

Highlights

Global	<p>Risk appetite took a backseat overnight seen in the lower Wall Street prints overnight. The re-emergence of geopolitical tensions seemed to be the key news dominating headlines, with North Korea abruptly cancelling high level talks with South Korea and sending a warning to the US over the joint military drills with Washington and Seoul. This recent stance taken by Pyongyang is seen to be starkly different from its previous decision to de-nuclearize, amid meeting South Korean President Moon to strengthen relationships. Note that the US 10y Treasury yield surged to 3.07%, the highest since July 2011, while the DXY surged to over 93.3 overnight. Elsewhere the RBA minutes from the May monetary policy meeting reiterated the expectation for a “gradual pick-up in inflation as spare capacity in the economy is absorbed and wages growth gradually picks up”, and the “next move in the cash rate would be up rather than down”. Moreover, BOJ Kuroda’s comment that “it is not as if we will defend the 10y yield target of around 0% at all costs” raises the possibility for the central bank to move rates even in a sub-2.0% inflation environment, although Kuroda was quick to add that there is “absolutely no plan” to raise it at this juncture.</p> <p>For today, the risk appetite observed in the Asian stock market appears to be soft, with early movers like KOSPI printing lower this morning. Today’s economic data calendar includes BOT’s rate, EU CPI, and US MBA mortgage application, housing starts and industrial production.</p>
US	<p>Data-wise, note that the string of surprisingly positive US-centric prints, including US manufacturing and upward revision in March’s retail sales could have also added to dollar strength. Specifically, Empire Manufacturing surprised on the upside, rising to 20.1 in May, vs market expectations of 15.0. Meanwhile, consumer spending rose 0.3% mom in Apr, in line with market expectations.</p>
CN	<p>The latest April economic activity data show that the Chinese economy still found the support from the external demand, unaffected by the US-China trade tension. Manufacturing activities remained robust unaffected by US-China trade tension.</p>
MA	<p>Former BNM Governor Zeti mentioned that the plan to remove GST would be announced within 100 days. She said that the comprehensive plan will include details on how and when to remove the GST without jeopardising the country’s fiscal position.</p>
CMD	<p>The surge in dollar strength dragged dollar-denominated commodity prices, especially seen in gold which collapsed below its \$1,300/oz handle, while silver followed suit (-2.26% to \$16.3/oz). Base metal prices also dipped as well, a behaviour largely understood to signal some onset of risk aversion, while crude oil was marginally higher as concerns over supply shortage faded with OPEC’s comment to absorb Iran’s production shortfall should the sanctions turn concrete, while market-watchers continue to digest OPEC’s upgrade in global oil demand in its latest monthly report. As mentioned earlier, the higher UST yields seen overnight led dollar strength, a scenario that could see gold printing lower into the week ahead should yields continue to climb.</p>

Major Market

- **Wall Street:** Equities reversed the recent positive run on Wednesday on the back of spiking long end yields. Healthcare and tech stocks bore the brunt of declines, as investors cut their holdings of Apple by the largest amount since 2008. Overall, the S&P 500 slipped 0.68%, while the Dow and Nasdaq Composite closed lower by 0.76% and 0.81% respectively. VIX up to 14.63, compared to 12.93 previously. The big move was in US Treasuries, with the 2y and 10y yields spiking higher. The 10y benchmark yield soared above the 3.05% – the Jan 2014 peak – to close at 3.0723%.
- **Singapore:** The STI index fell 0.62% to close down at 3,540.2 and will possibly trade cautiously today following overnight misses on Wall Street and lower prints this morning by Kospi and Nikkei. Gains registered by Genting Singapore PLC (+1.54%) and Jardine Matheson Holdings Ltd (+1.00%) helped to support the index's ascent. On the other hand, Hutchison Port Holdings Trust (-4.41%) and Golden Agri-ResourcesLtd (-2.78%) clocked in losses.
- **China:** Manufacturing production accelerated to 7.4% from 6.6% while manufacturing investment also reaccelerated to 4.8% from 3.8%. However, domestically, the economy continued to cool down as a result of higher funding costs and tightening measures on local government and SOE funding. Infrastructure investment decelerated further to 12.4% from 13% as a result of recent clampdown on illegal PPP. Meanwhile, currency regulator SAFE eased the requirement for RMB derivative transaction. Even without the document to support hedging need, corporates or banks are still allowed to enter the long dollar forward contract to meet their hedging demand for offshore dollar loan and cross border investment needs. The ease is likely to boost RMB forward market.
- **Malaysia:** Zeti has also met with international ratings agencies to provide clarity on policy direction and assured them that the new government will honour all debt obligations. Meanwhile, the new government has declassified the 1MDB report done by the Audit Department of the Government whilst PKR leader Anwar Ibrahim is set to be released today. The country's GDP 1Q 2018 results will come out tomorrow with our forecast standing at 5.3% yoy for that quarter whilst we expect an 5.5% yoy growth for the entire year.
- **Indonesia:** The BI Board of Governors will meet for the next two days to decide on the benchmark interest rates. The IDR has recently been experiencing weaknesses putting increasing pressure on the central bank with regard to the level of the benchmark rate. Meanwhile, trade balance for April was negative at –US\$1629m with growth in imports at 34.68% yoy far outpacing growth in exports at 9.01% yoy.
- **Thailand:** The Bank of Thailand (BoT) meets today for their monetary policy meeting. Our view is for policy-makers to keep rates unchanged given the clear signs of growth moderation seen in its PMI and trade of late.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the swap rates for the shorter tenors (1-5yr) trading 4-5bps higher while the longer tenors (5-12yr) traded 6-8bps higher. The 15yr and 20yr traded around 5.5 bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 1.33% while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 7bps to 405bps. 10Y UST yields rose 9bps to 3.09%, the highest since 2011, before closing at 3.07%.

