

Highlights

Global	Strictly speaking, the news that US President Trump decided to bid adieu to the Paris climate accord may not be a piece of market-moving news. Yet, the impact on global environment and the titular role that US has played on the world stage in other fields including economic and security cooperation may well prove to be greater. Trump apparently thought that by ignoring pleas from CEOs and world leaders alike and pulling out of the deal, he could get a better one – with his negotiating prowess, naturally. That assumption looks to be tested soon with key European signatories of the pact already saying that the agreement cannot be renegotiated, setting the stage for extended multilateral tussle. In other news, market will be on the lookout for May nonfarm payrolls out of US tonight, with consensus penciling in 182k increase versus 211k of the prior month.
CH	RMB continued to soar in the offshore market on Thursday morning after the overnight CNH HIBOR jumped to 42.815%. The USDCNH touched a low of 6.7236, driving the onshore USDCNY lower to break below 6.80 at one point. However, CNH gave up some gains in the afternoon after news came out from HKMA that the RMB liquidity facility has been fully tapped while primary liquidity providers also injected the liquidity to the market. The pair recovered to stabilize around 6.76 as a result of easing liquidity. We think CNH will continue to be a liquidity play in the near term.
HK	Retail sales grew marginally by 0.1% yoy in April as the rebound of visitor arrivals from Mainland China decelerated to 1.8% yoy in the same month. Specifically, sales value of clothing and footwear as well as that of jewelry and watches increased merely by 1.9% yoy and 0.5% yoy respectively.
ID	Inflation data for May is due out today, with market penciling in the figure of 4.32%yoy, compared to 4.17% of April. Seasonal pick-up in demand for food and clothing during the Ramadan festivities is likely to play a big factor in pushing up prices.
MA	RHB Bank and AMMB Holdings have reportedly won central bank approval to start merger discussions. Previously RHB was involved in a failed attempt at a three-way merger with CIMB and Malaysia Building Society in Jan 2015.
KR	Economic growth in 1Q17 was revised higher to 2.9% yoy, 1.1% qoqsa (from a 2.7% yoy flash print). This marks the fastest growth pace since 3Q15 where Korea grew 1.3% qoqsa then. Growth was led by construction investment (+6.8% qoqsa), facilities investment (+4.4% qoqsa), exports (+2.1% qoqsa and private consumption (+0.4% qoqsa).
Commodities	A stronger dollar index overnight, after failing to gain for three consecutive trading days, left most dollar-denominated commodities sprawling lower. Except for crude oil futures, losses are seen from energy, to metals, softs and agriculturals. Importantly, crude oil defied the downward trend, suggesting some short covering after its stark fall in the previous trading day. Still, crude oil prices could remain in range-trading mode, especially as investors digest the recent Russian rhetoric that it is “ready to live forever with (oil) at \$40 or below... (given) that macroeconomic policy is now based on the assumption of the oil prices of \$40.”

Major Markets

- **US:** Equities put up a strong performance overnight, with all three major indices powering to their respective record highs. Good performance across a range of economic data, from ADP employment figures to PMI, buoyed the equity markets. In particular, a strong beat in ADP figures set the stage for the upcoming non-farm payrolls release later today, which will be closely watched as investors gauge the Fed's rate hike path. All industry sectors saw gains, with financials, healthcare and materials leading the way higher. Overall, the S&P 500 rose 0.76% to 2430.06, while the Dow and Nasdaq Composite also gained 0.66% and 0.78% respectively. VIX a notch lower at 9.89, down 5%.
- US Treasuries pared early losses due to the ADP figures to end lower. Risk-on sentiments in the equity space, as well as large slate of IG issuance, also provided some pressure. Benchmark yields were marginally firmer, with the 2- and 10-year yields standing at 1.29% and 2.21%, up 1 bp each.
- **Singapore:** Look out for Singapore's manufacturing PMI print later today.
- The STI index rose by 0.78% on Thursday to close at 3,235.96 as 32 of its 40 members concluded the day above water while only 3 of its members ended in the red. The gains were led by Yangzijiang Shipbuilding Holdings Ltd (+2.76%), City Developments Ltd (+2.25%) and Jardine Matheson Holdings Ltd (+1.61%) while losses from CapitaLand Mall Trust (-1.51%) and Golden Agri-Resources Ltd (-1.37%) posted losses.
- **Hong Kong:** This reinforces our view that March's notable growth in retail sales was mainly attributed to the revival of tourism activities. As the tourism activities are recovering at a gradual pace, the rebound in retail sales is also likely to be moderate, especially given that domestic consumption remained subdued. Decrease in the sales value of goods in supermarkets (-0.6% yoy) and that of consumer durable goods (-12.8% yoy) indicates that the retail sector barely benefited from the stable labor market amid households' preference to consume online or overseas. As such, even with low base effect, we expect low single-digit growth in retail sales this year.
- **Macau:** Gross gaming revenue (GGR) rose at its fastest pace since February 2014 and was up 23.7% yoy to MOP22.74 billion in May. Both the Dragon Boat festival holiday and the Labor Day holiday have lent support to the gaming sector. However, as there are barely any public holidays during June to September, we expect the festive seasonal factors to fade and lead to a deceleration in GGR growth. Furthermore, with signs showing that China's economic growth has been slowing down and China's housing markets in first and some second tier cities have been calmed by cooling measures, the revival of VIP demand may shrink again as a result. Elsewhere, the regulation to check identities of Chinese UnionPay cardholders before they withdraw money at ATMs may take effect and hit gambling demand in the mass-market segment. Though we believe that the resilience of tourism sector could sustain into coming months and underpin the gaming sector, policy risks and the spill-over effect of China's slowdown could limit the upside of the gaming sector. As such, the GGR's growth might have peaked in May and print about 10% yoy over 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve lacked a clear direction yesterday, with the shorter tenors trading higher by 1bps while the longer tenors were relatively flattish. Flows in SGD corporates were heavy, with better buying seen in TSHSP 6%'20s, GUOLSP 3.62%'21s. In the broader dollar space, the spread on JACI IG corporates rose 1bps to 197bps, while the yield on JACI HY corporates fell 1bps to 6.82%. 10y UST yields rose 1bps yesterday to 2.21%, on the back of healthy US economic numbers; ADP Employment Change numbers beat expectations. Odds of a US Federal Reserve June rate hike rose to 88% compared to 84% prior.

