

Highlights

Global	<p>Global risk appetite is likely to be dampened today amid news that US president Trump will withdraw from the landmark 2015 Iran nuclear deal and reinstate financial sanctions on Iran. He called it a “horrible one-sided deal that should have never ever been made”, albeit Treasury Secretary Mnuchin opined that the sanctions would not impact global oil prices since “to a certain extent some of this was already in the market on oil prices”. S&P500 ended flat whilst oil prices pared loss and US Treasury bond yields rose a tad as Fed chair Powell opined that “market participants’ expectations for policy seem reasonably well aligned with policymakers’ expectations in the Summary of Economic Projections suggesting that markets should not be surprised by our actions if the economy evolves in line with expectations”. He also suggested “the normalisation of policy in advanced economies should continue to prove manageable for EMEs”.</p> <p>Asian bourses may open mixed this morning, as investors reassess US’s decision on Iran and oil prices, as well as await the Malaysian general elections results. Today’s data calendar includes US’ PPI and wholesale inventories, and S’pore’s COE tender results. Only Fed’s Bostic is speaking today, but RBNZ under the new governor Orr is widely expected to keep the OCR unchanged at 1.75% tomorrow morning with a neutral policy stance.</p>
US	<p>On the US-China trade talks, US Commerce Secretary Ross said the “bad news is we’re pretty far apart at this point in time”. The public comment period for the US’ proposed tariffs ends on 22 May.</p>
AU	<p>The Federal Budget tips a smaller deficit of A\$14.5b (or 0.8% of GDP) for 20-18-19, while 2019-2020 may see a marginal surplus of A\$2.2b (0.1% of GDP), assuming optimistic wage growth will accelerate from the current 2.1% to 3.25% in FY20 and 3.5% in FY21. The budget comprised immediate tax relief for low and middle income earners in a 7-year plan for lower and simpler income taxes, a crackdown on tax avoidance (including MNCs loading up on debt to shift profits offshore) and extending GST to hotel bookings made through overseas websites, outlawing cash payments greater than A\$10k to crack down on the black economy etc.</p>
CH	<p>Trade data beat market expectation in April with both exports and imports growth reaccelerated to 12.9% yoy and 21.5% yoy from the contraction of 2.7% yoy and 14.4% yoy respectively. Trade surplus widened to US\$28.78 billion from a deficit of US\$4.98 billion in March. The recovery of trade data in April was mainly attributable to two reasons. First, seasonal effect from the late Chinese New Year this year has dissipated. Second, it could also be distorted by frontloading activities in anticipation of potential tariff hit in early June. Interesting to note, China’s trade surplus with the US widened to US\$22.19 billion from US\$15.4 billion in March, highest in 2018. This may again fuel more harsh tones from the US for the upcoming negotiation.</p>
MA	<p>The country heads to polls today as people vote in tightly contested election. Malaysian pollsters Merdeka Center predicts that the incumbent Barisan Nasional will win 100 seats whereas the main opposition Pakatan Harapan will capture 83 seats based on its latest survey. They also see the other opposition PAS winning 2 seats whilst 37 seats are seen as too close to call.</p>

