

Highlights

Global	As the ultimate dealmaker, US president Trump has begun hinting that “probably” a trade deal with China will happen, albeit Wall Street’s overnight tech-led gains were tampered amid a late-session report that the FBI had raided the office of Trump’s lawyer Michael Cohen. Meanwhile, there is some news speculation that China is studying using its currency as a weapon in the ongoing trade spat. Asian bourses may walk a cautious path today, awaiting Chinese president Xi’s keynote address at the Boao Forum for clues to China’s next steps in the US-China trade spat. Today’s economic data calendar is relatively light and comprises US’ PPI, NFIB small business optimism, and wholesale inventories, and Taiwan’s CPI. Speakers include ECB’s Nouy, Nowotny and Visco, Fed’s Kaplan and BOE’s Haldane.
US	CBO tips the budget deficit to grow from US\$804b in FY18, up from US\$665b in FY17, and to hit US\$1 trillion by 2020 (previously estimated in 2022 back in Jun17), notwithstanding an expected 3.3% growth in 2018 and 2.4% growth in 2019. Republican tax cuts are also tipped to lift growth by about 0.7% on average through 2028, with the peak in 2022.
EU	Germany’s trade deficit narrowed from EUR21.5b in Jan to EUR19.2b in Feb, as exports unexpectedly plunged 3.2% while imports fell by only 1.3%. However, ECB rhetoric remained upbeat, with Praet opining that “we expect the pace of economic expansion to remain strong in 2018” while Constancio also said the gradual adjustment in unconventional measures will not be negative for growth.
JP	BOJ governor Kuroda opined that “we’ll do our utmost to hit our price target. But we’ll also need to eventually consider kicking off a process towards policy normalisation” and “I think the process of any shift (from easy policy) would be cautious and gradual, as with US and European central banks”.
CH	RMB weakened on Monday following the Bloomberg news that China is likely to consider RMB depreciation as the tool in a trade war with US. We think there are four possible ways China may react further including hurting US interest in China, currency depreciation, sale of US Treasury and restricting US investment in China. Each measure comes with the cost. We think a mild RMB depreciation is an option for China, which could be less costly than other measures.
MA	The election commission will announce a nomination and polling date today. Parliament was officially dissolved on Saturday and elections have to be held within 60 days of dissolution.
CMD	Beyond Sino-US trade war concerns, fresh US sanctions against Russian aluminium company, Rusal, rallied aluminium futures to \$2,151/tonne (+6.2%) overnight. The decision to impose sanctions on Rusal affects about 7% of global aluminium production, in which the company is the second-biggest supplier of aluminium to the US after Canada. Elsewhere, energy prices see-sawed higher after previous losses especially given that trade tariff proposals so far has not touched the energy trade for now. Of course, Trump’s overnight rhetoric expressing optimism that the US will reach a trade deal with China could be seen as an attempt to ease tensions, which explains the upside move in growth-related commodities overnight.

Major Market

- **US:** Equities went on a roller-coaster ride on Monday, with the major indices on a consistent climb for most of the day, before plunging in the last two hours of the session. The trigger appears to be the FBI raiding Trump's personal lawyer, Cohen's, office. The S&P 500 ended only 0.33% higher, after gaining 1.88% at one stage. The Dow and Nasdaq Composite followed a similar pattern, closing 0.19% and 0.51% higher respectively. Equity shakiness looks set to continue as the S&P 500 struggles near its 200-day moving average. VIX stands at 21.77, compared to 21.49 previously. Meanwhile, US Treasury yields are flat to firmer overnight. The 2y and 10y benchmark yields stood at 2.278% and 2.781% respectively.
- **Singapore:** The STI rose 0.22% to close at 3449.96 yesterday, but may face pressure under negative morning leads from Nikkei and Kospi. With market players awaiting Chinese president Xi's speech at Boao Forum, the STI may tread a 3415-3470 range today. With UST bond yields trading a relatively steady range ahead of the US\$30b 3-year note auction today with another US\$21b 10-year notes tomorrow and US\$13b 30-year bonds on Thursday, SGS bonds are content to walk a 1-2bp range today as well.
- **Malaysia:** Opposition leader Mahathir Mohamad has pledged to review Chinese investment if he is elected. It is to note though that the opposition has previously mentioned in its alternative budget that it will respect agreements signed with China related to port and utilities investments but that it will review the East Coast Rail Line (ECRL) project. Also, they have mentioned they will prefer future Chinese projects to be one of a joint venture instead of an outright Chinese loan. A ground breaking ceremony for the ECRL was already held last August so reviewing such a project would not be easy.
- **Indonesia:** The government is looking to introduce rules requiring that motor fuel retailers including PT Pertamina and Indonesian units of Royal Dutch Shell Plc and Total SA will need to seek government approval before raising prices. This comes following a government decision last month to set a two-year price freeze on subsidized fuels and electricity. Inflation edged higher recently at 3.40% for March having been mainly driven by higher food prices. Managing prices of fuels is one way the government can try to rein in the rise in prices of other essential goods.
- **Macau:** The Financial Secretary of Macau stated that Macau government is set to sign an agreement on a RMB 2 trillion cooperative development fund with Guangdong government, in an effort to bolster the development of the Greater Bay Area. It is also reported that the development plan of Greater Bay Area will be announced soon. Moving forward, we expect to see further collaboration between Hong Kong, Guangdong and Macau, which will likely help Chinese companies expand overseas and integrate capital and human resources to boost the development of high-tech sector and advanced manufacturing in the area.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the shorter tenors trading 2bps higher while the longer tenors traded 1bps lower (with the exception of 12-year tenor trading 4bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 128bps while the Bloomberg Barclays Asia USD

