DAILY TREASURY OUTLOOK

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Highlights

Global	With the prospect of a potentially hung parliament for the UK general elections according to exit polls, and a less dovish bias for the ECB, Asian markets may see a likely choppy start this morning. That said, former FBI director Comey's testimony and North Korea's latest missile launch both did little to sway financial markets per se. For today, apart from watching the UK election results, the economic data calendar also comprises of China's CPI/PPI, US' wholesale inventories, UK's trade and industrial production, Malaysia's industrial production.
US	Initial jobless claims fell 10k to 245k, with the four-week moving average at 242k, which still suggested a healthy labour market. Meanwhile, The House of Representatives also voted to overhaul major parts of Dodd-Frank, and the bill is headed for Senate.
EZ	The ECB stood pat on key rates, as widely expected by the market. Importantly, further rate cuts were ruled out, with the ECB stating that "interest rates to remain at their present levels for an extended period of time", dropping a reference to "present or lower levels". This may be taken as an early sign that the stimulus program will be coming to an end. Growth outlook was thought to be "broadly balanced", with GDP projections for 2017 revised to 1.9%, up from the previous 1.8%. However, an improvement in growth prospects may not lead to inflationary pressures. Inflation forecasts for 2017-2019 were revised downwards, with inflation in 2018 forecasted to be 1.3%, and 1.6% in 2019. In a nutshell, Draghi appeared to pull off a balanced performance, giving the markets some hint to an exit to the stimulus, but yet re-iterating his message that loose monetary conditions are still required to sustain growth.
UK	Exit polls are suggesting that PM Theresa May could come out short of a majority in the UK elections, with the Conservative Party on course to winning just 314 seats out of 650 in the House of Commons. This would be a worse showing compared to 2015, where they won 330 seats. Actual results will be revealed along the course of the day. Overall, a hung Parliament would make the path to Brexit even more hazy, with the PM – whether Theresa May or someone else – having a weaker mandate to conduct negotiations. Official Brexit negotiations are scheduled to start in about two weeks, but may be postponed if the political situation is unclear. The GBP reacted negatively to the exit polls, falling to 1.2709 at one point, before trading at in the 1.2750 region.
CH	Both China's export and import in dollar terms accelerated to 8.7% yoy and 14.8% yoy. Demand from advanced economies remains strong despite softening demand from emerging economies. Exports to EU and Japan accelerated to 9.7% yoy and 11.7% yoy although exports to ASEAN slowed down to 3.8%. Exports to Hong Kong contracted by 10.6% yoy, its third consecutive contraction since Feb, probably due as a result of China's tightening capital control. Domestic demand for commodities picked up again in May. Imports of crude oil and iron ore surged by 50.3% yoy and 34.1% yoy by value and also increased by 15.4% and 5.5% by volume. Commodity prices rallied after China's stronger than expected import numbers.

Major Markets

- **US:** Equities were largely flat on Thursday, with ex-FBI director Comey's testimony to the Senate not getting a significant reaction in the markets. Gains in financials and the IT sector were offset by losses in utilities and consumer stocks. Overall, the S&P 500 and Dow were marginally positive, while the Nasdaq Composite rose 0.39% to a new record. VIX slid 2.2% to 10.16. Elsewhere, US Treasury yields ended firmer, with the 2y and 10y yields at 1.31% and 2.19% at NY close. However, expect Treasuries to be supported in Asian trade today, with the prospect of a hung parliament in the UK driving safe-haven flows.

- **Singapore:** STI finally recovered 0.20% at 3235.16 yesterday, but may see a nervous session today between a range of 3220-3250 amid mixed cues from Wall Street, Nikkei and Kospi. SGS bonds may flight to quality today, even after selling off some 1-3bps yesterday.

- **China:** Although China's trade surplus with US widened to US$22 billion in May from US$21.3 billion in April, China's import from US accelerated to 27.1% yoy from 1.5% yoy, signalling improving US-China trade following Trump-Xi Summit.

- **Indonesia:** Finance Ministry has reportedly raised the minimum size of deposits that banks must report to the tax office. The threshold has been raised from IDR200mn previously to IDR1bn now. The measure would thus affect about 496,000 accounts or 0.25% of the total. The revision is said to ease the technical pressure on financial institutions in complying with the rule.

- **Malaysia:** Kuala Lumpur is said to have become more affordable for expatriates, according to a cost of living survey done by ECA International. The capital city is said to rank 212th globally, down by 15 places compared to last year, in its cost of living comparisons.

