

Highlights

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|---------------|---|
| Global | <p>Risk sentiment improved further on Wednesday on the back of China's higher than expected long term liquidity injection, easing trade worries and ECB's optimism on inflation. US Nasdaq index registered its third straight record high level. Trade war fears eased after earlier news reported that China offered to purchase US\$70 billion US products including agricultural, energy commodities and manufactured goods over a year to de-escalate the tension. In addition, President Trump's plan to hold bilateral meetings with French President Macron and Canadian PM Trudeau during the G7 Summit this weekend also fuelled hopes of defusing trade tensions among the G7 nations. On the bond market, German Bunds led the sell-off with the 10-year yield rising to 0.47% after the ECB chief economist Praet showed his confidence that inflation is on its way back to target. Praet's comments fuelled the expectation that the ECB may discuss to end its bond purchase program by end of this year next week in its June meeting.</p> |
| US | <p>The US trade deficit narrowed to a seven-month low of \$46.2bn in April, vs March's deficit of \$47.2bn on the back of exports rising to a record high. Exports surged to \$211.2bn in April, up from the \$210.7bn registered in March, boosted by fuel and petroleum products along with foods, feeds and beverages. Meanwhile imports slipped to \$257.4bn, down from \$257.9bn in March on lower purchases of consumer goods and cars.</p> |
| CN | <p>PBoC injected higher than expected CNY463 billion of long term liquidity via 1-year medium term lending facility (MLF) to offset maturing CNY259.5 billion MLF on the same day. This resulted in net injection of CNY203.5 billion long term liquidity. The higher than expected long term liquidity injection against the backdrop of rising default risk shows central bank's intension to ease market concern about the credit risk. China's bond futures rallied and interbank liquidity eased following the announcement of MLF operation. Although the recent MLF injection may have delayed the anticipated reserve requirement ratio cut, we think it is unlikely to replace the RRR cut as the RRR cut serves wider purposes. The RRR cut will unfreeze more liquidity for those smaller banks with no direct access to central bank liquidity facility, which may in turn support the funding demand from SMEs. As such, we think China is likely to manage its liquidity via both MLF operation and RRR cut.</p> |
| MA | <p>Malaysian Prime Minister Mahathir confirmed that he has accepted the resignation of the central bank governor and will meet King to discuss the successor. Rating agency Moody's warned rising uncertainty over monetary policy and dampened foreign investor sentiment should the new governor are not appointed properly. In addition, the latest news show that the reshuffle of key personal in other agencies and GLCs is expected in the coming weeks, paving the way for a more accountable and transparent governance. This could be positive for Malaysia in the medium term.</p> |
| IN | <p>The Reserve Bank of India (RBI) raised its policy rates by 25 bps to 6.25% in a unanimous decision. It appears that the higher inflation prints were at (or at least near) the top of the policymakers' minds. It is unlikely that this will be a "one and done" hike, and another hike in the near term may be possible, depending on upcoming inflation prints. Despite an official neutral stance, we expect the RBI to adopt a slightly hawkish tilt going forward. In this context, expect government bonds to be negatively pressured.</p> |

Major Market

- **US:** Wall Street gained amidst easing concerns over the ongoing trade tensions as China was reported to have offered to purchase nearly \$70 billion of US agriculture, manufacturing and energy products if the Trump administration abandoned threatening tariffs. News that the US trade gap narrowed to a seven month low in April, on the back of lower consumption of foreign-made goods while boosting exports to a record high, likely added legs to the index's advance. The Dow surged 1.4% to close up at 25,146.41, its highest in almost three months. Similarly, the S&P 500 as well as the Nasdaq composite added 0.86% and 0.67%, respectively to end firmer. Meanwhile, the VIX index continued to inch lower for a fourth session, settling at 11.64, vs Tuesday's 12.40. The 2y US Treasury yield rose 2bps to close up at 2.516% while the 10y yield advanced 4bps to close up at 2.972%.
- **Singapore:** The Straits Times Index declined 0.44% to close down at 3,467.81. Counters in focus include Hutchison Port Holdings Trust (+7.02%) and Golden Agri-Resources Ltd (+1.59%). On the other hand, Genting Singapore Ltd (-3.12%) and StarHub Ltd (-2.58%) registered losses. The index may make headway today given the overnight gains seen in Wall Street as well as positive morning cues from its Asian counterparts like Nikkei and Kospi.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-4bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened by 1bps to 138bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened by 6bps to 464bps. 10Y UST yields rose 4bps to 2.97% as European Central Bank policymakers boosted market expectations that the central bank will end its bond-buying programme this year.
- **New issues:** China Everbright Bank Co Ltd/Hong Kong has priced a deal across two-tranches with the USD300mn 3-year FRN priced at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area and EUR300mn 3-year FRN priced at 3mE+75bps, tightening from its initial price guidance of 3mE+90bps area. Astrea IV Pte Ltd has priced a deal across three-tranches with the SGD242mn 10NC5 bond priced at 4.35%, tightening from its initial price guidance of 4.635%; the USD210mn 10NC5 bond at 5.5%, tightening from its initial price guidance of 5.625% and the USD110mn 10-year bond at 6.75%, tightening from its initial price guidance of 7%.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.614 | -0.28% | USD-SGD | 1.3325 | -0.16% |
| USD-JPY | 110.180 | 0.36% | EUR-SGD | 1.5689 | 0.31% |
| EUR-USD | 1.1774 | 0.48% | JPY-SGD | 1.2094 | -0.51% |
| AUD-USD | 0.7667 | 0.67% | GBP-SGD | 1.7872 | -0.01% |
| GBP-USD | 1.3413 | 0.15% | AUD-SGD | 1.0217 | 0.51% |
| USD-MYR | 3.9743 | 0.03% | NZD-SGD | 0.9372 | -0.02% |
| USD-CNY | 6.3884 | -0.28% | CHF-SGD | 1.3509 | -0.41% |
| USD-IDR | 13853 | -0.19% | SGD-MYR | 2.9799 | 0.09% |
| USD-VND | 22808 | -0.06% | SGD-CNY | 4.7945 | -0.01% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3710 | -- | O/N | 1.7120 | -- |
| 2M | -0.3390 | -- | 1M | 2.0245 | -- |
| 3M | -0.3220 | -- | 2M | 2.1228 | -- |
| 6M | -0.2690 | -- | 3M | 2.3192 | -- |
| 9M | -0.2120 | -- | 6M | 2.4796 | -- |
| 12M | -0.1820 | -- | 12M | 2.7389 | -- |