HY Bond Index average tightened 3bps to 348bps. 10Y UST yields rose 1bps to 2.78% as risk appetite rebounded after the US eased concerns about a potential trade conflict with China.

- **New issues:** SK Telecom Co Ltd has priced a USD500mn 5-year bond at CT5+117.5bps, tightening from its initial guidance of CT5+140bps area. Industrial & Commercial Bank of China Ltd/Singapore (ICBCAS) has priced a USD1.2bn deal across two tranches, with the USD700mn 3-year FRN priced at 3mL+75bps (tightening from its initial guidance of 3mL+100bps area) and a USD500mn 5-year FRN priced at 3mL+85bps (tightening from its initial price guidance of 3mL+110bps area). Tokyo Metropolitan Government has hired banks for its potential USD 3-10 year bond issuance. Mongolian Mortgage Corporation HFC LLC has scheduled for investor meetings from 10 Apr for its potential USD bond issuance. Logan Property Holdings Company Limited is proposing to issue SGD notes.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	89.838	-0.30%	USD-SGD	1.3117	-0.31%
USD-JPY	106.770	-0.15%	EUR-SGD	1.6162	0.03%
EUR-USD	1.2321	0.33%	JPY-SGD	1.2285	-0.16%
AUD-USD	0.7697	0.17%	GBP-SGD	1.8535	-0.01%
GBP-USD	1.4131	0.28%	AUD-SGD	1.0097	-0.04%
USD-MYR	3.8710	-0.02%	NZD-SGD	0.9584	0.28%
USD-CNY	6.3070	0.06%	CHF-SGD	1.3718	-0.01%
USD-IDR	13761	-0.12%	SGD-MYR	2.9455	0.31%
USD-VND	22798	-0.05%	SGD-CNY	4.8098	0.51%

Interbank Offer Rates (%)