- **Thailand:** Prime Minister Prayuth Chan-Ocha commented that GDP will expand 4.3% in 2018, up from an estimated 3.3% in 2017. Inflation is also expectation to average between 1.5 – 2.5% this year, given that the recent dip into deflation is likely transitory.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded higher yesterday, with swap rates rising by 1-3bps across all tenors. Flows in SGD corporates were heavy, with better buying seen in HSBC 4.7%'49s, TSHSP 6%'20s, GEMAU 5.5%'19s, better selling seen in GUOLSP 4%'22s, and mixed interest in STHSP 3.95%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 197bps, while the yield on JACI HY corporates added 3bps to 6.80%. 10y UST yields rose 2bps to 2.19%, mainly after Draghi's press conference as fast-money accounts were seen selling ahead of next week's auctions.

- **New Issues:** GLL IHT Pte. Ltd. priced a SGD170mn 5-year bond (guaranteed by Guocoland Ltd.) at 3.85%, tightening from initial guidance of low 4% area. AMTD Group Company Ltd. priced a USD200mn Perp NC3 at 7.625%, tightening from initial guidance of 7.75%. FWD Group Ltd. priced a USD500mn Perp NC5 at 6.625%, tightening from initial guidance of 7%. Hilong Holding Ltd. scheduled investor roadshows from 9 Jun for potential USD bond issuance. The expected issue ratings are 'NR/B1/BB-'.

- **Rating Changes:** Moody's assigned Hilong Holding Limited (Hilong) a 'B1' corporate family rating and senior unsecured rating to the company's proposed bond issuance. The rating action reflects Hilong's strong market positions in its drill pipes and oil country tubular goods (OCTG) coating materials and services businesses globally, based on its strong product offerings, technological capabilities, and close and long-term relationships with its major oil customers. Moody's withdrew the 'B2' corporate family rating of Energi Mega Persada Tbk (P.T.) (EMP) due to insufficient information. Fitch affirmed PT Pakuwon Jati Tbk's (Pakuwon) Foreign-Currency Issuer Default Rating (IDR), the foreign-currency senior unsecured rating and the rating on the USD250 million senior unsecured notes due in 2024 at 'BB-'. In addition, Fitch revised the company's Outlook to Positive from Stable. The rating action reflects Fitch's expectations that the scale and asset granularity of Indonesia-based Pakuwon's investment property (IP) portfolio will improve to levels commensurate with a higher rating over the next one to two years as the company continues to ramp up its portfolio.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.918	0.18%	USD-SGD	1.3822	-0.02%
USD-JPY	110.020	0.18%	EUR-SGD	1.5502	-0.38%
EUR-USD	1.1214	-0.38%	JPY-SGD	1.2557	-0.27%
AUD-USD	0.7547	-0.03%	GBP-SGD	1.7908	-0.04%
GBP-USD	1.2956	-0.03%	AUD-SGD	1.0434	-0.02%
USD-MYR	4.2682	0.18%	NZD-SGD	0.9971	0.23%
USD-CNY	6.8003	0.07%	CHF-SGD	1.4286	-0.27%
USD-IDR	13298	-0.04%	SGD-MYR	3.0877	-0.03%
USD-VND	22690	-0.05%	SGD-CNY	4.9210	0.01%

Equity and Commodity

Index	Value	Net change
DJIA	21,182.53	8.84
S&P	2,433.79	0.65
Nasdaq	6,321.76	24.38
Nikkei 225	19,909.26	-75.36
STI	3,237.05	6.56
KLCI	1,785.57	-0.35
JCI	5,702.92	-14.40
Baltic Dry	824.00	3.00
VIX	10.16	-0.23

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.9311	--
2M	-0.3410	--	1M	1.0960	--
3M	-0.3290	--	2M	1.1517	--
6M	-0.2590	--	3M	1.2210	--
9M	-0.1840	--	6M	1.4141	--
12M	-0.1340	--	12M	1.7240	--

Financial Spread (bps)

	Value	Change
LIBOR-OIS	8.31	-1.26
EURIBOR-OIS	3.22	0.12
TED	24.33	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.22 (--)	1.31 (+0.01)	-0.74 (-0.01)	-0.53 (-0.01)	-0.27 (-0.02)
5Y	1.59 (+0.02)	1.75 (+0.01)	-0.46 (-0.01)	-0.24 (-0.04)	0.84 (-0.10)
10Y	2.09 (+0.03)	2.19 (+0.02)	0.25 (-0.01)	0.64 (-0.05)	2.17 (-0.13)
15Y	2.23 (+0.03)	--	0.51 (-0.02)	1.02 (-0.05)	2.78 (-0.11)
20Y	2.30 (+0.02)	--	0.81 (-0.02)	1.34 (-0.05)	2.89 (-0.11)
30Y	2.39 (+0.02)	2.85 (+0.01)	1.10 (-0.03)	1.64 (-0.05)	3.32 (-0.11)

