

Highlights

Global	With China responding to US' latest plan to slap tariffs on an additional US\$100b of exports to warn of a "fierce counter strike" and to fight back "at any cost", and US President Trump tweeting "China will take down its trade barriers because it is the right thing to do. Taxes will become reciprocal & a deal will be made on Intellectual Property", the tit-for-tat rhetoric appears to be the name of the game for now and this should warrant investor caution into possibly another eventful week, albeit North Korea will discuss denuclearization in its upcoming talks with the US. Friday's US nonfarm payrolls also disappointed at 103k (market consensus forecast 185k), the smallest in six months albeit this came on the back of a stellar Feb print of 326k (revised up from 313k) to bring the 1Q18 average to a very respectable 202k. The US unemployment rate was unchanged at 4.1% for the sixth month, whilst the average hourly earnings rose 0.3% mom (2.7% yoy) in line with expectations. Today's economic data calendar includes German trade balance, UK' Halifax house prices, and Taiwan trade. ECB's Constancio is also speaking. For the week ahead, apart from the never-ending story on US-China trade tensions, also keep tuned for US' inflation data and FOMC minutes on Wed, the Boao forum on Tue where Chinese President Xi's key note address is likely to highlight the need to keep trade channels open, and the start of US' 1Q earnings season with JPMorgan and Citigroup due Friday.
US	Fed chair Powell noted risks to the US economy as "roughly balanced" and "I will be looking for an additional pickup in wage growth as the labour market strengthens further", but largely ignored the ratcheting up of US-China trade tensions. Wall Street tanked another 2+% on Friday, which will likely pressure Asian bourses this morning.
SG	1Q18 GDP growth flash estimates and the MAS monetary policy statement are due this Friday at 8am. We tip 1Q18 GDP growth at 5.1% yoy (4.3% qoq saar), which already incorporates the stronger performance in the first two months of this year. However, we remain reluctant to upgrade our full year 2018 GDP growth forecast which remains at 3-4% yoy for now, given the escalating US-China trade tensions which could weigh on business confidence and market sentiments in the near-term. With the external growth environment potentially at risk of rolling over if US-China trade tensions do not de-escalate, and given a lack of policy impetus on the domestic growth and inflation front, MAS may choose to wait and see for now.
CH	The latest emergent press conference by China's Commerce Ministry showed clearly that China is likely to fight to the end at any cost even if they are unable to match the amount in the third round.
CMD	Investors remained spooked over the recent escalation of trade war tensions, now that China warned to fight back at any cost in response to Trump's latest \$100bn tariff threat. Crude oil prices continue to tank, now with WTI at \$62.1 (-2.33%) and Brent at \$67.1/bbl (-1.8%), while base metal prices continue to fade lower. With little hint of resolution out in the open for now, do expect the prolonged trade concerns to plague market appetite for the week ahead. Elsewhere, palm oil prices rose beyond MYR2,500/MT on the back of Malaysia's extension of tax exemption on crude palm oil in aim to boost demand until end April.