Fed Rate Hike Probability

| Meeting | Prob Hike | 1.75-2 | 2-2.25 | 2.25-2.5 | 2.5-2.75 |
|------------|-----------|--------|--------|----------|----------|
| 06/13/2018 | 100.0% | 84.0% | 16.0% | 0.0% | 0.0% |
| 08/01/2018 | 100.0% | 80.5% | 18.8% | 0.7% | 0.0% |
| 09/26/2018 | 100.0% | 22.7% | 63.2% | 13.7% | 0.5% |
| 11/08/2018 | 100.0% | 20.8% | 59.9% | 17.8% | 1.6% |
| 12/19/2018 | 100.0% | 10.4% | 40.4% | 38.7% | 9.6% |
| 01/30/2019 | 100.0% | 9.6% | 38.0% | 38.9% | 12.0% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 64.73 | -1.21% | Copper (per mt) | 7,191.5 | 1.99% |
| Brent (per barrel) | 75.36 | -0.03% | Nickel (per mt) | 15,572.8 | -0.76% |
| Heating Oil (per gallon) | 2.1266 | -0.70% | Aluminium (per mt) | 2,351.0 | 1.48% |
| Gasoline (per gallon) | 2.0700 | -1.72% | | | |
| Natural Gas (per MMBtu) | 2.8960 | 0.21% | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,394.0 | -0.33% |
| | | | Rubber (JPY/KG) | 188.1 | 0.48% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,301.4 | -0.06% | | | |
| Silver (per oz) | 16.694 | 0.91% | | | |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 25,146.39 | 346.41 |
| S&P | 2,772.35 | 23.55 |
| Nasdaq | 7,689.24 | 51.38 |
| Nikkei 225 | 22,625.73 | 86.19 |
| STI | 3,467.81 | -15.35 |
| KLCI | 1,777.13 | 21.99 |
| JCI | 6,069.71 | -19.08 |
| Baltic Dry | 1,249.00 | -- |
| VIX | 11.64 | -0.76 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.98 (+0.01) | 2.52 (+0.02) |
| 5Y | 2.30 (+0.02) | 2.81 (+0.04) |
| 10Y | 2.58 (+0.01) | 2.97 (+0.04) |
| 15Y | 2.86 (+0.02) | -- |
| 20Y | 2.89 (+0.01) | -- |
| 30Y | 2.96 (+0.01) | 3.12 (+0.04) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 40.93 | 0.20 |
| EURIBOR-OIS | 3.75 | 0.40 |
| TED | 38.34 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|--------------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| 06/06/2018 08:00 | JN Labor Cash Earnings YoY | Apr | 1.30% | 0.80% | 2.10% | 2.00% |
| 06/06/2018 09:00 | NZ ANZ Commodity Price | May | -- | 1.50% | 1.00% | -- |
| 06/06/2018 09:30 | AU GDP SA QoQ | 1Q | 0.90% | 1.00% | 0.40% | 0.50% |
| 06/06/2018 15:30 | GE Markit Germany Construction PMI | May | -- | 53.9 | 50.9 | -- |
| 06/06/2018 16:00 | SI Automobile COE Open Bid Cat A | Jun-06 | -- | 36426 | 38001 | -- |
| 06/06/2018 16:00 | SI Automobile COE Open Bid Cat B | Jun-06 | -- | 36000 | 37989 | -- |
| 06/06/2018 16:00 | SI Automobile COE Open Bid Cat E | Jun-06 | -- | 37000 | 38700 | -- |
| 06/06/2018 16:10 | IT Markit Italy Retail PMI | May | -- | 47.3 | 42.7 | -- |
| 06/06/2018 16:10 | FR Markit France Retail PMI | May | -- | 50.7 | 50.1 | -- |
| 06/06/2018 16:10 | GE Markit Germany Retail PMI | May | -- | 55.5 | 51 | -- |
| 06/06/2018 16:10 | EC Markit Eurozone Retail PMI | May | -- | 51.7 | 48.6 | -- |
| 06/06/2018 17:00 | IN RBI Repurchase Rate | Jun-06 | 6.00% | 6.25% | 6.00% | -- |
| 06/06/2018 17:00 | IN RBI Reverse Repo Rate | Jun-06 | 5.75% | 6.00% | 5.75% | -- |
