

## Highlights

Global	<p>In a relatively quiet session overnight, the main data releases were those of the US' Markit manufacturing PMI which unexpectedly softened from 50.8 in April to 50.5 in May, versus market expectations for 51.0 and marked the lowest since September 2009. In contrast, the German composite PMI rose for the first time this year, rising from 53.6 in April to 54.7 in May after four consecutive declines, as both the manufacturing and services gauge also improved, albeit output prices slipped below the 50 threshold. It would be interesting to watch if the upcoming ZEW (due today) and IFO (due Wednesday) surveys will confirm this improvement in the German economy. Also, rating agency S&amp;P mentioned that the UK may likely lose its AAA rating if a Brexit occurs.</p> <p>Expect Asian markets to be likely rangebound today, amid a light economic data calendar that will focus on US' new home sales, German ZEW survey and final 1Q16 GDP print. Speakers today include RBA's Stevens, ECB's Praet, Nowotny and Nouy, and BOE's Carney and Broadbent.</p>
Singapore	<p>Headline CPI fell for the 18th straight month by 0.5% yoy (0.1% mom nsa) in April, but at a more modest pace compared to March reading of -1.0% yoy (0% mom nsa) and marking the smallest yoy decline since July 2015. There was also a low base in April 2015 due to the disbursement of S&amp;CC rebates then. The drag from transport (-5.4% yoy, largely private road transport), household &amp; utilities (-1.9%, attributable mostly to fuel &amp; utilities) and communications (-1.9%) were partly mitigated by price increases for education (+3.1%, mainly tuition fees &amp; other fees, as the effects of the waiver of national examination fees last April faded), food (+2.3%, mainly fish &amp; seafood and vegetables), clothing &amp; footwear (+1.8%) and healthcare (+1.1%, mainly medical &amp; dental treatments). MAS core inflation accelerated from +0.6% yoy in March to +0.5% in April, as services inflation picked up from 0.4% to 0.7% amid more costly holiday travel and domestic services (including FDW and other domestic house cleaning services etc). This brought the headline and core CPI inflation for the year-to-date to -0.7% yoy and +0.6% respectively. This is within the official forecasts for the former to remain negative throughout 2016, and average -1% to 0% for the whole year, while the latter is likely to be in the lower half of 0.5-1% range. MAS-MTI's April inflation outlook was largely ad verbatim unchanged, with the only minor difference being that "the increase in core inflation will be mild", rather than "milder" in the March statement. Our view is that headline inflation may attempt to bottom in 2Q16, but stay subdued for the rest of the year due to the continuing drag from disinflationary asset prices and notwithstanding the slight uptick in global crude oil prices</p>
Indonesia	<p>Bank Indonesia said that the planned tax amnesty program could strengthen Rupiah by as much as 150 points against USD in 2016 and 120 points in 2017. It added that asset repatriation as part of the program could boost GDP growth by 0.3ppt this year and next. It expects the program to attract IDR560tn (USD41bn) of assets back onshore.</p>