Major Market

- **US:** Continued sabre-rattling into the end of last week pressured equity markets into a deeper selloff. The Dow posted a 2.34% decline, while the S&P 500 and Nasdaq Composite shed 2.19% and 2.28% respectively. China promised to respond "without any hesitation" if new tariffs are proposed by the Trump administration. Meanwhile, equities saw no positives on the data front too, as non-farm payrolls came in weaker than expected. VIX is again higher at 21.49, compared to 18.94 previously. Expect equity volatility to persist this week, especially on the back of ongoing trade headlines. While we remain at the stage of a war of words, watch out for the concrete actions from both parties.
- US Treasuries continued to benefit from haven flows. The 2y and 10y benchmark yields gained 3-6 bps to 2.266% and 2.774%. Expect yields to continue to edge lower, buffeted both by trade issues and fading macroeconomic fundamentals.
- **Singapore:** The STI rallied 1.08% to close at 3442.50 on Friday, but may sink again amid the tit-for-tat rhetoric between US and China. With Wall Street slumping another 2+% on Friday amid a weak headline NFP data, it remains to be seen if the STI's gains can be sustained in the interim. STI could trade in a wide 3400-3470 range today. With the UST bond yields falling by up to 6bps on Friday, SGS bonds are likely to also rally today.
- **China:** We think the more than expected hawkish comments from China is the strategy the country is using to force the US back to the negotiation table. Negotiation is still in our baseline. The higher stake usually means higher chance to reach the deal as the cost of no deal could be too high for both countries.
- For this week, two important event risks to follow regarding the trade tension. First, focus will be on President Xi's speech at the Boao forum on Tuesday. We expect President Xi to roll out more plans to open China's financial market. Whether President Xi's opening tone is likely to water down the tension will be seen. Second, the US Treasury Semi-annual report on international economic and exchange rate policy will be due on 15 April. Market will monitor closely on whether the exchange rate policy will be used as alternative tool in the trade tension by Trump Administration.
- **Malaysia:** Parliament was officially dissolved on Saturday, 7 April 2018, paving the way for elections to be held within 60 days. This makes 6 June 2018 the latest date to hold it. The ruling Barisan Nasional (BN) also unveiled its manifesto on Saturday of which key items include to increase annual cash hand-outs to as high as MYR2,000. Markets as a whole remained unnerved by the elections with the FBM KLCI ending higher on Friday. Meanwhile, Malaysia's foreign reserves increased to \$107.8bn as of 30 Mar (vs 15 Mar: \$103.9bn). We expect foreign reserves to gradually climb as the state of the Malaysian economy continues to be strong.
- **Indonesia:** The country's foreign reserves declined to \$126bn in March (down from Feb 18's \$128.06bn). This comes as little surprise as BI has pledged to use its foreign reserves to ensure the stability of the IDR. Hence, we can expect that foreign reserves will continue to gradually decline as long as the IDR remains pressured.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear steepened last Friday, with the shorter tenors trading little changed while the longer tenors traded 3-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 128bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 351bps. 10Y UST yield fell 6bps to 2.77% on safe haven flows after China rejected the idea of negotiating with the US to ease escalating trade tension. The situation was exacerbated by Donald Trump's Treasury Secretary, who stated that "there is a potential of a trade war". The fall in 10Y UST yield was also attributed to the weaker-than-expected nonfarm payroll and unemployment data released last Friday.
- **New issues:** Kunzhi Ltd has scheduled for investor meetings from 9 Apr for its potential USD bond issuance (guaranteed by Founder Information (HK) Ltd). ICBC Singapore is said to have hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	90.108	-0.39%	USD-SGD	1.3158	-0.03%
USD-JPY	106.930	-0.43%	EUR-SGD	1.6157	0.30%
EUR-USD	1.2281	0.33%	JPY-SGD	1.2305	0.40%
AUD-USD	0.7684	--	GBP-SGD	1.8537	0.58%
GBP-USD	1.4092	0.64%	AUD-SGD	1.0101	-0.13%
USD-MYR	3.8716	0.14%	NZD-SGD	0.9557	-0.22%
USD-CNY	6.3033	--	CHF-SGD	1.3719	0.42%
USD-IDR	13778	0.08%	SGD-MYR	2.9363	-0.16%
USD-VND	22810	0.00%	SGD-CNY	4.7853	-0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.7031	--
2M	-0.3420	-0.0010	1M	1.8971	0.0019
3M	-0.3290	-0.0010	2M	2.0223	0.0004
6M	-0.2700	0.0010	3M	2.3375	0.0068
9M	-0.2210	--	6M	2.4722	0.0059
12M	-0.1910	--	12M	2.7083	0.0079

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	25.7%	25.7%	0.0%	0.0%	0.0%
06/13/2018	78.0%	59.9%	18.0%	0.0%	0.0%
08/01/2018	79.3%	57.6%	20.6%	1.1%	0.0%
09/26/2018	90.4%	37.7%	40.5%	11.6%	0.6%
11/08/2018	91.2%	35.4%	40.3%	14.0%	1.5%
12/19/2018	94.0%	26.9%	38.7%	22.4%	5.5%

