and advances (HK\$9.9 trillion) stabilized at 3.1% yoy in Mar. Domestically, trade finance dropped for the seventh straight month by 6.7% yoy to HK\$487 billion due to weak trading activities on soft external demand. Besides, loans for use in HK (excluding trade finance) grew at a slower pace by 3.4% yoy to HK\$6.4 trillion. Due to the mortgage margin compression, banks have refrained from offering home loans with new approved mortgage loans shrank for the fifth straight month by 5.7% yoy. Meanwhile, corporate's loan demand might have remained sluggish due to concerns about global economic slowdown. Externally, loans for use outside of HK continued to rebound to HK\$3 trillion with growth accelerating from 4% yoy in Feb to 4.2% yoy in Mar. As the PBOC shifted from universal easing to structural easing and China's economy showed some green shoots, onshore borrowing costs retraced higher. Adding that upside for USD rates and HKD rates has been capped by the Fed's pause while RMB's outlook has improved, offshore financing turned attractive again. Taken all together, we expect total loans growth will only see low single-digit growth this year.
RMB deposits retreated by 1% mom to RMB602 billion. With foreign investors proactively positioning for the higher weight of A-share in MSCI index in early 2019, the equity inflows to onshore market slowed down in Mar. Besides, there is not much room for RMB deposit rates to go up as the PBOC is still far from shifting to a tightening bias. Moving ahead, we expect RMB deposits to stabilize around current levels in the near term. In the medium term, whether RMB deposits could grow further may hinge on how strong the bond inflows to China will be given the stale RMB and the wide USD-RMB yield differential.
- **ASEAN PMI:** Malaysia (49.4) remained in contraction territory whilst Thailand (51.0), Philippines (50.9) and Indonesia (50.4) were also still in expansion territory. The Philippines saw demand from overseas moderately decline whilst Indonesia was affected by generally weaker demand. The PMI for Thailand rose as underlying domestic demand improved whilst foreign orders remained stagnant. Although, Malaysia was still in contraction territory, the overall index for it did rise as export sales helped drive new orders.