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## Major Market

- **US:** Equity markets closed little changed in light volume on Monday. Investors largely stayed on the sidelines as they await economic releases later in the week. S&P 500 declined 0.21%. Dow and Nasdaq were essentially unchanged, edging lower 0.05% and 0.08% respectively. 2-year US Treasuries yield 0.90%, moving higher with rate expectations. 10-year US Treasuries yield 1.84%. VIX continued its climb, up 4.08% to 15.82.
- **Singapore:** The STI added 0.11% to close at 2766.93 yesterday, but may slip today amid soft cues from Wall Street overnight and morning declines in regional bourses. The STI could see support and resistance at 2740 and 2780 respectively. SGS bonds could also trade with a mixed tone today, with investors sidelining the 10-year part of the curve in light of the upcoming 10-year SGS bond auction this Friday, coupled with continued selling pressure on the front-end of the UST bond yield curve amid sustained hawkish Fed rhetoric.
- **Hong Kong:** Headline inflation decreased from 2.9% to 2.7% in April. The decrease was attributed to various factors, including a decreasing charge for package tours, retreat in housing rentals and some moderate upward pressure of local labour cost. Food and housing inflation continued to be the key support for headline inflation. However, as the effects of recent bad weather fades, food inflation retreated from 4.4% to 3.8%. On the other hand, clothing prices deflated for the 13th consecutive month, down by 2.2% in April, while alcoholic drinks and tobacco prices recorded the first deflation of 0.2% in recent 10 months. Soft data of clothing and tobacco were due to sluggish inbound tourist activities. Also, the heightening job insecurity in retail and trade sectors has dented local consumer sentiment. Looking forward, we expect the upside risk of HK's inflation to be moderate this year given soft external price pressures amid weak global inflation as well as dampened consumption sentiment. All in all, CPI inflation is forecasted to be around 2.3% in 2016.
- **Macau:** As the Easter holidays came in March as compared in April last year, visitor arrivals from Hong Kong slumped by 19.4% on yearly basis, driving overall visitor arrivals down by 3.0% yoy in April. On a positive note, overnight visitors increased for the ninth straight month and rose by 5.6% yoy thanks to more favourable room rates. Notably, the number of visitors from other major sources, including Mainland China, posted strong growth. The rosy data suggest that once the effect of Easter Holiday dissipates, visitor arrivals may be able to see renewed annual growth. On the back of the structural change of inbound visitors, we expect a sustainable growth in overnight visitors, especially after the completion of fresh waves of new hotel projects in the coming 1-2 years. As such, the tourism sector may be set for a gradual recovery, in turn lending momentum to the gaming sector which focuses on the mass market segment and pins hope on the expansion of the Asian middle class.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, trading 2-4 bps higher across all tenors. Flows in the SGD corporates were heavy, where we saw better buyers in MFCCN 3.85%'26s, GEMAU 5.5%'19s, STANLN 4/4%'26s, SOCGEN 4.3%'26s, NAB 4.15%'28s, UOBSP 4%'49s and better sellers in OLAMSP 4.25%'19s. Meanwhile we also saw mixed interest in GENSSP 5.13%'49s. In the broader dollar space, the spread on JACI IG corporates was level at 222bps, while the yield on the JACI HY corporates decreased by 2bps to 7.23%. 10y UST yields remained more or less unchanged at 1.84%.
- **New Issues:** China Huarong has scheduled investor meetings on May 24-25 in Hong Kong and Singapore for a USD Bond issue. The expected issue ratings are "BBB+/NR/A". Axis Bank priced a USD500m 5-year bond at CT5+160bps, tightening from its initial guidance of CT5+175bps. The

expected ratings are “BBB-/Baa3/BBB-“. Emirates Islamic Bank priced a USD750m 5-year bond at 3.542%. The expected rating is “NR/NR/A+“. ANZ priced a two-tranche deal, with the USD850m 5-year bond priced at CT5+95bps, tightening from its initial guidance of CT5+105bps. ANZ priced the other tranche of USD400m 5-year bond at 3mL+99bps. The expected ratings are “AA-/Aa2/NR“.

- **Rating Changes:** Moody’s reaffirmed Agile Property Holdings Limited’s “Ba3” credit rating, concluding the review initiated on 29 February 2016. The rating reflects the progress that Agile has made on finalizing the refinancing of debt maturing in 2016 which will improve its liquidity position. The outlook is negative. Moody’s downgraded Deutsche Bank AG’s senior unsecured debt rating to “Baa2” from “Baa1” and long-term deposit rating to “A3” from “A2”. The downgrade reflects the bank’s weak performances over the last few quarters and substantial headwinds to restore profitability from continuing low interest rates and macroeconomic uncertainty. The outlook is stable. S&P withdrew all credit ratings on PT Energi Mega Persada Tbk, the credit rating before withdrawal was “B-“.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.231	-0.11%	<b>USD-SGD</b>	1.3780	-0.27%
<b>USD-JPY</b>	109.240	-0.83%	<b>EUR-SGD</b>	1.5461	-0.30%
<b>EUR-USD</b>	1.1132	0.00%	<b>JPY-SGD</b>	1.2615	0.56%
<b>AUD-USD</b>	0.7224	0.03%	<b>GBP-SGD</b>	1.9959	-0.41%
<b>GBP-USD</b>	1.4484	-0.12%	<b>AUD-SGD</b>	0.9954	-0.25%
<b>USD-MYR</b>	4.0825	0.00%	<b>NZD-SGD</b>	0.9320	-0.30%
<b>USD-CNY</b>	6.5557	0.10%	<b>CHF-SGD</b>	1.3926	-0.19%
<b>USD-IDR</b>	13574	-0.25%	<b>SGD-MYR</b>	2.9598	0.03%
<b>USD-VND</b>	22311	-0.06%	<b>SGD-CNY</b>	4.7540	0.32%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3490	--	<b>O/N</b>	0.3845	--
<b>2M</b>	-0.2980	--	<b>1M</b>	0.4433	--
<b>3M</b>	-0.2580	--	<b>2M</b>	0.5439	--
<b>6M</b>	-0.1430	--	<b>3M</b>	0.6613	--
<b>9M</b>	-0.0770	--	<b>6M</b>	0.9554	--
<b>12M</b>	-0.0110	--	<b>12M</b>	1.3020	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
<b>Portugal</b>	0.54	-5.30	3.08
<b>Italy</b>	-0.06	0.20	1.48
<b>Ireland</b>	-0.35	-0.40	0.85
<b>Greece*</b>	8.06	-150.70	7.26
<b>Spain</b>	-0.10	-0.70	1.58
<b>Russia^</b>	3.06	0.40	4.82

\* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	17,492.93	-8.00
<b>S&amp;P</b>	2,048.04	-4.30
<b>Nasdaq</b>	4,765.78	-3.80
<b>Nikkei 225</b>	16,654.60	-81.80
<b>STI</b>	2,766.93	3.10
<b>KLCI</b>	1,634.89	6.10
<b>JCI</b>	4,743.66	31.80
<b>Baltic Dry</b>	624.00	-1.00
<b>VIX</b>	15.82	0.60

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.06 (+0.01)	0.90 (+0.02)
<b>5Y</b>	1.67 (+0.03)	1.37 (+0.01)
<b>10Y</b>	2.12 (+0.02)	1.84 (--)
<b>15Y</b>	2.40 (--)	--
<b>20Y</b>	2.46 (--)	--
<b>30Y</b>	2.53 (-0.02)	2.62 (-0.01)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	22.13	0.75
<b>EURIBOR-OIS</b>	8.55	0.15
<b>TED</b>	34.18	-1.43

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.08	0.69%	Coffee (per lb)	1.222	-2.04%
Brent (per barrel)	48.35	-0.76%	Cotton (per lb)	0.6145	-0.36%
Heating Oil (per gallon)	1.478	-0.84%	Sugar (per lb)	0.1680	-1.58%
Gasoline (per gallon)	1.65	0.61%	Orange Juice (per lb)	1.4765	-1.63%
Natural Gas (per MMBtu)	2.055	-0.34%	Cocoa (per mt)	2,959	1.61%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	4,562.0	-0.35%	Wheat (per bushel)	4.6200	-1.23%
Nickel (per mt)	8,298	-2.03%	Soybean (per bushel)	10.585	-1.47%
Aluminium (per mt)	1,546.3	0.41%	Corn (per bushel)	3.9775	0.82%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,251.5	-0.11%	Crude Palm Oil (MYR/MT)	2,519.0	-1.49%
Silver (per oz)	16.410	-0.66%	Rubber (JPY/KG)	150.8	-3.95%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/23/2016 07:50	JN Trade Balance	Apr	¥540.0b	¥823.5b	¥755.0b	¥754.2b
05/23/2016 07:50	JN Trade Balance Adjusted	Apr	¥274.1b	¥426.6b	¥276.5b	¥295.3b
05/23/2016 08:30	TA Unemployment Rate	Apr	3.93%	3.97%	3.92%	--
<b>05/23/2016 10:00</b>	<b>JN Nikkei Japan PMI Mfg</b>	<b>May P</b>	--	<b>47.6</b>	<b>48.2</b>	--
<b>05/23/2016 12:30</b>	<b>JN All Industry Act Index MoM</b>	<b>Mar</b>	<b>0.50%</b>	<b>0.10%</b>	<b>-1.20%</b>	<b>-0.90%</b>
05/23/2016 13:00	SI CPI NSA MoM	Apr	0.10%	-0.10%	0.00%	--
<b>05/23/2016 13:00</b>	<b>SI CPI YoY</b>	<b>Apr</b>	<b>-0.70%</b>	<b>-0.50%</b>	<b>-1.00%</b>	--
05/23/2016 13:00	JN Leading Index CI	Mar F	--	99.3	98.4	--
<b>05/23/2016 15:00</b>	<b>FR Markit France Mfg PMI</b>	<b>May P</b>	<b>49</b>	<b>48.3</b>	<b>48</b>	--
