

Highlights

Global	The news flow mainly revolved around the terrorist attack in Manchester, UK with UK PM May raising the threat to critical, but the market impact was relatively muted as the economic data releases were largely positive, especially the PMI prints in Eurozone. With Wall Street gaining overnight, Asian bourses may continue to trade with an upbeat tone today. Watch BOT and BOC rate decisions later today, with both expected to be static at 1.5% and 0.5% respectively. Today's economic data calendar comprises of US' existing home sales, FHFA house price and MBA mortgage applications, German GfK consumer confidence, and S'pore COE tender results. Speakers include ECB's Dragi and Praet, and Fed's Kaplan and Kashkari.
US	New home sales declined more than expected by 11.4% mom in Apr to an annual pace of 569k, suggesting a demand pause during the spring season – the median sales price also fell 3.8% yoy to \$309.2k. Meanwhile, the Richmond Fed manufacturing index unexpectedly softened from 20 in Apr to 1 in May, dragged down by new order volume (0 versus +26), shipments (-2 versus +25) and order backlogs (-15 versus +4). However, the recent spate of soft economic data may not suffice to deter the FOMC from hiking rates at the June meeting. The Markit manufacturing, services and composite PMIs remains resilient at 52.5, 54.0 and 53.9 respectively in May, compared to 52.8, 53.1 and 53.2 in Apr.
EZ	The German economy continued to chug from strength to strength – the IFO business climate index rose from 113.0 in Apr to 114.6 in May (highest since 1991), with the expectations and current assessment sub-indices also improving to 106.5 and 123.2. This likely underpinned Chancellor Merkel's earlier comments that the euro is too weak, and also Bundesbank head Weidmann's comments that policy normalisation may be near. Meanwhile, the Eurozone's PMI prints were similarly healthy in May.
SG	Headline CPI inflation moderated more than expected from 0.7% yoy (0% mom nsa) in March to 0.4% yoy (-0.3% mom nsa) in April and the lowest since December 2016. The key drag was the timing of the disbursement of the S&CC rebates which dampened the cost of maintenance & repairs, despite a 18.7% jump in the cost of electricity and gas attributable to higher global oil prices. Private road transport prices also edged higher from 6.9% yoy to 7.0% due to faster increases in car and petrol prices. In addition, services inflation accelerated from 1.6% yoy to 1.7% as telecommunication service fees rose.
TH	Bank of Thailand is slated to meet today, where the central bank is expected to keep interest rates unchanged at 1.50%. Importantly as well, market-watchers will also be watching for central bank chief Veerathai's comments over plans to ease capital outflow controls.
Commodities	Oil prices continue to gain overnight, even despite news over US President Trump's proposal to sell half of the US strategic oil reserves over the next 10 years. Specifically on Trump's proposal, the selling of the US oil reserve, should it be approved by the Congress, will start in 2018 where 270 million barrels from the US oil reserves will be sold by the year 2027. Given the rise in crude oil prices (WTI: +1.5%, Brent: +0.5%), it highlights market's expectation for an ambitious energy production cut plan ahead of tomorrow's 172 nd OPEC meeting at Vienna.

