

### Highlights

Global	<p><b>The US proceeded to raise tariffs on China to 25% on Friday and while indications are that trade talks will continue, there is the threat of 25% tariffs on the next US\$325b of Chinese imports within a month if a deal is not brokered.</b> Market reaction on Friday, while negative was relatively muted on the assumption that a deal of sorts will be finally reached given that both sides have too much to lose, especially since Trump has US elections to face. President Trump had tweeted that the US was “right where we want to be”, talks were “constructive” and will continue, but it would be wise for China to “act now”. China’s Liu He had revealed that the main points of contention were it wanted existing tariffs to be removed, US targets for Chinese purchases should be aligned with real demand, and the text of a deal should be balanced to ensure the dignity of both sides. The S&amp;P500 closed 0.37% higher on Friday, while, the 10-year UST bond yield rose 3bps to 2.47%. <b>As today’s economic calendar is relatively light and only comprises India’s CPI and Japan’s leading index, Asian markets will tread cautiously, with the market focus still be on any developing headlines about China’s possible retaliatory moves and next steps for trade talks from here until Trump and Xi meet at the G20 meeting in late June.</b> Speakers comprise RBA’s Debelle, and Fed’s Rosengren and Clarida. For the week ahead, watch for Philippines’ mid-term vote today and BI policy decision on 16 May (likely to be static at 6.0%).</p>
US	Core CPI remained muted at 0.1% mom (2.1% yoy) in April. Energy prices had risen 2.9% mom but food costs and apparel prices fell. Recall Fed chair Powell recently opined that soft inflation was “transitory”.
UK	UK PM May will resume talks with the opposition Labour Party this week and is promising to reopen Brexit talks with the EU.
EU	ECB’s Nowotny tips the Eurozone economic growth to rebound in 2H, thus paving the way to deliberate normalisation of crisis-mode stimulus policies.
CH	The sudden unexpected collapse of the US-China trade talk is a surprise, however, it does not mean the end of talks. There are four core discrepancies yet to be agreed. The near term RMB depreciation pressure may depend on three factors including the size of China’s retaliation package, US’s plan to impose tariff on the remaining US\$325 billion products and market’s assessment on whether the setback is temporary or not.
SG	Retail sales fell for the second straight month by 1.0% yoy (+1.0% mom sa) in March, following a revised 9.9% yoy contraction (-1.4% mom sa) in February. Motor vehicles sales, usually a swing factor, still rose 0.9% yoy (6.1% mom) in March. Excluding car sales, retail sales also fell for the second consecutive month by 1.5% yoy (flat on-month) in March, after the 10.6% yoy slump in February. This is not totally unexpected given that consumer spending was likely frontloaded ahead of the festive CNY season in February. Looking ahead, we expect that full-year retail sales could shrink marginally around 0.4% yoy. Retail sales declined 0.9% yoy for 1Q19, compared to -0.6% yoy for 1Q18.

## Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 advancing 0.4%. The DJIA rose 0.4%, and the Nasdaq composite jumped 0.1%.
- **Singapore:** The biggest drags on retail sales in March came from optical goods & books (-6.4% yoy), food retailers (-5.7% yoy), computer & telecommunication equipment (-4.9% yoy), watches & jewellery (-4.6% yoy), department stores (-4.6% yoy). Given the external economic uncertainties and somewhat fragile consumer sentiments, especially with the US-China trade tensions escalating, there may not be a quick turnaround in the retail sales picture anytime soon. This is notwithstanding the fact that Changi Jewel's opening has added some buzz to the recent retail and F&B scene recently. Interestingly, only an estimated 5.3% of retail sales came from online sales. With the increasing popularity of online shopping, we would expect that the proportion of e-commerce will rise over time.  
The STI added 0.12% to close at 3273.50 on Friday and may tread water today between 3250-3300 as investors await further cues from the US-China trade front. With the steeper UST bond curve as longer-dated yields pushed higher by up to 2-3bps, the SGS bonds may also see some selling pressure today.
- **Macau:** Average housing price rose by 12% mom or 10.9% yoy to MOP110,424/square meter in Mar. During the same month, housing transaction volume rose by 83.3% mom to 572 deals while approved new residential mortgage loans surged by 85.8% mom to MOP3.38 billion. The rebound in housing market was mainly due to the abated seasonality, the wealth effect from stock market rally, developers' sweeteners, eased concerns about higher interest rates and the measure supporting first-home local buyers (took up 82.2% of total local buyers in Mar). Moving ahead, the lowered probability of rate hike, the supportive measures and limited supply could continue to support the housing market. However, the market's upside may be capped by external headwinds such as renewed US-China trade tensions, the housing cooling measures and the diminishing effect of supportive measure. All in all, we expect total housing transaction volume to decrease in 2019. Average housing price will likely hover in the range of MOP100,000/square meter to MOP110,000/square meter.
- **Malaysia:** The IPI grew by 3.1% yoy in March, a pick – up from the previous month at 1.7% yoy as the decline in the mining sector slowed to -0.2% (Feb 2019: -5.0% yoy) whilst the manufacturing sector continued to expand strongly at 4.1% yoy. However, we still expect 1Q 2019 GDP growth (announced next week) to slow to 4.4% yoy given that the IPI growth rates for 1Q 2019 as a whole was relatively subdued in 1Q 2019, averaging 2.7%.
- **Indonesia:** Indonesia's current account deficit narrowed to -2.6% of GDP in 1Q 2019 from -3.6% of GDP in 4Q 2018 whilst there was also a balance of payment surplus of US\$2.4bn. At this point, we see it less likely that the current account deficit can narrow further in 2Q 2019 as the country enters the festive season and demand for consumables such as fuels increase, that in turn can push up imports.
- **Philippines:** The Philippines head for its midterm elections today, with the voting booths opened from 6am to 6pm local time. 243 House of Representatives seats, 61 party-list seats and most crucially, 12 Senate seats are all up for grabs in this election. President Duterte is aiming to consolidate his support among the senate in this election

as he pushes for multiple reforms, including the series of tax reforms and an attempt to possibly shift the Philippines back to a federal form of government.

- **Commodities:**

**Energy:** Crude prices continue to hold steady, with WTI hovering around \$61/bbl and Brent at \$70/bbl levels through the week despite the US-China trade tariffs coming into effect. Prices continue to remain sticky in the short-term as supply from multiple countries remain uncertain. If Saudi Arabia increases production of +1m bpd from its current levels, concerns over a squeeze in supplies may abate and it may precipitate a healthy correction in energy markets, particularly crude oil.

**Soybeans:** Prices of beans on the July contract closed at \$8.0625/bu on Friday as demand for US beans wane following the official advent of the US-China trade war. Friday's WASDE report shows the first estimate of US new soybean crop production at 4.15bn bu, considerably lesser than the past two years' production of 4.41bn and 4.54bn bu. Ending US bean stock for 2019/20, however, continue to remain high at 970m bu, approximately the same as last year's 995m bu and twice that of 17/18's 438m bu ending stock. The ending stock for 19/20 is poised to move even higher as the report was prepared before the confirmation of US-China trade tariffs, meaning that the bean exports of 1.95m bu is highly optimistic in our opinion and may be further tapered down by 100-200m bu.

### Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with most tenors trading within 1bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 132bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 482bps. 10Y UST yields rose 2bps to 2.47%, as worries regarding an escalating trade war between the US and China diminished, offsetting the earlier drop in yields from the weaker-than-expected inflation data. Tariffs on USD200bn worth of Chinese goods came into effect on Friday, just as both sides were engaged in trade talks to de-escalate the conflict. Tariffs still remain for now, however, the latest round of talks would proceed onto further discussions.
- **New Issues:** Bank of China/Hong Kong has priced a USD100mn 2-year bond at 2.90%. Zhongrong International Bond 2019 Limited has priced a USD218.64mn 3NP2 bond (guarantor: Zhongrong International Holdings Limited) at 7.60%.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.330	-0.04%	<b>USD-SGD</b>	1.3626	-0.11%
<b>USD-JPY</b>	109.950	0.19%	<b>EUR-SGD</b>	1.5304	0.03%
<b>EUR-USD</b>	1.1233	0.16%	<b>JPY-SGD</b>	1.2393	-0.27%
<b>AUD-USD</b>	0.7002	0.19%	<b>GBP-SGD</b>	1.7709	-0.24%
<b>GBP-USD</b>	1.2998	-0.12%	<b>AUD-SGD</b>	0.9539	0.05%
<b>USD-MYR</b>	4.1575	0.12%	<b>NZD-SGD</b>	0.8993	0.02%
<b>USD-CNY</b>	6.8225	-0.07%	<b>CHF-SGD</b>	1.3467	0.20%
<b>USD-IDR</b>	14327	-0.26%	<b>SGD-MYR</b>	3.0509	0.17%
<b>USD-VND</b>	23341	-0.29%	<b>SGD-CNY</b>	5.0083	0.15%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3670	--	<b>O/N</b>	2.3564	-0.0025
<b>2M</b>	-0.3360	-0.0025	<b>1M</b>	2.4490	-0.0044
<b>3M</b>	-0.3090	-0.0044	<b>2M</b>	2.4896	-0.0067
<b>6M</b>	-0.2310	-0.0067	<b>3M</b>	2.5279	-0.0074
<b>9M</b>	-0.1940	-0.0074	<b>6M</b>	2.5870	0.0054
<b>12M</b>	-0.1180	0.0054	<b>12M</b>	2.6934	-0.0088