Equity and Commodity

Index	Value	Net change
DJIA	23,932.76	-572.46
S&P	2,604.47	-58.37
Nasdaq	6,915.11	-161.44
Nikkei 225	21,567.52	-77.90
STI	3,442.50	36.85
KLCI	1,837.01	0.88
JCI	6,175.05	-8.18
Baltic Dry	948.00	-5.00
VIX	21.49	2.55

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.78 (+0.01)	2.27 (-0.04)
5Y	2.09 (+0.02)	2.59 (-0.05)
10Y	2.38 (+0.02)	2.77 (-0.06)
15Y	2.66 (+0.03)	--
20Y	2.71 (+0.02)	--
30Y	2.83 (+0.02)	3.02 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	59.60	0.24
EURIBOR-OIS	3.25	0.04
TED	62.98	-0.56

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	62.06	-2.33%	Copper (per mt)	6,742.8	-0.52%
Brent (per barrel)	67.11	-1.79%	Nickel (per mt)	13,221.0	-0.42%
Heating Oil (per gallon)	1.9578	-0.95%	Aluminium (per mt)	2,026.3	1.73%
Gasoline (per gallon)	1.9547	-1.36%			
Natural Gas (per MMBtu)	2.7010	0.97%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,505.0	1.33%
			Rubber (JPY/KG)	179.3	1.70%
Precious Metals	Futures	% chg			
Gold (per oz)	1,336.1	0.57%			
Silver (per oz)	16.362	0.04%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 03 Apr 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	289,676	227,503	62,173	Gold	173,181	211,878	-38,697
Soybean	200,722	183,748	16,974	Nymex Crude	738,456	759,615	-21,159
Sugar	-115,350	-117,423	2,073	Live Cattle	53,825	65,825	-12,000
Cocoa	46,442	44,984	1,458	Coffee	-52,586	-45,980	-6,606
Copper	20,864	19,476	1,388	Platinum	22,851	27,471	-4,620
Heating Oil	15,186	15,546	-360	Cotton	90,729	95,300	-4,571
Wheat	-40,610	-39,676	-934	Silver	-18,442	-15,246	-3,196
RBOB Gasoline	80,183	81,510	-1,327	Natural Gas	-98,849	-95,732	-3,117
Palladium	10,229	12,093	-1,864	Lean Hogs	7,234	9,353	-2,119