Major Markets

- **US:** Equities extended gains for the 4th straight session. Major indices are once again within reach of their recent highs. Although the political turmoil continued to swirl around Trump, the markets appear to have lost interest. Utilities and financials led gains, while consumer discretionary was the only sector that saw declines. Overall, the Dow led the way with a 0.21% gain, while the S&P 500 and Nasdaq followed up with rises of 0.18% and 0.08% respectively. VIX stood at 10.72, down 1.9%. Meanwhile, US Treasuries continue to fade as normalcy returns to the markets. IG bond issuance totaling \$20.1b further added to the pressure. 2- and 10-year benchmark yields were firmer marginally, standing at 1.31% and 2.28% at NY close.
- **Singapore:** Core inflation, however, accelerated more than anticipated from 1.2% yoy in March to 1.7% in April and marking the fastest pace since October 2014 on the back of a faster pickup in electricity and gas prices. We had earlier pared our crude oil prices to US\$55 (WTI) and US\$57 (Brent) per barrel by year-end, suggests limited upside risks from here even though the year-on-year base effects will continue to work through the CPI for now. We tip core inflation to continue to climb and extend beyond 2% yoy handle before the year is out, but full-year core inflation is still likely to average 1.6% yoy for 2017. Given that the MAS-MTI inflation outlook remains unchanged from March, it suggests that the view has not shifted from one of benign look-through in terms of the global commodity prices given the domestic labor market conditioned have slackened and there isn't generalised demand-induced price pressures within the Singapore economy. We maintain our headline inflation forecast of 1.0% yoy for 2017.
- STI added 0.28% to close at 3222.69 yesterday, and may climb further today given positive leads from Wall Street overnight and morning gains by Kospi. UST bond yields extended declines, so SGS bonds may retreat from yesterday's gains.
- **Hong Kong:** Inflation accelerated to print 2.0% in April. Due to the low base effect resulting from the different timings of the Easter holidays between these two years, higher charges for package tours drove the price index of miscellaneous services to grow by 2.7% yoy after dipping for two consecutive months. Due to the rates concession implemented from April 2016, housing inflation rebounded from 0.2% to 2.7% due to the faded low base effect. However, despite improved tourism activities, clothing prices deflated again by 1.7% yoy. Therefore, we believe that the inflationary risks still remains contained. On a positive note, lowered expectations of a stronger HKD may not dampen import prices much or add much deflationary risks. Hence, overall CPI is expected to print around 2% in 2017.
- **Macau:** Inflation improved slightly from 0.72% to 0.8% in April. Price pressure for food & non-alcoholic beverages (0.6%) remained subdued as the decrease in food prices partially offset the price premium for eating out. Additionally, the price index of clothing and footwear (-0.68%) and housing and fuels (-1.41%) continued to deflate. Furthermore, the price index of communication dropped at a faster pace by 5.57% yoy due to reduced charges for communication services. Still, we believe that composite CPI will rebound in 2H and print around 1.5% in 2017 due to a waning high base effect, improved tourism activities and lowered expectations of a stronger MOP amid a weakening USD.
- The number of visitor arrivals increased further by 11% yoy in April. The significant and broad-based growth was due to the base effect resulting from the different timings of the Easter Holidays between this year and last year. The number of visitors from Mainland China and South Korea continued to rise by 7.1% yoy and 48.7% yoy respectively, while that from Hong Kong jumped by 25.3% yoy after falling for two consecutive months. We expect that the lingering political issues between Mainland China and South Korea as well as Taiwan will continue to prompt Mainland tourists to visit Macau and Hong Kong instead. Also, the effect of the Labor Day Holiday will help to sustain the strong performance of the tourism sector in to May. Looking ahead, we are still worried that the limited

choice of budget hotels and high transportation costs may deter some re-visitation. However, the lowered expectations of a stronger MOP may increase the attractiveness of Macau to visitors.