The movement in yields were attributable to positive US data, trade concerns and rising geopolitical tensions.

- **New Issues:** AVIC International Finance & Investment Ltd has priced a USD400mn 3-year bond (guaranteed by AVIC Intl Holding Corp) at CT3+175, tightening from its initial price guidance of CT3+200bps area. PT Perusahaan Listrik Negara has priced a USD2bn deal across two-tranches with the USD1bn 10-year bond at 5.5%, tightening from its initial price guidance of 5.8% and the USD1bn 30-year bond at 6.2%, tightening from its initial price guidance of 6.5%. Korean National Oil Corp has priced a CHF500mn 5-year bond at MS+35bps, tightening from its initial price guidance of MS+35-37bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.219	0.68%	USD-SGD	1.3446	0.65%
USD-JPY	110.350	0.63%	EUR-SGD	1.5916	-0.11%
EUR-USD	1.1838	-0.75%	JPY-SGD	1.2185	0.02%
AUD-USD	0.7472	-0.72%	GBP-SGD	1.8158	0.27%
GBP-USD	1.3502	-0.40%	AUD-SGD	1.0047	-0.08%
USD-MYR	3.9562	0.14%	NZD-SGD	0.9227	-0.10%
USD-CNY	6.3775	0.60%	CHF-SGD	1.3428	0.56%
USD-IDR	14037	0.46%	SGD-MYR	2.9590	-0.13%
USD-VND	22771	0.01%	SGD-CNY	4.7484	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7050	--
2M	-0.3400	--	1M	1.9338	--
3M	-0.3260	--	2M	2.0857	--
6M	-0.2710	--	3M	2.3300	--
9M	-0.2200	--	6M	2.5006	--
12M	-0.1900	--	12M	2.7575	--

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%	70.0%	30.0%	0.0%	0.0%
08/01/2018	100.0%	65.7%	32.5%	1.9%	0.0%
09/26/2018	100.0%	15.9%	57.6%	25.1%	1.4%
11/08/2018	100.0%	14.2%	53.1%	28.6%	4.0%
12/19/2018	100.0%	6.9%	33.2%	41.1%	16.6%
01/30/2019	100.0%	6.2%	30.6%	40.3%	19.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	71.31	0.49%	Copper (per mt)	6,737.3	-1.20%
Brent (per barrel)	78.43	0.26%	Nickel (per mt)	14,381.0	-0.35%
Heating Oil (per gallon)	2.2490	-0.03%	Aluminium (per mt)	2,343.0	1.17%
Gasoline (per gallon)	2.2048	0.21%			
Natural Gas (per MMBtu)	2.8360	-0.21%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,432.0	0.66%
			Rubber (JPY/KG)	188.1	-2.18%
Precious Metals	Futures	% chg			
Gold (per oz)	1,290.3	-2.12%			
Silver (per oz)	16.269	-2.26%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,706.41	-193.00
S&P	2,711.45	-18.68
Nasdaq	7,351.63	-59.69
Nikkei 225	22,818.02	-47.84
STI	3,540.23	-22.23
KLCI	1,848.20	-2.22
JCI	5,838.12	-109.04
Baltic Dry	1,476.00	--
VIX	14.63	1.70