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/06/2018 07:30	JN	Household Spending YoY	Feb	0.40%	0.10%	2.00%	--
04/06/2018 07:50	JN	Official Reserve Assets	Mar	--	\$1268.3b	\$1261.7b	--
04/06/2018 08:00	JN	Labor Cash Earnings YoY	Feb	0.50%	1.30%	0.70%	1.20%
04/06/2018 08:30	HK	Nikkei Hong Kong PMI	Mar	--	50.6	51.7	--
04/06/2018 13:00	JN	Leading Index CI	Feb P	105.5	105.8	105.6	--
04/06/2018 13:00	JN	Coincident Index	Feb P	116.1	115.6	114.9	--
04/06/2018 14:00	GE	Industrial Production SA MoM	Feb	0.20%	-1.60%	-0.10%	0.10%
04/06/2018 14:02	PH	Foreign Reserves	Mar	--	\$80.1b	\$80.6b	\$80.4b
04/06/2018 14:45	FR	Trade Balance	Feb	-5313m	-5186m	-5560m	-5423m
04/06/2018 14:45	FR	Budget Balance YTD	Feb	--	-28.5b	-10.8b	--
04/06/2018 15:00	MA	Foreign Reserves	Mar-30	--	\$107.8b	\$103.9b	--
04/06/2018 15:30	GE	Markit Germany Construction PMI	Mar	--	47	52.7	--
04/06/2018 15:30	TH	Foreign Reserves	Mar-30	--	\$215.6b	\$215.4b	--
04/06/2018 16:10	IT	Markit Italy Retail PMI	Mar	--	48	50.4	--
04/06/2018 16:10	FR	Markit France Retail PMI	Mar	--	50	51.8	--
04/06/2018 16:10	GE	Markit Germany Retail PMI	Mar	--	51.5	53.8	--
04/06/2018 16:10	EC	Markit Eurozone Retail PMI	Mar	--	50.1	52.3	--
04/06/2018 19:40	ID	Foreign Reserves	Mar	--	\$126.00b	\$128.06b	--
04/06/2018 20:30	CA	Net Change in Employment	Mar	20.0k	32.3k	15.4k	--
04/06/2018 20:30	US	Change in Nonfarm Payrolls	Mar	185k	103k	313k	326k
04/06/2018 20:30	CA	Unemployment Rate	Mar	5.80%	5.80%	5.80%	--
04/06/2018 20:30	US	Change in Private Payrolls	Mar	188k	102k	287k	320k
04/06/2018 20:30	CA	Full Time Employment Change	Mar	--	68.3	-39.3	--
04/06/2018 20:30	US	Change in Manufact. Payrolls	Mar	22k	22k	31k	32k
04/06/2018 20:30	CA	Part Time Employment Change	Mar	--	-35.9	54.7	--
04/06/2018 20:30	US	Unemployment Rate	Mar	4.00%	4.10%	4.10%	--
04/06/2018 20:30	CA	Participation Rate	Mar	--	65.5	65.5	--
04/06/2018 20:30	US	Average Hourly Earnings YoY	Mar	2.70%	2.70%	2.60%	--
04/06/2018 22:00	CA	Ivey Purchasing Managers Index SA	Mar	--	59.8	59.6	--
04/07/2018 03:00	US	Consumer Credit	Feb	\$15.500b	\$10.601b	\$13.906b	\$15.594b
04/08/2018	CH	Foreign Reserves	Mar	b	\$3142.82b	\$3134.48b	--
04/09/2018 06:30	AU	AiG Perf of Construction Index	Mar	--	57.2	56	--
04/09/2018 07:50	JN	BoP Current Account Balance	Feb	¥2196.0b	¥2076.0b	¥607.4b	--
04/09/2018 07:50	JN	BoP Current Account Adjusted	Feb	¥1390.2b	¥1024.1b	¥2022.6b	--
04/09/2018 07:50	JN	Trade Balance BoP Basis	Feb	¥249.7b	¥188.7b	¥666.6b	--
04/09/2018 12:30	JN	Bankruptcies YoY	Mar	--	--	-10.31%	--
04/09/2018 14:00	GE	Trade Balance	Feb	20.1b	--	17.4b	17.3b
04/09/2018 14:00	GE	Current Account Balance	Feb	22.9b	--	22.0b	--
04/09/2018 14:00	GE	Exports SA MoM	Feb	0.40%	--	-0.50%	-0.40%
04/09/2018 14:00	GE	Imports SA MoM	Feb	0.50%	--	-0.50%	-0.40%
04/09/2018 14:30	AU	Foreign Reserves	Mar	--	--	A\$70.8b	--
04/09/2018 15:30	UK	Halifax House Prices MoM	Mar	0.10%	--	0.40%	--
04/09/2018 16:00	TA	Trade Balance	Mar	\$3.88b	--	\$2.92b	--
04/09/2018 16:00	TA	Exports YoY	Mar	7.10%	--	-1.20%	--
04/09/2018 16:00	TA	Imports YoY	Mar	9.10%	--	0.90%	--
04/09/2018 17:00	SI	Foreign Reserves	Mar	--	--	\$282.78b	--
04/09/2018 20:15	CA	Housing Starts	Mar	218.0k	--	229.7k	--
04/09/2018 22:30	CA	BoC Business Outlook Future Sales	1Q	--	--	8	--
04/09/2018 22:30	CA	BoC Senior Loan Officer Survey	1Q	--	--	-6.4	--
04/09/2018	HK	Foreign Reserves	Mar	--	--	\$443.5b	--
04/09/2018 04/13	VN	Domestic Vehicle Sales YoY	Mar	--	--	-28.80%	--

Source: Bloomberg

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