- **Indonesia:** Basuki Purnama, better known as Ahok, the outgoing governor of Jakarta has decided not to submit an appeal against his two-year sentence for blasphemy. He is reportedly of the view that a lengthy legal process may result in disruptive demonstrations in the capital city and further exacerbate national divisions.
- **Malaysia:** National car producer, Proton, appears to have found some success in finding a buyer. Bloomberg reports that China's Geely Holding has agreed to buy a stake of nearly 50% in Proton.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was relatively flattish yesterday. Flows in SGD corporates were heavy, with better selling seen in GENSSP 5.13%'49s, mixed interests in GUOLSP 3.62%'21s, GRCHAR 6%'17s, TRAFIG 7.5%'49s, STANLN 4.4%'26s, NOLSP 5.9%'19s. In the broader dollar space, the spread on JACI IG corporates changed little at 198bps, while the yield on JACI HY corporates rose 3bps to 6.83%. 10y UST yields rose 3bps to 2.28% yesterday, amid focus on soft 2-year bill auctions, before investment grade (IG) issuance appeared to weigh in late sessions.
- **New Issues:** China Construction Bank Corporation (Hong Kong) priced a USD1.2bn 3-year bond at 3mL+77bps, tightening from initial guidance of 3mL+100bps. The expected issue ratings are 'NR/A1/NR'. Beijing Gas Singapore Capital Corporation priced a USD500mn 5-year bond (guaranteed by Beijing Gas Group Company Ltd.) at CT5+116bps, tightening from initial guidance of CT5+140bps. The expected issue ratings are 'A-/A3/A'. Wuzhou International Holdings Ltd. hired banks for a potential USD bond issue.
- **Rating Changes:** S&P affirmed China Baowu Steel Group Corp. Ltd.'s (Baowu) 'BBB+' corporate credit rating and its subsidiary, Baosteel Resources International Co. Ltd.'s (Baosteel Resources) 'BBB' corporate credit rating. The outlook on both companies is stable. In addition, S&P affirmed the 'BBB' issue rating on Baosteel Resources' guaranteed outstanding senior unsecured notes and removed all the ratings from CreditWatch. The rating action reflects S&P's expectation for Baowu to maintain its competitive position and financial leverage following the completion of its merger with Wuhan Iron & Steel Group Co. Ltd. in March 2017. S&P also affirmed Baowu's core subsidiary, Baoshan Iron & Steel Co. Ltd.'s (Baoshan) and Bao-Trans Enterprises Ltd.'s (Bao-Trans) 'BBB+' corporate credit rating. The outlook is stable. In addition, S&P also affirmed the 'BBB+' issue rating on Bao-Trans' outstanding senior unsecured notes and removed all the ratings from CreditWatch. Moody's upgraded Goodman Group's (Goodman) issuer rating by one notch, to 'Baa1' from 'Baa2'. In addition, Moody's upgraded, by one notch, the ratings on Goodman and its subsidiaries' credit facilities and debt issuances, which include: Goodman Australia Finance Pty Limited Senior Unsecured EMTN Notes upgraded to 'Baa1' from 'Baa2', Goodman Funding Pty Limited Backed Senior Unsecured Notes upgraded to 'Baa1' from 'Baa2', and Goodman Plus Trust Junior Subordinate rating upgraded to 'Baa3' from 'Ba1'. The outlook on all ratings remains stable. The rating action reflects Moody's expectation for Goodman's revised gearing policy to result in a stronger credit profile through the cycle, which underpins a higher rating. Fitch affirmed the Foreign-Currency Issuer Default Ratings (IDRs) of China's five large state-owned commercial banks at 'A' with Stable Outlooks. The five banks involved are: Agricultural Bank of China Limited (ABC), Bank of China Ltd. (BOC), Bank of Communications Co., Ltd. (BOCOM), China Construction Bank Corporation (CCB) and Industrial and Commercial Bank of China Limited (ICBC). The rating actions reflect the banks' systemic importance and thus an extremely high propensity for the state to support them, if required.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.351	0.38%	USD-SGD	1.3905	0.32%
USD-JPY	111.780	0.43%	EUR-SGD	1.5550	-0.17%
EUR-USD	1.1183	-0.48%	JPY-SGD	1.2438	-0.14%
AUD-USD	0.7478	0.01%	GBP-SGD	1.8021	--
GBP-USD	1.2961	-0.30%	AUD-SGD	1.0397	0.32%
USD-MYR	4.2935	-0.26%	NZD-SGD	0.9750	0.55%
USD-CNY	6.8852	-0.02%	CHF-SGD	1.4247	0.04%
USD-IDR	13299	-0.02%	SGD-MYR	3.0960	-0.31%
USD-VND	22690	-0.01%	SGD-CNY	4.9623	-0.10%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9289	--
2M	-0.3410	--	1M	1.0294	--
3M	-0.3290	--	2M	1.0989	--
6M	-0.2510	--	3M	1.1920	--
9M	-0.1790	--	6M	1.4193	--
12M	-0.1290	--	12M	1.7265	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.20 (-0.01)	1.30 (+0.02)	-0.65 (+0.03)	-0.44 (-0.01)	-0.25 (--)
5Y	1.57 (-0.02)	1.83 (+0.03)	-0.33 (+0.01)	-0.10 (--)	0.85 (--)
10Y	2.07 (-0.02)	2.28 (+0.03)	0.41 (+0.01)	0.84 (--)	2.12 (-0.02)
15Y	2.23 (-0.01)	--	0.65 (+0.01)	1.20 (--)	2.63 (-0.04)
20Y	2.34 (-0.01)	--	0.95 (+0.01)	1.53 (--)	2.74 (-0.04)
30Y	2.42 (--)	2.94 (+0.03)	1.24 (+0.01)	1.82 (--)	3.21 (-0.04)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	100.0%	0.0%	95.0%	5.0%	0.0%
26/07/2017	93.4%	0.0%	88.7%	4.7%	0.0%
20/09/2017	95.7%	0.0%	59.2%	34.9%	1.7%
13/12/2017	96.8%	0.0%	45.1%	40.8%	10.3%
31/01/2018	96.9%	0.0%	44.3%	40.9%	10.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.47	1.46%	Copper (per mt)	5,711.1	0.06%
Brent (per barrel)	54.15	0.52%	Nickel (per mt)	9,309.5	-0.56%
Heating Oil (per gallon)	1.6067	0.29%	Aluminium (per mt)	1,937.5	0.28%
Gasoline (per gallon)	1.6614	-0.07%			
Natural Gas (per MMBtu)	3.2190	-3.33%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,877.0	-0.79%
			Rubber (JPY/KG)	323.0	4.36%
Precious Metals	Futures	% chg			
Gold (per oz)	1,255.5	-0.47%			
Silver (per oz)	17.091	-0.30%			