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

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	27.8%	27.8%	0.0%	0.0%	0.0%
06/13/2018	81.4%	60.8%	20.6%	0.0%	0.0%
08/01/2018	82.9%	57.3%	23.9%	1.7%	0.0%
09/26/2018	91.8%	36.5%	41.2%	13.2%	0.9%
11/08/2018	92.4%	34.2%	40.8%	15.5%	1.9%
12/19/2018	94.8%	25.7%	38.7%	23.5%	6.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.42	2.19%	Copper (per mt)	6,783.6	0.60%
Brent (per barrel)	68.65	2.29%	Nickel (per mt)	13,385.0	1.24%
Heating Oil (per gallon)	1.9966	1.98%	Aluminium (per mt)	2,151.0	6.16%
Gasoline (per gallon)	1.9842	1.51%			
Natural Gas (per MMBtu)	2.6930	-0.30%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,464.0	-1.64%
			Rubber (JPY/KG)	181.3	1.12%
Precious Metals	Futures	% chg			
Gold (per oz)	1,340.1	0.30%			
Silver (per oz)	16.529	1.02%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,979.10	46.34
S&P	2,613.16	8.69
Nasdaq	6,950.34	35.23
Nikkei 225	21,678.26	110.74
STI	3,449.96	7.46
KLCI	1,849.71	12.70
JCI	6,246.13	71.08
Baltic Dry	948.00	--
VIX	21.77	0.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.78 (+0.01)	2.28 (+0.01)
5Y	2.08 (-0.01)	2.60 (+0.01)
10Y	2.38 (+0.01)	2.78 (+0.01)
15Y	2.66 (-)	--
20Y	2.72 (+0.01)	--
30Y	2.84 (-)	3.01 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	59.60	1.04
EURIBOR-OIS	3.25	--
TED	62.98	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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	--	0.38%	-10.31%	--
04/09/2018 14:00	GE Trade Balance	Feb	20.1b	18.4b	17.4b	17.3b
04/09/2018 14:00	GE Current Account Balance	Feb	22.9b	20.7b	22.0b	20.3b
04/09/2018 14:00	GE Exports SA MoM	Feb	0.40%	-3.20%	-0.50%	-0.40%
04/09/2018 14:00	GE Imports SA MoM	Feb	0.50%	-1.30%	-0.50%	-0.40%
04/09/2018 14:30	AU Foreign Reserves	Mar	--	A\$76.6b	A\$70.8b	--
04/09/2018 15:30	UK Halifax House Prices MoM	Mar	0.10%	1.50%	0.40%	0.50%
04/09/2018 16:00	TA Trade Balance	Mar	\$3.88b	\$6.00b	\$2.92b	--
04/09/2018 16:00	TA Exports YoY	Mar	8.40%	16.70%	-1.20%	--
04/09/2018 16:00	TA Imports YoY	Mar	8.80%	10.40%	0.90%	--
04/09/2018 17:00	SI Foreign Reserves	Mar	--	\$286.96b	\$282.78b	--
04/09/2018 17:06	HK Foreign Reserves	Mar	--	\$440.3b	\$443.5b	--
04/09/2018 22:30	CA BoC Business Outlook Future Sales	1Q	--	16	8	--
04/09/2018 22:30	CA BoC Senior Loan Officer Survey	1Q	--	-5.2	-6.4	--
04/10/2018 09:30	AU NAB Business Conditions	Mar	--	--	21	--
04/10/2018 09:30	AU NAB Business Confidence	Mar	--	--	9	--
04/10/2018 14:00	JN Machine Tool Orders YoY	Mar P	--	--	39.50%	--
04/10/2018 14:45	FR Industrial Production MoM	Feb	1.40%	--	-2.00%	--
04/10/2018 14:45	FR Manufacturing Production MoM	Feb	0.70%	--	-1.10%	--
04/10/2018 16:00	IT Industrial Production MoM	Feb	0.80%	--	-1.90%	--
04/10/2018 16:00	TA CPI YoY	Mar	1.65%	--	2.19%	--
04/10/2018 16:00	TA WPI YoY	Mar	--	--	-0.27%	--
04/10/2018 18:00	US NFIB Small Business Optimism	Mar	107	--	107.6	--
04/10/2018 20:15	CA Housing Starts	Mar	216.8k	--	229.7k	--
04/10/2018 20:30	CA Building Permits MoM	Feb	-1.30%	--	5.60%	--
04/10/2018 20:30	US PPI Final Demand MoM	Mar	0.10%	--	0.20%	--
04/10/2018 20:30	US PPI Ex Food and Energy MoM	Mar	0.20%	--	0.20%	--
04/10/2018 20:30	US PPI Final Demand YoY	Mar	2.90%	--	2.80%	--
04/10/2018 22:00	US Wholesale Inventories MoM	Feb F	0.80%	--	1.10%	--
04/10/2018 04/15	CH Money Supply M2 YoY	Mar	8.90%	--	8.80%	--
04/10/2018 04/15	CH New Yuan Loans CNY	Mar	1151.0b	--	839.3b	--
04/10/2018 04/13	VN Domestic Vehicle Sales YoY	Mar	--	--	-28.80%	--
04/10/2018 04/15	CH Money Supply M0 YoY	Mar	7.90%	--	13.50%	--
04/10/2018 04/15	CH Money Supply M1 YoY	Mar	9.50%	--	8.50%	--

Source: Bloomberg

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