- **Indonesia:** According Antara reports, Jokowi has nominated Destry Damayanti as sole candidate for Bank Indonesia's senior deputy governor position, to replace Mirza Adityaswara, whose term is set to end in July.
- **Thailand:** With just a week to go before the full general elections results are officially unveiled, political tensions between the pro and anti-junta coalitions remain tense. The Thai Election Commission, on 1 May, disqualified 6 candidates from the anti-junta Palang Pracharath party, which in turn discounts the votes they had received for calculation of the allocation of the 150 party list seats. King Maha Vajiralongkorn coronation ceremony is set to take place this weekend, so the political scene is expected to remain sedated over the next couple of days. Expect a hike in uncertainty when the official voting results are announced next Thursday.
- **South Korea:** April CPI clocked in at 0.6% from expectations of 0.4%, with notable increases in food and health prices. Further increases in the price of crude are likely to contribute further upside pressure on the South Korean economy. Exports in April contracted for a fifth consecutive month, slumping -2.0%, as demand for electronics wane globally. Despite the contraction, however, at -2.0% the result was better than expected than our forecast of -5.4%, suggesting a strong pickup of export demand towards the last 10 days of April. Continued stabilisation of China's economy is likely to anchor the flagging fortunes of the South Korea economy, which recorded a -0.3% contraction in GDP QoQ in 1Q.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened on Tuesday, with the shorter tenors and belly trading 1-3bps higher while the longer tenors (above 10-years) traded 2bps higher. The SGD swap curve was unchanged yesterday given the Labour day holiday. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 467bps. 10Y UST yields fell 3bps to 2.50%, on the back of the Fed's policy statement that the low inflation may be more persistent than expected and the slowing of US manufacturing data in April.
- **New Issues:** Alam Synergy Pte Ltd has priced a USD125mn re-tap of its existing ASRIIJ 6.625%'22s (guarantor: PT Alam Sutera Realty TBK) at 95.176 (yield: 8.50%), tightening from IPT of 94.53 (yield: 8.75%). Korea Gas Corp has mandated banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.686	0.21%	USD-SGD	1.3610	0.01%
USD-JPY	111.380	-0.04%	EUR-SGD	1.5238	-0.16%
EUR-USD	1.1196	-0.17%	JPY-SGD	1.2221	0.12%
AUD-USD	0.7015	-0.47%	GBP-SGD	1.7761	0.15%
GBP-USD	1.3050	0.14%	AUD-SGD	0.9550	-0.40%
USD-MYR	4.1347	--	NZD-SGD	0.9016	-0.76%
USD-CNY	6.7349	--	CHF-SGD	1.3374	0.22%
USD-IDR	14259	--	SGD-MYR	3.0428	0.08%
USD-VND	23280	--	SGD-CNY	4.9568	0.21%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3791	--
2M	-0.3360	--	1M	2.4805	--
3M	-0.3100	--	2M	2.5263	--
6M	-0.2310	--	3M	2.5756	--
9M	-0.1940	--	6M	2.6220	--
12M	-0.1140	--	12M	2.7169	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	6.3%	0.0%	6.3%	93.7%
07/31/2019	0.0%	15.7%	0.6%	15.1%	84.3%
09/18/2019	0.0%	32.4%	3.5%	28.8%	67.6%
10/30/2019	0.0%	39.3%	6.1%	32.7%	60.7%
12/11/2019	0.0%	54.5%	12.7%	39.7%	45.5%
01/29/2020	0.0%	59.9%	16.0%	40.4%	40.1%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	63.60	-0.5%	Corn (per bushel)	3.6000	1.9%
Brent (per barrel)	72.18	-0.9%	Soybean (per bushel)	8.395	-0.2%
Heating Oil (per gallon)	2.0942	0.6%	Wheat (per bushel)	4.2500	1.6%
Gasoline (per gallon)	2.0642	-2.8%	Crude Palm Oil (MYR/MT)	1,982.0	--
Natural Gas (per MMBtu)	2.6200	1.7%	Rubber (JPY/KG)	188.6	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,235	-2.8%	Gold (per oz)	1,284.2	-0.1%
Nickel (per mt)	12,159	-0.3%	Silver (per oz)	14.645	-1.7%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,430.14	-162.77
S&P	2,923.73	-22.10
Nasdaq	8,049.64	-45.75
Nikkei 225	22,258.73	--
STI	3,400.20	--
KLCI	1,642.29	--
JCI	6,455.35	--
Baltic Dry	1,011.00	--
VIX	14.80	1.68

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.91 (-)	2.30 (+0.04)
5Y	1.98 (-)	2.30 (+0.02)
10Y	2.17 (-)	2.50 (-)
15Y	2.37 (-)	--
20Y	2.42 (-)	--
30Y	2.58 (-)	2.90 (-0.02)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.40	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.76
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/01/2019 16:30	UK Markit UK PMI Manufacturing SA	Apr	53.1	53.1	55.1
05/01/2019 19:00	US MBA Mortgage Applications	Apr-26	--	-4.30%	-7.30%
05/01/2019 20:15	US ADP Employment Change	Apr	180k	275k	129k
05/01/2019 21:45	US Markit US Manufacturing PMI	Apr F	52.4	52.6	52.4
05/01/2019 22:00	US ISM Manufacturing	Apr	55	52.8	55.3
05/02/2019 02:00	US FOMC Rate Decision (Upper Bound)	May-01	2.50%	2.50%	2.50%
05/02/2019 08:30	SK Nikkei South Korea PMI Mfg	Apr	--	--	48.8
05/02/2019 08:30	ID Nikkei Indonesia PMI Mfg	Apr	--	--	51.2
05/02/2019 16:00	EC Markit Eurozone Manufacturing PMI	Apr F	47.8	--	47.8
05/02/2019 16:30	HK GDP YoY	1Q	1.90%	--	1.30%
05/02/2019 19:00	UK Bank of England Bank Rate	May-02	0.75%	--	0.75%
05/02/2019 20:30	US Initial Jobless Claims	Apr-27	215k	--	230k
05/02/2019 22:00	US Durable Goods Orders	Mar F	--	--	2.70%

Source: Bloomberg

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