

Highlights

Global	<p>The hawkish Fed rate hike overnight failed to fuel excitement with the dollar index ended the day flat after touching 94 swiftly as Fed Chairman Powell continued to label the policy stance as accommodative. The Fed hiked its benchmark interest rate by 25bps as expected. However, the medium rate hike for 2018 was revised to 4 times from 3 times, hinting two more rate hikes in the second half of 2018. Nevertheless, the revision is only on the basis of one policymaker's change. As such, the FOMC members remain divided on 2018 policy outlook. The median rate hike for 2019 remains unchanged at 3 times. On economic projections, the Fed officials turned more positive on stronger growth and job market. 2018 growth forecast was revised up marginally by 0.1% to 2.8% while unemployment rate forecast was revised down by 0.2% to 3.6% though the Fed officials left the longer run forecast unchanged. Inflation outlook was revised up with the core PCE projection up by 0.1% to 2%. In his press conference, the Fed Chairman Powell reiterated his higher tolerance for overshoot of inflation to above inflation target and indicated a higher inflation due to higher oil prices will not prompt the Fed to change its patient approach to raise rates gradually. For today, market will shift its focus to the ECB.</p> <p>The US-China trade tension reappeared in the front page as the deadline for the USTR to unveil the list of Chinese goods to be taxed by additional tariff is approaching. President Trump will meet his trade advisors on Thursday to decide whether the administration will proceed with the plan. In his interview with FOX news on Wednesday, President Trump said he will "strongly clamping down on trade" with China. In addition, Trump administration's agreement to allow ZTE to return to business may face the resistance in the US Congress. Market will watch out for US Senate's vote on the National Defence Authorization Act in the coming weeks.</p>
MA	<p>Moody's has said that they maintain their estimates of Malaysia's direct government debt at 50.8% of GDP in 2017, consistent with the definition of government debt that they apply across all sovereigns. The credit rating agency also mentioned that "to what extent the new government achieves fiscal deficit consolidation will be vital in gauging eventual effects on Malaysia's fiscal metrics and credit profile". They did point out that the removal of the GST is credit negative in the absence of effective compensatory measures as it raises the government's reliance on oil-related revenue and narrows the tax base.</p>

Major Market

- **Wall Street:** Equities slipped after the Federal Reserve hiked rates by 25 bps as expected, and signalled a faster pace of rate hikes through the dot plots compared to March. Trade tensions may also be coming to the fore again, after Trump hinted that he will confront China “very strongly” of the matter. The S&P 500 lost 0.40%, while the Dow and Nasdaq Composite declined 0.47% and 0.11% respectively. VIX ticked higher to 12.94, compared to 12.34 previously. Declines in the US Treasuries saw the 10y yield spike above 3.00% momentarily, before reversing losses. The 10y yield closed at 2.9663%, higher by less than 1 bp, while the 2y yield rose 3 bps to 2.5675%.
- **Singapore:** The STI went down by 1.11% to close 3,392.51. Key gainers include Singapore Press Holdings Limited (+1.12%), Genting Singapore Limited (+0.79%), SATS Ltd. (+0.60%), though United Overseas Bank Limited (-2.73%) and StarHub Ltd (-2.69%) suffered losses. Expect market-watchers to stay cautious ahead of the ECB Meeting later.
- **Macau:** Housing market remains distorted by the new property control measures. Due to supportive measure as well as positive salary prospects, housing demand from local first-home buyers remained upbeat. As these buyers are allowed to borrow up to 90% of property value, approve new mortgage loans (+18.5% yoy to MOP3.98 billion) saw double-digit annual growth for the second consecutive month in April. However, given the removal of exemption of vacant property tax and the increased stamp duty on second-home buyers, overall housing demand turned muted. As such, housing transaction volume has dropped for two months in a row and was down by 10% yoy to 973 deals. Notably, first-home buyers accounted for 82.9% of the total transactions. On the supply front, the control measures indirectly reduced supply in the secondary market. Also, new home launches were seldom in the past few months. Consequently, strong demand from first-home buyers pushed up housing prices by 6.9% yoy (3% mom) in April. In the coming months, we expect housing prices to remain supported and housing transactions to stay subdued. Watch out for possible prime rate hike around mid-2018 which could cap the upside for the housing markets.