- **New Issues:** HSBC Holdings Plc priced a SGD1bn AT1 NC5 perp at 4.7%, tightening from initial guidance of 5%. The expected ratings are 'NR/Baa3/BBB'. Lendlease Retail Investments priced a SGD50mn bond at 3.35%. DBS Group Holdings Ltd priced a USD750mn 3-year bond at 3mL+49bps. The expected issue ratings are 'NR/Aa2/AA-'. The Export-Import Bank of China set final guidance for its EUR550mn 5-year bonds at MS+60-65bps. The initial price guidance is MS+75bps area. Kaisa Group Holdings Ltd is planning to issue USD bonds to replace notes issued in 2016 as part of its debt restructuring.
- **Rating Changes:** S&P upgraded Cheung Kong Property Holdings Ltd.'s (CKP) corporate credit rating and the long-term issue rating on the senior unsecured debt that the company guarantees to 'A' from 'A-'. The outlook is stable. The rating action reflects S&P's view that the company has sufficient capacity to absorb active investments to diversify its revenue stream. S&P noted that CKP has a strong cash balance of HKD62.6 billion at the end of 2016, and S&P expects the company will continue to have strong cash flows from property sales and increasing recurring income. Moody's affirmed Nippon Accommodations Fund Inc.'s (NAF) 'A3' issuer rating and revised its rating outlook to stable from positive. The rating action reflects NAF's stable cash flow generated from a large, well-diversified portfolio consisting of 118 residential properties with 11,709 units, at end-February 2017.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.198	0.28%	USD-SGD	1.3865	0.24%
USD-JPY	111.370	0.53%	EUR-SGD	1.5546	-0.04%
EUR-USD	1.1213	-0.28%	JPY-SGD	1.2451	-0.28%
AUD-USD	0.7374	-0.75%	GBP-SGD	1.7861	0.17%
GBP-USD	1.2882	-0.06%	AUD-SGD	1.0224	-0.54%
USD-MYR	4.2863	0.12%	NZD-SGD	0.9789	-0.08%
USD-CNY	6.8083	-0.14%	CHF-SGD	1.4271	-0.15%
USD-IDR	13307	-0.12%	SGD-MYR	3.0973	0.15%
USD-VND	22705	-0.04%	SGD-CNY	4.9130	-0.32%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9289	--
2M	-0.3420	--	1M	1.0603	--
3M	-0.3290	--	2M	1.1258	--
6M	-0.2540	--	3M	1.2100	--
9M	-0.1810	--	6M	1.4188	--
12M	-0.1310	--	12M	1.7237	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.22 (-)	1.29 (+0.01)	-0.72 (+0.01)	-0.52 (-)	-0.18 (-)
5Y	1.56 (-)	1.76 (+0.01)	-0.43 (+0.01)	-0.19 (+0.01)	0.94 (+0.02)
10Y	2.08 (-)	2.21 (+0.01)	0.30 (-)	0.73 (-)	2.25 (+0.05)
15Y	2.22 (-0.01)	--	0.56 (-)	1.10 (-)	2.77 (+0.06)
20Y	2.32 (-0.02)	--	0.86 (-)	1.43 (-)	2.89 (+0.05)
30Y	2.43 (-0.03)	2.86 (-)	1.15 (-)	1.72 (-)	3.37 (+0.06)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	88.4%	0.0%	88.4%	0.0%	0.0%
26/07/2017	88.6%	0.0%	87.1%	1.5%	0.0%
20/09/2017	92.5%	0.0%	61.7%	60.7%	0.4%
01/11/2017	92.6%	0.0%	60.9%	31.0%	70.0%
13/12/2017	94.2%	0.0%	49.3%	37.4%	7.3%
31/01/2018	94.2%	0.0%	49.0%	37.5%	7.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.36	0.08%	Copper (per mt)	5,704.5	0.29%
Brent (per barrel)	50.63	0.64%	Nickel (per mt)	8,800.0	-1.47%
Heating Oil (per gallon)	1.5017	-0.90%	Aluminium (per mt)	1,919.0	-0.07%
Gasoline (per gallon)	1.6014	-0.67%			
Natural Gas (per MMBtu)	3.0080	-2.05%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,759.0	0.36%
			Rubber (JPY/KG)	230.0	-4.96%
Precious Metals	Futures	% chg			
Gold (per oz)	1,267.0	-0.39%			
Silver (per oz)	17.281	-0.72%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,144.18	135.53
S&P	2,430.06	18.26
Nasdaq	6,246.83	48.31
Nikkei 225	19,860.03	209.46
STI	3,235.96	25.14
KLCI	1,763.11	-2.76
JCI	5,738.16	--
Baltic Dry	850.00	-28.00
VIX	9.89	-0.52