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

Equity and Commodity

Index	Value	Net change
DJIA	20,937.91	43.08
S&P	2,398.42	4.40
Nasdaq	6,138.71	5.09
Nikkei 225	19,613.28	-65.00
STI	3,222.69	9.12
KLCI	1,767.17	-7.78
JCI	5,730.61	-18.83
Baltic Dry	949.00	-5.00
VIX	10.72	-0.21

Financial Spread (bps)

	Value	Change
LIBOR-OIS	12.78	0.29
EURIBOR-OIS	3.15	-0.15
TED	28.71	--

Government CDS (USD)

	5Y	% Change
Germany	14.653	0.42%
France	29.309	-2.07%
Italy	160.532	-1.90%

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
05/23/2017	08:30	JN Nikkei Japan PMI Mfg	May P	--	52	52.7	--
05/23/2017	11:28	MU Visitor Arrivals	Apr	--	2743t	2501t	--
05/23/2017	11:28	MU CPI Composite YoY	Apr	--	0.80%	0.72%	--
05/23/2017	12:30	JN All Industry Activity Index MoM	Mar	-0.50%	-0.60%	0.70%	--
05/23/2017	13:00	JN Supermarket Sales YoY	Apr	--	0.60%	-1.80%	--
05/23/2017	13:00	SI CPI YoY	Apr	0.50%	0.40%	0.70%	--
05/23/2017	13:00	SI CPI NSA MoM	Apr	-0.10%	-0.30%	0.00%	--
05/23/2017	14:00	JN Nationwide Dept Sales YoY	Apr	--	0.70%	-0.90%	--
05/23/2017	14:00	JN Tokyo Dept Store Sales YoY	Apr	--	-0.80%	-0.20%	--
05/23/2017	14:00	JN Machine Tool Orders YoY	Apr F	--	34.70%	34.70%	--
05/23/2017	14:00	GE GDP SA QoQ	1Q F	0.60%	0.60%	0.60%	--
05/23/2017	14:00	GE GDP WDA YoY	1Q F	1.70%	1.70%	1.70%	--
05/23/2017	14:00	GE GDP NSA YoY	1Q F	2.90%	2.90%	2.90%	--
05/23/2017	14:45	FR Manufacturing Confidence	May	108	109	108	109
05/23/2017	14:45	FR Production Outlook Indicator	May	--	7	1	--
05/23/2017	15:00	FR Markit France Mfg PMI	May P	55.2	54	55.1	--
05/23/2017	15:00	FR Markit France Services PMI	May P	56.7	58	56.7	--
05/23/2017	15:00	FR Markit France Composite PMI	May P	56.6	57.6	56.6	--
05/23/2017	15:30	GE Markit/BME Germany Mfg PMI	May P	58	59.4	58.2	--
05/23/2017	15:30	GE Markit Germany Services PMI	May P	55.5	55.2	55.4	--
05/23/2017	15:30	GE Markit/BME Germany Comp PMI	May P	56.6	57.3	56.7	--
05/23/2017	16:00	TA Industrial Production YoY	Apr	4.15%	-0.59%	3.22%	3.68%
05/23/2017	16:00	EC Markit Eurozone Mfg PMI	May P	56.5	57	56.7	--
05/23/2017	16:00	EC Markit Eurozone Services PMI	May P	56.4	56.2	56.4	--
05/23/2017	16:00	EC Markit Eurozone Composite PMI	May P	56.7	56.8	56.8	--
05/23/2017	16:00	GE IFO Business Climate	May	113.1	114.6	112.9	113