Bond Market Updates

- **Market Commentary:** • The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 447bps. 10Y UST yields traded volatile yesterday with yields rising sharply by 5bps in the later part of the trading session after the Federal Reserve raised interest rates as expected, and signalled two more hikes this year on the back of higher inflation. However, yields subsequently fell 4bps after hitting the key 3% handle, to close at 2.97%.
- **New Issues:** Industrial & Commercial Bank of China Asia Ltd has priced a USD400mn deal across two-tranches, with the USD200mn 3-year FRN priced at 3mL+75bps, tightening from its initial price guidance of 3mL+100bps area and the USD200mn 5-year FRN priced at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area. Industrial & Commercial Bank of China (Asia) also priced a HKD2.6bn 2-year green bond at 3%, tightening from its initial price guidance of 3.25%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.544	-0.29%	USD-SGD	1.3354	-0.10%
USD-JPY	110.340	-0.03%	EUR-SGD	1.5749	0.31%
EUR-USD	1.1791	0.39%	JPY-SGD	1.2103	-0.07%
AUD-USD	0.7578	0.07%	GBP-SGD	1.7864	-0.07%
GBP-USD	1.3376	0.03%	AUD-SGD	1.0120	-0.03%
USD-MYR	3.9938	0.09%	NZD-SGD	0.9380	0.16%
USD-CNY	6.3979	-0.08%	CHF-SGD	1.3552	0.04%
USD-IDR	13932	--	SGD-MYR	2.9912	-0.07%
USD-VND	22805	-0.03%	SGD-CNY	4.7930	-0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7133	--
2M	-0.3380	--	1M	2.0573	--
3M	-0.3210	--	2M	2.1468	--
6M	-0.2670	--	3M	2.3356	--
9M	-0.2110	--	6M	2.4988	--
12M	-0.1810	--	12M	2.7647	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
08/01/2018	16.50%	83.5%	16.5%	0.0%	0.0%
09/26/2018	82.9%	17.1%	69.7%	13.1%	0.0%
11/08/2018	83.8%	16.2%	66.9%	16.2%	0.7%
12/19/2018	93.3%	6.7%	37.2%	45.9%	9.8%
01/30/2019	94.2%	5.8%	32.9%	44.7%	14.8%
03/20/2019	97.1%	2.9%	19.4%	38.8%	29.7%

Commodities Futures

Energy			Base Metals		
	Futures	% chg		Futures	% chg
WTI (per barrel)	66.64	0.42%	Copper (per mt)	#N/A	#N/A
Brent (per barrel)	76.74	1.13%	Nickel (per mt)	15,551.0	2.73%
Heating Oil (per gallon)	2.1851	1.08%	Aluminium (per mt)	2,285.3	-1.03%
Gasoline (per gallon)	2.1252	1.69%			
Natural Gas (per MMBtu)	2.9630	0.82%			
Precious Metals			Asian Commodities		
	Futures	% chg		Futures	% chg
Gold (per oz)	1,296.9	0.14%	Crude Palm Oil (MYR/MT)	2,319.0	-0.47%
Silver (per oz)	16.991	0.59%	Rubber (JPY/KG)	170.1	-1.33%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,201.20	-119.53
S&P	2,775.63	-11.22
Nasdaq	7,695.70	-8.10
Nikkei 225	22,966.38	88.03
STI	3,392.51	-38.18
KLCI	1,763.57	-0.59
JCI	5,993.63	--
Baltic Dry	1,390.00	--
VIX	12.94	0.60

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.98 (--)	2.57 (+0.03)
5Y	2.30 (-0.02)	2.83 (+0.02)
10Y	2.61 (-0.02)	2.97 (+0.01)
15Y	2.88 (-0.01)	--
20Y	2.92 (-0.02)	--
30Y	2.97 (-0.03)	3.09 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.04	--
EURIBOR-OIS	3.51	0.01
TED	42.54	-0.26