Major Market

- **US:** Equities were weighed down by President Trump's Iran announcement for most of the day, but recovered in late trading to close flat compared to the previous day. Individual companies may be hit by the restoration of the Iranian sanctions, with Boeing having almost US\$20bn worth of contracts with Iranian airlines. These companies will have to seek exemptions from the sanctions. Major equity indices essentially flat, with the Dow and Nasdaq marginally firmer, but the S&P 500 slightly softer overall. VIX also essentially unchanged at 14.71. Meanwhile, the UST yields firmed despite the mildly risk-negative backdrop. The 2y and 10y benchmark yields stood at 2.510% and 2.500% respectively.
- **Singapore:** The STI added 0.29% to close up at 3543.17 yesterday, but may trade a more consolidate tone today amid US-Iran headwinds and morning slippage by Kospi. STI support and resistance are tipped 3520 and 3555 respectively. With the UST bond yields higher by up to 3bps led by the belly of the curve overnight, the SGS bond yield curve may continue to steepen led by the longer dated tenors as well.
- **China:** On breakdown, the rebound of demand for Chinese goods is broad based. Exports to EU and Japan increased by 10.9% and 9.6% respectively while exports to ASEAN surged by 17.7% yoy. On imports, China's demand for commodity remained strong in April with imports of crude oil rose by 42.9% yoy in dollar term and 14.7% yoy in volume term. On the positive note, China's imports of electronic integrated circuit remained strong at 35.5%, less affected by trade tension. The strong EIC imports may remain supportive of China's exports in the coming months.
- **Indonesia:** Foreign reserves fell by US\$1.1bn over the last month as the total reserves hit US\$124.9bn in April, the lowest since June 2017. The country's reserves have shrunk by about US\$7.1bn in the past three months. According to BI, the current level of reserves are sufficient to finance 7.7 months of imports.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 2-4bps higher while the longer tenors traded 1-2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 1.36% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 424bps. 10Y UST yield rose 3bps to 2.98% as uncertainty about the fate of the Iran nuclear deal and Italian elections spurred a moderate sell-off.
- **New issues:** Korea Water Resources Corp has priced a USD300mn 5-year green bond at CT5+110bps, tightening from its initial price guidance of CT5+135bps area. Westpac Banking Corp has priced a USD3bn deal across four-tranches, with the USD500mn 2-year bond at CT2+55bps, tightening from its initial price guidance of CT2+70bps area; the USD750mn 2-year FRN at 3mL+28bps, in line with its initial price guidance; the USD1bn 5-year bond at CT5+85bps, tightening from its initial price guidance of CT5+95bps area and the USD750mn 5-year FRN at 3mL+72bps, in line with its initial price guidance. ICBCIL Finance Co Ltd (ICBCIL) has priced a USD1.5bn deal across two-tranches (undertaking provider: ICBC Financial Leasing Co Ltd), with the USD900mn 3-year FRN priced at 3mL+95bps, tightening from its initial price guidance of 3mL+100bps area; and the USD600mn 5-year FRN priced at 3mL+110bps, tightening from its initial price guidance of 3mL+115bps area. BOCOM International Holdings Co Ltd has hired banks for its potential USD/HKD bond as early as 9 May. Southwest International Securities Ltd has hired banks for its USD bond issuance (keepwell deed provider: Southwest Securities Co Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.120	0.40%	USD-SGD	1.3400	0.34%
USD-JPY	109.130	0.04%	EUR-SGD	1.5897	-0.16%
EUR-USD	1.1864	-0.49%	JPY-SGD	1.2279	0.31%
AUD-USD	0.7455	-0.82%	GBP-SGD	1.8152	0.25%
GBP-USD	1.3547	-0.07%	AUD-SGD	0.9990	-0.50%
USD-MYR	3.9497	0.13%	NZD-SGD	0.9340	-0.30%
USD-CNY	6.3707	0.06%	CHF-SGD	1.3377	0.44%
USD-IDR	14052	0.36%	SGD-MYR	2.9519	0.02%
USD-VND	22770	0.01%	SGD-CNY	4.7522	-0.31%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	0/N	1.7056	--
2M	-0.3400	--	1M	1.9277	--
3M	-0.3280	--	2M	2.0826	--
6M	-0.2690	--	3M	2.3691	--
9M	-0.2190	--	6M	2.5202	--
12M	-0.1890	--	12M	2.7767	--