05/23/2016 15:00	FR Markit France Services PMI	May P	50.6	51.8	50.6	--
05/23/2016 15:00	FR Markit France Composite PMI	May P	50.4	51.1	50.2	--
<b>05/23/2016 15:30</b>	<b>GE Markit Germany Mfg PMI</b>	<b>May P</b>	<b>52</b>	<b>52.4</b>	<b>51.8</b>	--
05/23/2016 15:30	GE Markit Germany Services PMI	May P	54.6	55.2	54.5	--
05/23/2016 16:00	TA Industrial Production YoY	Apr	-1.60%	-4.06%	-3.57%	-2.92%
<b>05/23/2016 16:00</b>	<b>EC Markit Eurozone Mfg PMI</b>	<b>May P</b>	<b>51.9</b>	<b>51.5</b>	<b>51.7</b>	--
05/23/2016 16:00	EC Markit Eurozone Services PMI	May P	53.2	53.1	53.1	--
<b>05/23/2016 16:00</b>	<b>EC Markit Eurozone Comp PMI</b>	<b>May P</b>	<b>53.2</b>	<b>52.9</b>	<b>53</b>	--
<b>05/23/2016 16:30</b>	<b>HK CPI Composite YoY</b>	<b>Apr</b>	<b>3.00%</b>	<b>2.70%</b>	<b>3.00%</b>	<b>2.90%</b>
<b>05/23/2016 17:08</b>	<b>MU Visitor Arrivals</b>	<b>Apr</b>	--	<b>2471t</b>	<b>2367t</b>	--
<b>05/23/2016 21:45</b>	<b>US Markit US Manufacturing PMI</b>	<b>May P</b>	<b>51</b>	<b>50.5</b>	<b>50.8</b>	--
<b>05/23/2016 22:00</b>	<b>EC Consumer Confidence</b>	<b>May A</b>	<b>-9</b>	<b>-7</b>	<b>-9.3</b>	--
<b>05/24/2016 14:00</b>	<b>GE GDP SA QoQ</b>	<b>1Q F</b>	<b>0.70%</b>	--	<b>0.70%</b>	--
05/24/2016 14:00	GE GDP WDA YoY	1Q F	1.60%	--	1.60%	--
<b>05/24/2016 14:00</b>	<b>GE GDP NSA YoY</b>	<b>1Q F</b>	<b>1.30%</b>	--	<b>1.30%</b>	--
<b>05/24/2016 14:45</b>	<b>FR Manufacturing Confidence</b>	<b>May</b>	<b>104</b>	--	<b>104</b>	--
05/24/2016 16:30	UK Public Finances (PSNCR)	Apr	--	--	16.6b	--
05/24/2016 16:30	UK PSNB ex Banking Groups	Apr	6.4b	--	4.8b	--
<b>05/24/2016 17:00</b>	<b>GE ZEW Survey Current Situation</b>	<b>May</b>	<b>49</b>	--	<b>47.7</b>	--
<b>05/24/2016 17:00</b>	<b>GE ZEW Survey Expectations</b>	<b>May</b>	<b>12</b>	--	<b>11.2</b>	--
05/24/2016 17:00	EC ZEW Survey Expectations	May	--	--	21.5	--
05/24/2016 22:00	US Richmond Fed Manufact. Index	May	8	--	14	--
<b>05/24/2016 22:00</b>	<b>US New Home Sales</b>	<b>Apr</b>	<b>523k</b>	--	<b>511k</b>	--
05/24/2016 22:00	US New Home Sales MoM	Apr	2.30%	--	-1.50%	--
<b>05/24/2016</b>	<b>VN CPI YoY</b>	<b>May</b>	<b>2.04%</b>	--	<b>1.89%</b>	--
05/24/2016	MU CPI Composite YoY	Apr	--	--	3.31%	--

Source: Bloomberg

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