| 06/06/2018 17:00 | IN RBI Cash Reserve Ratio | Jun-06 | 4.00% | 4.00% | 4.00% | -- |
| 06/06/2018 17:20 | ID Consumer Confidence Index | May | -- | 125.1 | 122.2 | -- |
| 06/06/2018 19:00 | US MBA Mortgage Applications | Jun-01 | -- | 4.10% | -2.90% | -- |
| 06/06/2018 20:30 | CA Int'l Merchandise Trade | Apr | -3.40b | -1.90b | -4.14b | -3.93b |
| 06/06/2018 20:30 | US Nonfarm Productivity | 1Q F | 0.60% | 0.40% | 0.70% | -- |
| 06/06/2018 20:30 | US Unit Labor Costs | 1Q F | 2.80% | 2.90% | 2.70% | -- |
| 06/06/2018 20:30 | CA Building Permits MoM | Apr | -1.00% | -4.60% | 3.10% | 1.30% |
| 06/06/2018 20:30 | US Trade Balance | Apr | -\$49.0b | -\$46.2b | -\$49.0b | -\$47.2b |
| 06/06/2018 22:00 | CA Ivey Purchasing Managers Index SA | May | -- | 62.5 | 71.5 | -- |
| 06/07/2018 01:00 | NZ QV House Prices YoY | May | -- | 6.90% | 7.60% | -- |
| 06/07/2018 06:30 | AU AiG Perf of Construction Index | May | -- | 54 | 55.4 | -- |
| 06/07/2018 07:50 | JN Official Reserve Assets | May | -- | -- | \$1256.0b | -- |
| 06/07/2018 07:50 | JN Japan Buying Foreign Bonds | Jun-01 | -- | -- | -¥717.0b | -- |
| 06/07/2018 07:50 | JN Japan Buying Foreign Stocks | Jun-01 | -- | -- | ¥255.8b | -- |
| 06/07/2018 07:50 | JN Foreign Buying Japan Bonds | Jun-01 | -- | -- | -¥216.7b | -- |
| 06/07/2018 07:50 | JN Foreign Buying Japan Stocks | Jun-01 | -- | -- | -¥380.0b | -- |
| 06/07/2018 09:30 | AU Trade Balance | Apr | A\$1000m | -- | A\$1527m | -- |
| 06/07/2018 13:00 | JN Leading Index CI | Apr P | 105.6 | -- | 104.4 | -- |
| 06/07/2018 13:00 | JN Coincident Index | Apr P | 117.8 | -- | 116.3 | -- |
| 06/07/2018 14:00 | GE Factory Orders MoM | Apr | 0.80% | -- | -0.90% | -- |
| 06/07/2018 14:30 | AU Foreign Reserves | May | -- | -- | A\$72.8b | -- |
| 06/07/2018 14:45 | FR Trade Balance | Apr | -5100m | -- | -5258m | -3840m |
| 06/07/2018 15:00 | MA Foreign Reserves | May-31 | -- | -- | \$109.4b | -- |
| 06/07/2018 15:30 | UK Halifax House Prices MoM | May | 1.00% | -- | -3.10% | -- |
| 06/07/2018 16:00 | IT Retail Sales MoM | Apr | 0.10% | -- | -0.20% | -- |
| 06/07/2018 17:00 | EC Household Cons QoQ | 1Q | 0.20% | -- | 0.20% | -- |
| 06/07/2018 17:00 | EC GDP SA QoQ | 1Q F | 0.40% | -- | 0.40% | -- |
| 06/07/2018 17:00 | SI Foreign Reserves | May | -- | -- | \$287.73b | -- |
| 06/07/2018 20:30 | US Initial Jobless Claims | Jun-02 | 220k | -- | 221k | -- |
| 06/07/2018 20:30 | US Continuing Claims | May-26 | 1738k | -- | 1726k | -- |
| 06/07/2018 21:45 | US Bloomberg Consumer Comfort | Jun-03 | -- | -- | 55.2 | -- |
| 06/07/2018 | CH Foreign Reserves | May | b | -- | \$3124.85b | -- |
| 06/07/2018 | HK Foreign Reserves | May | -- | -- | \$434.4b | -- |
| 06/07/2018 | PH Foreign Reserves | May | -- | -- | \$80.1b | \$79.6b |
| 06/06/2018 06/13 | VN Domestic Vehicle Sales YoY | May | -- | -- | -3.70% | -- |

Source: Bloomberg

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