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (+0.02)	2.57 (+0.03)
5Y	2.22 (+0.04)	2.92 (+0.06)
10Y	2.63 (+0.05)	3.07 (+0.07)
15Y	2.86 (+0.06)	--
20Y	2.85 (+0.05)	--
30Y	2.97 (+0.06)	3.20 (+0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	45.20	-1.73
EURIBOR-OIS	3.45	1.05
TED	42.99	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/15/2018 10:00	CH Retail Sales YoY	Apr 10.00%	9.40%	10.10%	--
05/15/2018 10:00	CH Retail Sales YTD YoY	Apr 9.90%	9.70%	9.80%	--
05/15/2018 10:00	CH Industrial Production YoY	Apr 6.40%	7.00%	6.00%	--
05/15/2018 10:00	CH Industrial Production YTD YoY	Apr 6.70%	6.90%	6.80%	--
05/15/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Apr 7.40%	7.00%	7.50%	--
05/15/2018 12:00	ID Exports YoY	Apr 12.00%	9.01%	6.14%	6.19%
05/15/2018 12:00	ID Trade Balance	Apr \$733m	-\$1629m	\$1092m	\$1123m
05/15/2018 12:30	JN Tertiary Industry Index MoM	Mar -0.20%	-0.30%	0.00%	0.10%
05/15/2018 14:00	GE GDP SA QoQ	1Q P 0.40%	0.30%	0.60%	--
05/15/2018 14:45	FR CPI EU Harmonized YoY	Apr F 1.80%	1.80%	1.80%	--
05/15/2018 14:45	FR CPI YoY	Apr F 1.60%	1.60%	1.60%	--
05/15/2018 14:45	FR CPI Ex-Tobacco Index	Apr 102.56	102.59	102.42	--
05/15/2018 16:24	PH Overseas Workers Remittances	Mar \$2700m	\$2360m	\$2267m	--
05/15/2018 16:24	PH Overseas Remittances YoY	Mar 3.70%	-9.80%	4.50%	--
05/15/2018 16:30	UK Claimant Count Rate	Apr --	2.50%	2.40%	--
05/15/2018 16:30	UK Jobless Claims Change	Apr --	31.2k	11.6k	15.7k
05/15/2018 16:30	UK ILO Unemployment Rate 3Mths	Mar 4.20%	4.20%	4.20%	--
05/15/2018 17:00	EC Industrial Production SA MoM	Mar 0.70%	0.50%	-0.80%	-0.90%
05/15/2018 17:00	EC GDP SA QoQ	1Q P 0.40%	0.40%	0.40%	--
05/15/2018 17:00	GE ZEW Survey Current Situation	May 85.5	87.4	87.9	--
05/15/2018 17:00	GE ZEW Survey Expectations	May -8.2	-8.2	-8.2	--
05/15/2018 17:00	EC ZEW Survey Expectations	May --	2.4	1.9	--
05/15/2018 20:30	US Empire Manufacturing	May 15	20.1	15.8	--
05/15/2018 20:30	US Retail Sales Advance MoM	Apr 0.30%	0.30%	0.60%	0.80%
05/15/2018 20:30	US Retail Sales Ex Auto MoM	Apr 0.50%	0.30%	0.20%	0.40%
05/15/2018 20:30	US Retail Sales Ex Auto and Gas	Apr 0.40%	0.30%	0.30%	0.40%
05/15/2018 22:00	US NAHB Housing Market Index	May 69	70	69	68
05/15/2018	IN Exports YoY	Apr --	5.20%	-0.70%	--
05/15/2018	IN Imports YoY	Apr --	4.60%	7.20%	--
05/16/2018 04:00	US Total Net TIC Flows	Mar --	-\$38.5b	\$44.7b	\$47.5b
05/16/2018 04:00	US Net Long-term TIC Flows	Mar --	\$61.8b	\$49.0b	--
05/16/2018 07:00	SK Unemployment rate SA	Apr 3.90%	3.80%	4.00%	--
05/16/2018 07:50	JN GDP SA QoQ	1Q P 0.00%	--	0.40%	--
05/16/2018 07:50	JN GDP Annualized SA QoQ	1Q P -0.10%	--	1.60%	--
05/16/2018 07:50	JN GDP Nominal SA QoQ	1Q P 0.10%	--	0.30%	--
05/16/2018 07:50	JN GDP Deflator YoY	1Q P 0.30%	--	0.10%	--
05/16/2018 08:30	AU Westpac Consumer Conf SA MoM	May --	--	-0.60%	--
05/16/2018 09:30	AU Wage Price Index QoQ	1Q 0.60%	--	0.60%	--
05/16/2018 11:00	NZ Non Resident Bond Holdings	Apr --	--	59.00%	--
05/16/2018 12:30	JN Capacity Utilization MoM	Mar --	--	1.30%	3.30%
05/16/2018 12:30	JN Industrial Production MoM	Mar F --	--	1.20%	--
05/16/2018 14:00	GE CPI YoY	Apr F 1.60%	--	1.60%	--
05/16/2018 14:00	GE CPI EU Harmonized YoY	Apr F 1.40%	--	1.40%	--
05/16/2018 15:05	TH BoT Benchmark Interest Rate	May-16 1.50%	--	1.50%	--
05/16/2018 16:00	IT Industrial Orders MoM	Mar --	--	-0.60%	--
05/16/2018 17:00	EC CPI Core YoY	Apr F 0.70%	--	0.70%	--
05/16/2018 17:00	EC CPI YoY	Apr F 1.20%	--	1.30%	1.30%
05/16/2018 17:00	IT CPI EU Harmonized YoY	Apr F 0.60%	--	0.60%	--
05/16/2018 19:00	US MBA Mortgage Applications	May-11 --	--	-0.40%	--
05/16/2018 20:30	CA Manufacturing Sales MoM	Mar 0.90%	--	1.90%	--
05/16/2018 20:30	US Housing Starts	Apr 1310k	--	1319k	--
05/16/2018 20:30	US Building Permits	Apr 1350k	--	1354k	1379k
05/16/2018 21:15	US Industrial Production MoM	Apr 0.60%	--	0.50%	--
05/16/2018 21:15	US Capacity Utilization	Apr 78.40%	--	78.00%	--

Source: Bloomberg

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