Financial Spread (bps)

	Value	Change
LIBOR-OIS	9.73	-0.36
EURIBOR-OIS	3.35	0.15
TED	23.63	--

Government CDS (USD)

	5Y	% Change
Germany	15.236	2.28%
France	28.220	0.88%
Italy	171.097	1.11%

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
06/01/2017 01:00	NZ	QV House Prices YoY	May	--	9.70%	11.10%	--
06/01/2017 07:00	SK	CPI MoM	May	0.20%	0.10%	-0.10%	--
06/01/2017 07:00	SK	CPI YoY	May	2.00%	2.00%	1.90%	--
06/01/2017 07:30	AU	AiG Perf of Mfg Index	May	--	54.8	59.2	--
06/01/2017 07:50	JN	Capital Spending YoY	1Q	4.00%	4.50%	3.80%	--
06/01/2017 07:50	JN	Japan Buying Foreign Bonds	May-26	--	¥732.1b	¥778.5b	¥779.9b
06/01/2017 07:50	JN	Foreign Buying Japan Bonds	May-26	--	¥460.9b	¥563.1b	¥562.7b
06/01/2017 07:50	JN	Foreign Buying Japan Stocks	May-26	--	¥129.6b	¥26.4b	¥25.9b
06/01/2017 08:00	SK	Exports YoY	May	15.00%	13.40%	24.20%	24.10%
06/01/2017 08:00	SK	Imports YoY	May	15.00%	18.20%	16.60%	17.30%
06/01/2017 08:00	SK	Trade Balance	May	\$6800m	\$5989m	\$13300m	\$12976m
06/01/2017 08:30	MA	Nikkei Malaysia PMI	May	--	48.7	50.7	--
06/01/2017 08:30	PH	Nikkei Philippines PMI Mfg	May	--	54.3	53.3	--
06/01/2017 08:30	TH	Nikkei Thailand PMI Mfg	May	--	49.7	49.8	--
06/01/2017 08:30	VN	Nikkei Vietnam PMI Mfg	May	--	51.6	54.1	--
06/01/2017 08:30	JN	Nikkei Japan PMI Mfg	May F	--	53.1	52	--
06/01/2017 08:30	SK	Nikkei South Korea PMI Mfg	May	--	49.2	49.4	--
06/01/2017 08:30	TA	Nikkei Taiwan PMI Mfg	May	--	53.1	54.4	--
06/01/2017 09:30	AU	Private Capital Expenditure	1Q	0.50%	0.30%	-2.10%	-1.00%
06/01/2017 09:30	AU	Retail Sales MoM	Apr	0.30%	1.00%	-0.10%	-0.20%
06/01/2017 09:45	CH	Caixin China PMI Mfg	May	50.1	49.6	50.3	--
06/01/2017 11:30	TH	CPI YoY	May	0.20%	-0.04%	0.38%	--
06/01/2017 11:30	TH	CPI Core YoY	May	0.50%	0.46%	0.50%	--
06/01/2017 13:00	IN	Nikkei India PMI Mfg	May	--	51.6	52.5	--
06/01/2017 13:00	JN	Vehicle Sales YoY	May	--	6.10%	5.40%	--
06/01/2017 14:00	UK	Nationwide House PX MoM	May	0.20%	-0.20%	-0.40%	--
06/01/2017 14:00	UK	Nationwide House Px NSA YoY	May	2.40%	2.10%	2.60%	--
06/01/2017 14:30	AU	Commodity Index AUD	May	--	128.5	132.7	134.5
06/01/2017 14:30	AU	Commodity Index SDR YoY	May	--	32.60%	38.60%	40.50%
06/01/2017 15:45	IT	Markit/ADACI Italy Mfg PMI	May	56	55.1	56.2	--
06/01/2017 15:50	FR	Markit France Mfg PMI	May F	54	53.8	54	--
06/01/2017 15:55	GE	Markit/BME Germany Mfg PMI	May F	59.4	59.5	59.4	--