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%	74.0%	26.0%	0.0%	0.0%
08/01/2018	100.0%	69.4%	29.0%	1.6%	0.0%
09/26/2018	100.0%	19.6%	58.0%	21.3%	1.2%
11/08/2018	100.0%	18.0%	54.9%	24.3%	2.8%
12/19/2018	100.0%	9.4%	37.2%	38.9%	13.1%
01/30/2019	100.0%	8.6%	35.0%	38.8%	15.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	69.06	-2.36%	Copper (per mt)	6,743.9	-0.65%
Brent (per barrel)	74.85	-1.73%	Nickel (per mt)	13,830.0	-1.04%
Heating Oil (per gallon)	2.1577	-1.25%	Aluminium (per mt)	2,384.8	0.45%
Gasoline (per gallon)	2.1114	-1.06%			
Natural Gas (per MMBtu)	2.7320	-0.33%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,381.0	-0.08%
			Rubber (JPY/KG)	191.7	-0.93%
Precious Metals	Futures	% chg			
Gold (per oz)	1,313.7	-0.03%			
Silver (per oz)	16.472	-0.14%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,360.21	2.89
S&P	2,671.92	-0.71
Nasdaq	7,266.90	1.69
Nikkei 225	22,508.69	41.53
STI	3,543.17	10.31
KLCI	1,846.51	18.31
JCI	5,774.72	-110.38
Baltic Dry	1,384.00	--
VIX	14.71	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.02)	2.51 (+0.01)
5Y	2.22 (+0.02)	2.81 (+0.03)
10Y	2.62 (+0.02)	2.98 (+0.03)
15Y	2.88 (+0.04)	--
20Y	2.89 (+0.03)	--
30Y	2.98 (+0.02)	3.13 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	51.44	-0.50
EURIBOR-OIS	3.35	0.05
TED	52.28	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/08/2018 03:00	US Consumer Credit	Mar	\$15.200b	\$11.622b	\$10.601b	\$13.639b
05/08/2018 07:30	JN Household Spending YoY	Mar	1.00%	-0.70%	0.10%	-0.90%
05/08/2018 09:30	AU Retail Sales MoM	Mar	0.20%	0.00%	0.60%	--
05/08/2018 11:00	NZ 2Yr Inflation Expectation	2Q	--	2.01%	2.11%	--
05/08/2018 11:14	CH Trade Balance CNY	Apr	189.15b	182.80b	-29.78b	--
05/08/2018 11:14	CH Exports YoY CNY	Apr	4.00%	3.70%	-9.80%	--
05/08/2018 11:14	CH Imports YoY CNY	Apr	10.40%	11.60%	5.90%	--
05/08/2018 11:18	CH Trade Balance	Apr	\$27.75b	\$28.78b	-\$4.98b	--
05/08/2018 11:18	CH Exports YoY	Apr	8.00%	12.90%	-2.70%	--
05/08/2018 11:18	CH Imports YoY	Apr	16.00%	21.50%	14.40%	--
05/08/2018 14:00	GE Trade Balance	Mar	22.5b	25.2b	18.4b	18.5b
05/08/2018 14:00	GE Current Account Balance	Mar	27.0b	29.1b	20.7b	21.7b
05/08/2018 14:00	GE Exports SA MoM	Mar	1.80%	1.70%	-3.20%	-3.10%
05/08/2018 14:00	GE Imports SA MoM	Mar	1.00%	-0.90%	-1.30%	-1.40%
05/08/2018 14:00	GE Industrial Production SA MoM	Mar	0.80%	1.00%	-1.60%	-1.70%
05/08/2018 15:30	UK Halifax House Prices MoM	Apr	-0.20%	-3.10%	1.50%	1.60%
05/08/2018 16:00	TA CPI YoY	Apr	1.80%	1.98%	1.57%	1.58%
05/08/2018 16:00	TA WPI YoY	Apr	1.20%	2.53%	0.46%	0.53%
05/08/2018 16:00	TA CPI Core YoY	Apr	1.50%	1.30%	1.53%	1.54%
05/08/2018 18:00	US NFIB Small Business Optimism	Apr	104.5	104.8	104.7	--
05/08/2018 18:28	ID Net Foreign Assets IDR	Apr	--	1695.4t	1695.8t	--
05/08/2018 18:28	ID Foreign Reserves	Apr	--	\$124.90b	\$126.00b	--
05/08/2018 20:15	CA Housing Starts	Apr	220.0k	214.4k	225.2k	--
05/08/2018 22:00	US JOLTS Job Openings	Mar	6100	6550	6052	6078
05/09/2018 06:45	NZ Card Spending Retail MoM	Apr	0.00%	-2.20%	1.00%	1.50%
05/09/2018 06:45	NZ Card Spending Total MoM	Apr	--	-0.90%	0.70%	--
05/09/2018 07:01	UK BRC Sales Like-For-Like YoY	Apr	-0.80%	-4.20%	1.40%	--
05/09/2018 07:50	JN Official Reserve Assets	Apr	--	\$1256.0b	\$1268.3b	--
05/09/2018 08:00	JN Labor Cash Earnings YoY	Mar	1.00%	--	1.30%	1.00%
05/09/2018 08:00	JN Real Cash Earnings YoY	Mar	-0.50%	--	-0.50%	-0.80%
05/09/2018 09:00	PH Exports YoY	Mar	1.50%	--	-1.80%	--
05/09/2018 09:00	PH Imports YoY	Mar	7.80%	--	18.60%	--
05/09/2018 09:00	PH Trade Balance	Mar	-\$3025m	--	-\$3065m	--
05/09/2018 13:00	JN Leading Index CI	Mar P	105.1	--	106	--
05/09/2018 13:00	JN Coincident Index	Mar P	116.4	--	116.1	--
05/09/2018 14:45	FR Industrial Production MoM	Mar	0.40%	--	1.20%	--
05/09/2018 14:45	FR Manufacturing Production MoM	Mar	0.90%	--	-0.60%	--
05/09/2018 16:00	IT Retail Sales MoM	Mar	0.00%	--	0.40%	--
05/09/2018 16:00	SI Automobile COE Open Bid Cat A	May-09	--	--	38510	--
05/09/2018 16:00	SI Automobile COE Open Bid Cat B	May-09	--	--	37330	--
05/09/2018 16:00	SI Automobile COE Open Bid Cat E	May-09	--	--	38389	--
05/09/2018 19:00	US MBA Mortgage Applications	May-04	--	--	-2.50%	--
05/09/2018 20:30	CA Building Permits MoM	Mar	2.00%	--	-2.60%	--
05/09/2018 20:30	US PPI Final Demand MoM	Apr	0.20%	--	0.30%	--
05/09/2018 20:30	US PPI Ex Food, Energy, Trade MoM	Apr	0.20%	--	0.40%	--
05/09/2018 22:00	US Wholesale Trade Sales MoM	Mar	--	--	1.00%	--
05/09/2018 22:00	US Wholesale Inventories MoM	Mar F	0.50%	--	0.50%	--
05/08/2018 05/18	CH Foreign Direct Investment YoY CNY	Apr	--	--	0.40%	--
05/08/2018 05/13	VN Domestic Vehicle Sales YoY	Apr	--	--	-8.10%	--

Source: Bloomberg

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