05/23/2017	16:00	GE IFO Expectations	May	105.4	106.5	105.2	--
05/23/2017	16:00	GE IFO Current Assessment	May	121	123.2	121.1	121.4
05/23/2017	16:30	HK CPI Composite YoY	Apr	1.50%	2.00%	0.50%	--
05/23/2017	16:30	UK Public Finances (PSNCR)	Apr	--	-15.2b	34.3b	27.7b
05/23/2017	16:30	UK Public Sector Net Borrowing	Apr	8.0b	9.6b	4.4b	2.3b
05/23/2017	16:30	UK PSNB ex Banking Groups	Apr	8.7b	10.4b	5.1b	3.1b
05/23/2017	20:30	CA Wholesale Trade Sales MoM	Mar	0.80%	0.90%	-0.20%	0.30%
05/23/2017	21:45	US Markit US Mfg PMI	May P	53	52.5	52.8	--
05/23/2017	21:45	US Markit US Services PMI	May P	53.3	54	53.1	--
05/23/2017	21:45	US Markit US Composite PMI	May P	--	53.9	53.2	--
05/23/2017	22:00	US New Home Sales	Apr	610k	569k	621k	642k
05/23/2017	22:00	US New Home Sales MoM	Apr	-1.80%	-11.40%	5.80%	--
05/23/2017	22:00	US Richmond Fed Manufact. Index	May	15	1	20	--
05/24/2017	06:45	NZ Trade Balance NZD	Apr	267m	578m	332m	277m
05/24/2017	06:45	NZ Exports NZD	Apr	4.40b	4.75b	4.65b	4.61b
05/24/2017	06:45	NZ Imports NZD	Apr	4.10b	4.17b	4.31b	4.33b
05/24/2017	06:45	NZ Trade Balance 12 Mth YTD NZD	Apr	-3790m	-3481m	-3671m	-3710m
05/24/2017	08:30	AU Westpac Leading Index MoM	Apr	--	--	0.08%	--
05/24/2017	09:30	AU Construction Work Done	1Q	-0.50%	--	-0.20%	--
05/24/2017	13:00	JN Leading Index CI	Mar F	--	--	105.5	--
05/24/2017	13:00	JN Coincident Index	Mar F	--	--	114.6	--
05/24/2017	14:00	GE GfK Consumer Confidence	Jun	10.2	--	10.2	--
05/24/2017	15:00	TH BoT Benchmark Interest Rate	May-24	1.50%	--	1.50%	--
05/24/2017	16:00	SI Automobile COE Open Bid Cat A	May-24	--	--	51106	--
05/24/2017	16:00	SI Automobile COE Open Bid Cat B	May-24	--	--	55414	--
05/24/2017	16:00	SI Automobile COE Open Bid Cat E	May-24	--	--	55000	--
05/24/2017	19:00	US MBA Mortgage Applications	May-19	--	--	-4.10%	--
05/24/2017	21:00	US FHFA House Price Index MoM	Mar	0.50%	--	0.80%	--
05/24/2017	21:00	US House Price Purchase Index QoQ	1Q	--	--	1.50%	--
05/24/2017	22:00	CA Bank of Canada Rate Decision	May-24	0.50%	--	0.50%	--
05/24/2017	22:00	US Existing Home Sales	Apr	5.65m	--	5.71m	--
05/24/2017	22:00	US Existing Home Sales MoM	Apr	-1.10%	--	4.40%	--
05/24/2017		PH Budget Balance PHP	Apr	--	--	-61.5b	--
05/24/2017		VN CPI YoY	May	4.08%	--	4.30%	--

Source: Bloomberg

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