Government CDS (USD)

	5Y	% Change
Germany	16.513	1.03%
France	27.420	-4.09%
Italy	171.192	-3.41%

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	97.8%	0.0%	97.8%	0.0%	0.0%
26/07/2017	97.1%	0.0%	97.1%	0.0%	0.0%
20/09/2017	97.9%	0.0%	70.6%	27.3%	0.0%
01/11/2017	98.0%	0.0%	68.7%	28.6%	0.8%
13/12/2017	98.4%	0.0%	54.4%	37.2%	6.7%
31/01/2018	98.5%	0.0%	52.9%	37.6%	7.6%

Commodities Futures

Energy	Futures	% chg
WTI (per barrel)	45.64	-0.17%
Brent (per barrel)	47.86	-0.42%
Heating Oil (per gallon)	1.4223	0.43%
Gasoline (per gallon)	1.4919	0.04%
Natural Gas (per MMBtu)	3.0280	0.26%

Base Metals	Futures	% chg
Copper (per mt)	5,753.0	2.27%
Nickel (per mt)	8,766.5	0.02%
Aluminium (per mt)	1,894.3	-0.22%

Asian Commodities	Futures	% chg
Crude Palm Oil (MYR/MT)	2,670.0	-1.37%
Rubber (JPY/KG)	190.0	-2.76%

Precious Metals	Futures	% chg
Gold (per oz)	1,276.3	-1.07%
Silver (per oz)	17.414	-1.17%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Key Economic Indicators