Economic Calendar

06/13/2018 02:00	US	Monthly Budget Statement	May	-\$144.0b	-\$146.8b	-\$88.4b	--	76.5625
06/13/2018 06:45	NZ	Food Prices MoM	May	--	0.00%	0.10%	--	87.234
06/13/2018 08:30	AU	Westpac Consumer Conf SA MoM	Jun	--	0.30%	-0.60%	--	83.0986
06/13/2018 16:30	UK	CPI MoM	May	0.40%	0.40%	0.40%	--	94.1176
06/13/2018 16:30	UK	CPI Core YoY	May	2.10%	2.10%	2.10%	--	90.5882
06/13/2018 16:30	UK	Retail Price Index	May	280.9	280.7	279.7	--	62.3529
06/13/2018 16:30	UK	RPI MoM	May	0.40%	0.40%	0.50%	--	67.0588
06/13/2018 16:30	UK	RPI Ex Mort Int.Payments (YoY)	May	3.40%	3.40%	3.40%	--	45.8824
06/13/2018 16:30	UK	PPI Output NSA MoM	May	0.30%	0.40%	0.30%	0.40%	84.7059
06/13/2018 16:30	UK	PPI Output Core NSA YoY	May	2.50%	2.10%	2.40%	2.00%	43.5294
06/13/2018 17:00	EC	Industrial Production SA MoM	Apr	-0.70%	-0.90%	0.50%	0.60%	65.1163
06/13/2018 17:00	EC	Industrial Production WDA YoY	Apr	2.50%	1.70%	3.00%	3.20%	60.4651
06/13/2018 17:00	EC	Employment YoY	1Q	--	1.40%	1.60%	--	41.8605
06/13/2018 19:00	US	MBA Mortgage Applications	Jun-08	--	-1.50%	4.10%	--	92.3077
06/13/2018 20:30	US	PPI Final Demand MoM	May	0.30%	0.50%	0.10%	--	86.7188
06/13/2018 20:30	US	PPI Ex Food and Energy MoM	May	0.20%	0.30%	0.20%	--	67.1875
06/14/2018 02:00	US	FOMC Rate Decision (Upper Bound)	Jun-13	2.00%	2.00%	1.75%	--	97.6562
06/14/2018 05:00	NZ	REINZ House Sales YoY	May	--	1.30%	6.60%	--	80.8511
06/14/2018 07:01	UK	RICS House Price Balance	May	-5%	-3%	-8%	-7%	58.8235
06/14/2018 09:30	AU	Employment Change	May	19.0k	--	22.6k	--	97.1831
06/14/2018 09:30	AU	Unemployment Rate	May	5.50%	--	5.60%	--	98.5915
06/14/2018 09:30	AU	Full Time Employment Change	May	--	--	32.7k	--	54.9296
06/14/2018 09:30	AU	Part Time Employment Change	May	--	--	-10.0k	--	39.4366
06/14/2018 09:30	AU	Participation Rate	May	65.60%	--	65.60%	--	78.8732
06/14/2018 10:00	CH	Retail Sales YoY	May	9.60%	--	9.40%	--	72.973
06/14/2018 10:00	CH	Industrial Production YoY	May	7.00%	--	7.00%	--	81.0811
06/14/2018 10:00	CH	Fixed Assets Ex Rural YTD YoY	May	7.00%	--	7.00%	--	51.3514
06/14/2018 12:00	JN	Tokyo Condominium Sales YoY	May	--	--	-14.60%	--	54.4444
06/14/2018 12:30	JN	Industrial Production MoM	Apr F	--	--	0.30%	--	98.8889
06/14/2018 12:30	JN	Capacity Utilization MoM	Apr	--	--	0.50%	--	69.2222
06/14/2018 14:00	GE	CPI YoY	May F	2.20%	--	2.20%	--	88.1356
06/14/2018 14:00	GE	CPI EU Harmonized MoM	May F	0.60%	--	0.60%	--	74.5763
06/14/2018 14:00	GE	CPI EU Harmonized YoY	May F	2.20%	--	2.20%	--	77.9661
06/14/2018 14:30	IN	Wholesale Prices YoY	May	4.00%	--	3.18%	--	80
06/14/2018 14:45	FR	CPI EU Harmonized YoY	May F	2.30%	--	2.30%	--	75.6757
06/14/2018 14:45	FR	CPI YoY	May F	2.00%	--	2.00%	--	94.5946
06/14/2018 14:45	FR	CPI Ex-Tobacco Index	May	103	--	102.59	--	45.9459
06/14/2018 16:30	UK	Retail Sales Ex Auto Fuel MoM	May	0.30%	--	1.30%	--	78.8235
06/14/2018 16:30	UK	Retail Sales Inc Auto Fuel MoM	May	0.50%	--	1.60%	--	80
06/14/2018 16:30	HK	Industrial Production YoY	1Q	--	--	0.60%	--	40.9091
06/14/2018 19:45	EC	ECB Main Refinancing Rate	Jun-14	0.00%	--	0.00%	--	97.6744
06/14/2018 19:45	EC	ECB Marginal Lending Facility	Jun-14	0.25%	--	0.25%	--	76.7442
06/14/2018 19:45	EC	ECB Deposit Facility Rate	Jun-14	-0.40%	--	-0.40%	--	86.0465
06/14/2018 20:30	US	Retail Sales Advance MoM	May	0.40%	--	0.30%	0.20%	92.1875
06/14/2018 20:30	CA	New Housing Price Index MoM	Apr	0.00%	--	0.00%	--	72.093
06/14/2018 20:30	US	Retail Sales Ex Auto MoM	May	0.50%	--	0.30%	--	64.5312
06/14/2018 20:30	US	Retail Sales Ex Auto and Gas	May	0.40%	--	0.30%	--	61.7188
06/14/2018 20:30	US	Import Price Index MoM	May	0.50%	--	0.30%	--	78.9062
06/14/2018 20:30	US	Initial Jobless Claims	Jun-09	223k	--	222k	--	98.4375
06/14/2018 20:30	US	Continuing Claims	Jun-02	1732k	--	1741k	--	68.9062
06/14/2018 21:45	US	Bloomberg Consumer Comfort	Jun-10	--	--	54.8	--	67.9688

Source: Bloomberg

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