#### 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%	37.0%	4.3%	32.6%	63.0%
10/30/2019	0.0%	46.3%	8.4%	37.0%	53.7%
12/11/2019	0.0%	64.5%	18.1%	42.7%	35.5%
01/29/2020	0.0%	69.1%	21.4%	41.8%	30.9%

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,942.37	114.01
<b>S&amp;P</b>	2,881.40	10.68
<b>Nasdaq</b>	7,916.94	6.35
<b>Nikkei 225</b>	21,344.92	-57.21
<b>STI</b>	3,273.50	3.80
<b>KLCI</b>	1,610.27	-8.26
<b>JCI</b>	6,209.12	10.31
<b>Baltic Dry</b>	1,013.00	39.00
<b>VIX</b>	16.04	-3.06

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.94 (-)	2.27 (+0.01)
<b>5Y</b>	1.98 (+0.01)	2.26 (+0.02)
<b>10Y</b>	2.17 (+0.01)	2.47 (+0.02)
<b>15Y</b>	2.42 (-)	--
<b>20Y</b>	2.49 (-)	--
<b>30Y</b>	2.65 (+0.01)	2.89 (+0.03)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.60	-0.15
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.41
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#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.66	-0.1%	Corn (per bushel)	3.4250	-0.6%
Brent (per barrel)	70.62	0.3%	Soybean (per bushel)	7.970	-0.4%
Heating Oil (per gallon)	2.0504	0.3%	Wheat (per bushel)	4.1900	-0.7%
Gasoline (per gallon)	1.9891	0.7%	Crude Palm Oil (MYR/MT)	1,920.0	0.5%
Natural Gas (per MMBtu)	2.6190	0.9%	Rubber (JPY/KG)	195.0	3.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,126	0.4%	Gold (per oz)	1,287.4	0.2%
Nickel (per mt)	11,921	1.2%	Silver (per oz)	14.726	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/10/2019 12:00	MA Industrial Production YoY	Mar 2.30%	3.10%	1.70%	--
05/10/2019 13:00	SI Retail Sales YoY	Mar -2.20%	-1.00%	-10.00%	-9.90%
05/10/2019 14:45	FR Manufacturing Production MoM	Mar --	-1.00%	1.10%	0.80%
05/10/2019 15:30	TH Foreign Reserves	May-03 --	\$211.0b	\$209.7b	--
05/10/2019 16:30	UK GDP QoQ	1Q P 0.50%	0.50%	0.20%	--
05/10/2019 16:30	UK Manufacturing Production MoM	Mar 0.00%	0.90%	0.90%	1.00%
05/10/2019 16:30	UK Manufacturing Production YoY	Mar 1.10%	2.60%	0.60%	1.20%
05/10/2019 16:30	UK Trade Balance Non EU GBP/Mn	Mar -£5400m	-£4361m	-£5841m	-£6217m
05/10/2019 20:30	US CPI MoM	Apr 0.40%	0.30%	0.40%	--
05/10/2019 20:30	US CPI Ex Food and Energy MoM	Apr 0.20%	0.10%	0.10%	--
05/10/2019 20:30	US CPI YoY	Apr 2.10%	2.00%	1.90%	--
05/11/2019 02:00	US Monthly Budget Statement	Apr \$160.5b	\$160.3b	\$214.3b	--

Source: Bloomberg

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