Date Time		Event		Survey	Actual	Prior	Revised
06/08/2017 03:00	US	Consumer Credit	Apr	$15.000b	$8.197b	$16.431b	$19.536b
06/08/2017 07:01	UK	RICS House Price Balance	May	20%	17%	22%	22%
06/08/2017 07:50	JN	GDP SA QoQ	1Q F	0.60%	0.30%	0.50%	--
06/08/2017 07:50	JN	GDP Annualized SA QoQ	1Q F	2.40%	1.00%	2.20%	--
06/08/2017 07:50	JN	GDP Deflator YoY	1Q F	-0.80%	-0.80%	-0.80%	--
06/08/2017 07:50	JN	BoP Current Account Balance	Apr	¥1698.8b	¥1951.9b	¥2907.7b	--
06/08/2017 07:50	JN	Trade Balance BoP Basis	Apr	¥494.0b	¥553.6b	¥865.5b	--
06/08/2017 07:50	JN	Japan Buying Foreign Bonds	Jun-02	--	-¥350.4b	¥732.1b	¥733.5b
06/08/2017 07:50	JN	Foreign Buying Japan Bonds	Jun-02	--	¥484.5b	¥460.9b	¥456.5b
06/08/2017 07:50	JN	Foreign Buying Japan Stocks	Jun-02	--	¥543.3b	¥129.6b	--
06/08/2017 09:30	AU	Trade Balance	Apr	A$2000m	A$555m	A$3107m	A$3169m
06/08/2017 11:30	TH	Consumer Confidence Economic	May	--	64.3	65.4	--
06/08/2017 11:33	CH	Imports YoY	May	8.30%	14.80%	11.90%	--
06/08/2017 11:33	CH	Exports YoY	May	7.20%	8.70%	8.00%	--
06/08/2017 11:33	CH	Trade Balance	May	$47.80b	$40.81b	$38.05b	$38.03b
06/08/2017 12:30	JN	Bankruptcies YoY	May	--	19.52%	-2.15%	--
06/08/2017 14:00	GE	Industrial Production SA MoM	Apr	0.50%	0.80%	-0.40%	-0.10%
06/08/2017 14:00	GE	Industrial Production WDA YoY	Apr	2.10%	2.90%	1.90%	2.20%
06/08/2017 14:45	FR	Trade Balance	Apr	-5950m	-5535m	-5353m	-4776m
06/08/2017 17:00	EC	Household Cons QoQ	1Q	0.40%	0.30%	0.40%	--
06/08/2017 17:00	EC	GDP SA YoY	1Q F	1.70%	1.90%	1.70%	--
06/08/2017 17:02	ID	Foreign Reserves	May	--	$124.95b	$123.25b	--
06/08/2017 19:45	EC	ECB Main Refinancing Rate	Jun-08	0.00%	0.00%	0.00%	--
06/08/2017 19:45	EC	ECB Marginal Lending Facility	Jun-08	0.25%	0.25%	0.25%	--
06/08/2017 19:45	EC	ECB Deposit Facility Rate	Jun-08	-0.40%	-0.40%	-0.40%	--
06/08/2017 20:15	CA	Housing Starts	May	202.0k	194.7k	214.1k	213.5k
06/08/2017 20:30	CA	New Housing Price Index MoM	Apr	0.20%	0.80%	0.20%	--
06/08/2017 20:30	US	Initial Jobless Claims	Jun-03	240k	245k	248k	255k
06/08/2017 20:30	US	Continuing Claims	May-27	1920k	1917k	1915k	1919k
06/08/2017 21:45	US	Bloomberg Consumer Comfort	Jun-04	--	49.9	51.2	--
06/09/2017 07:50	JN	Money Stock M2 YoY	May	4.30%	3.90%	4.30%	4.00%
06/09/2017 07:50	JN	Money Stock M3 YoY	May	3.60%	3.40%	3.60%	3.40%
06/09/2017 09:00	PH	Unemployment Rate	Apr	--	--	6.60%	--
06/09/2017 09:00	PH	Exports YoY	Apr	19.40%	--	21.00%	--
06/09/2017 09:00	PH	Imports YoY	Apr	13.10%	--	24.00%	--
06/09/2017 09:00	PH	Trade Balance	Apr	-$2289m	--	-$2302m	--
06/09/2017 09:30	CH	CPI YoY	May	1.50%	--	1.20%	--
06/09/2017 09:30	CH	PPI YoY	May	5.60%	--	6.40%	--
06/09/2017 09:30	AU	Home Loans MoM	Apr	-1.00%	--	-0.50%	--
06/09/2017 09:30	AU	Investment Lending	Apr	--	--	0.80%	--
06/09/2017 09:30	AU	Owner-Occupier Loan Value MoM	Apr	--	--	0.90%	--
06/09/2017 12:00	MA	Industrial Production YoY	Apr	4.80%	--	4.60%	--
06/09/2017 12:30	JN	Tertiary Industry Index MoM	Apr	0.50%	--	-0.20%	--
06/09/2017 13:00	IN	Local Car Sales	May	--	--	190788	--
06/09/2017 14:00	GE	Trade Balance	Apr	23.0b	--	25.4b	25.3b
06/09/2017 14:00	GE	Current Account Balance	Apr	24.5b	--	30.2b	--
06/09/2017 14:00	GE	Exports SA MoM	Apr	0.30%	--	0.40%	--
06/09/2017 14:00	GE	Imports SA MoM	Apr	-0.50%	--	2.40%	2.50%
06/09/2017 14:45	FR	Budget Balance YTD	Apr	--	--	-29.6b	--
06/09/2017 14:45	FR	Industrial Production YoY	Apr	1.20%	--	2.00%	--
06/09/2017 14:45	FR	Manufacturing Production YoY	Apr	1.80%	--	3.50%	--
06/09/2017 15:30	TH	Foreign Reserves	Jun-02	--	--	$184.0b	--
06/09/2017 16:00	IT	Unemployment Rate Quarterly	1Q	11.60%	--	11.90%	--
06/09/2017 16:30	UK	Industrial Production MoM	Apr	0.70%	--	-0.50%	--
06/09/2017 16:30	UK	Industrial Production YoY	Apr	-0.30%	--	1.40%	--
06/09/2017 16:30	UK	Manufacturing Production MoM	Apr	0.80%	--	-0.60%	--
06/09/2017 16:30	UK	Manufacturing Production YoY	Apr	0.70%	--	2.30%	--
06/09/2017 16:30	UK	Visible Trade Balance GBP/Mn	Apr	-£12,000	--	-£13,441	--
06/09/2017 16:30	UK	Trade Balance Non EU GBP/Mn	Apr	--	--	-£4,674	--
06/09/2017 16:30	UK	Trade Balance	Apr	-£3,500	--	-£4,900	--
06/09/2017 20:00	UK	NIESR GDP Estimate	May	--	--	0.20%	--
06/09/2017 20:30	CA	Capacity Utilization Rate	1Q	83.50%	--	82.20%	--
06/09/2017 20:30	CA	Net Change in Employment	May	15.0k	--	3.2k	--
06/09/2017 20:30	CA	Unemployment Rate	May	6.60%	--	6.50%	--
06/09/2017 20:30	CA	Full Time Employment Change	May	--	--	-31.2	--
06/09/2017 22:00	US	Wholesale Inventories MoM	Apr F	-0.30%	--	-0.30%	--

Source: Bloomberg

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