06/01/2017 16:00	EC	Markit Eurozone Mfg PMI	May F	57	57	57	--
06/01/2017 16:00	IT	GDP WDA YoY	1Q F	0.80%	1.20%	0.80%	--
06/01/2017 16:30	UK	Markit UK PMI Mfg SA	May	56.5	56.7	57.3	--
06/01/2017 16:30	HK	Retail Sales Value YoY	Apr	2.80%	0.10%	3.10%	3.00%
06/01/2017 16:30	HK	Retail Sales Volume YoY	Apr	2.40%	-0.10%	2.70%	2.60%
06/01/2017 20:15	US	ADP Employment Change	May	180k	253k	177k	174k
06/01/2017 20:30	US	Initial Jobless Claims	May-27	238k	248k	234k	235k
06/01/2017 20:30	US	Continuing Claims	May-20	1920k	1915k	1923k	1924k
06/01/2017 21:30	CA	Markit Canada Mfg PMI	May	--	55.1	55.9	--
06/01/2017 21:45	US	Markit US Mfg PMI	May F	52.5	52.7	52.5	--
06/01/2017 21:45	US	Bloomberg Consumer Comfort	May-28	--	51.2	50.9	--
06/01/2017 22:00	US	ISM Manufacturing	May	54.8	54.9	54.8	--
06/01/2017 22:00	US	ISM Prices Paid	May	67	60.5	68.5	--
06/01/2017 22:00	US	Construction Spending MoM	Apr	0.50%	-1.40%	-0.20%	1.10%
06/02/2017 00:00	IT	New Car Registrations YoY	May	--	8.19%	-4.62%	-4.36%
06/02/2017 07:00	SK	GDP SA QoQ	1Q F	0.90%	1.10%	0.90%	--
06/02/2017 07:00	SK	GDP YoY	1Q F	2.70%	2.90%	2.70%	--
06/02/2017 07:50	JN	Monetary Base YoY	May	--	--	19.80%	--
06/02/2017 08:30	ID	Nikkei Indonesia PMI Mfg	May	--	--	51.2	--
06/02/2017 09:00	AU	HIA New Home Sales MoM	Apr	--	--	-1.10%	--
06/02/2017 12:00	ID	CPI Core YoY	May	3.30%	--	3.28%	--
06/02/2017 12:00	ID	CPI YoY	May	4.31%	--	4.17%	--
06/02/2017 12:00	ID	CPI NSA MoM	May	0.38%	--	0.09%	--
06/02/2017 15:30	TH	Foreign Reserves	May-26	--	--	\$185.3b	--
06/02/2017 16:30	UK	Markit/CIPS UK Construction PMI	May	52.6	--	53.1	--
06/02/2017 17:00	EC	PPI MoM	Apr	0.20%	--	-0.30%	--
06/02/2017 17:00	EC	PPI YoY	Apr	4.50%	--	3.90%	--
06/02/2017 20:30	CA	Labor Productivity QoQ	1Q	1.20%	--	0.40%	--
06/02/2017 20:30	CA	Int'l Merchandise Trade	Apr	-0.02b	--	-0.14b	--
06/02/2017 20:30	US	Change in Nonfarm Payrolls	May	182k	--	211k	--
06/02/2017 20:30	US	Change in Manufact. Payrolls	May	5k	--	6k	--
06/02/2017 20:30	US	Unemployment Rate	May	4.40%	--	4.40%	--
06/02/2017 20:30	US	Trade Balance	Apr	-\$46.1b	--	-\$43.7b	--
06/02/2017 21:00	SI	Purchasing Managers Index	May	50.9	--	51.1	--
06/01/2017 06/02	US	Wards Total Vehicle Sales	May	16.90m	16.58m	16.81m	--

Source: Bloomberg

OCBC Treasury Research	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W