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Highlights

Global	The USD, UST bond yields (with a new high of 3.1% seen for the 10-year bond) and Wall Street climbed overnight. The latter may modestly inspire Asian bourses this morning, especially with news that Malaysia will cut its GST rate from 6% to 0% from 1 June, even though hints by North Korea that they may pull out from the upcoming Trump-Kim talks on 12 June could dampen risk taking sentiment. Chinese Vice Premier Liu He is also expected in Washington for more trade talks with Mnuchin, Lighthizer, Ross, Kudlow and Navarro. For today, watch the highly anticipated 25bps rate hike by BI amid ongoing softness in the IDR, as well as Malaysia's 1Q18 GDP growth and US' initial jobless claims, Philadelphia Fed business and leading index. Speakers include ECB's Constancio, Fed's Kashakri and Kaplan, and BOE's Haldane.
US	Industrial production rose more than expected by 0.7% mom in Apr, with the Mar data also revised up to 0.7% mom, suggesting that a soft 1Q was giving way to a stronger 2Q momentum. Housing starts fell 3.7% mom in Apr to 1.287m rate. Meanwhile, Fed's Bostic warned of the "flattening yield curve" and the inversion risks "so it is my job to make sure that doesn't happen".
SG	NODX rebounded 11.8% yoy (6.5% mom sa) in Apr, beating our forecast of 8.2% yoy (-0.2% mom sa). This was a sharp turnaround from the last two months' decline and notwithstanding the 5 th consecutive decline in electronic exports which fell another 6.9% yoy in Apr amid a high base last year. The star performance was the non-electronic exports which surged 19.6% yoy, led by volatile pharmaceuticals which jumped 43.7%. Shipments to China, Europe and US were also strong, suggesting that demand from key markets remains healthy, but the outcome of the ongoing US-China trade talks may weigh on the trade performance going ahead. Given the high base in 2017, we expect electronics NODX will continue to drag into May 2018 as well. For overall NODX growth, despite two up months and two down months, the Jan-Apr performance was a modest 3.9% yoy expansion.
CN	Housing prices remained relatively stable in Apr. Housing prices for new homes in tier-one cities remained unchanged while prices for new homes in tier-two and tier-three cities rose slightly by 0.1% and 0.2% mom, respectively.
TH	The Bank of Thailand left its benchmark rate unchanged at 1.50% as widely expected. Elsewhere, the central bank is pencilling loans growth of between 5 – 6% this year, while the Securities and Exchange Commission expects to issue regulations on cryptocurrencies and initial coin offerings by the end of June.
CMD	Sustained fall in US energy inventories led crude oil and gasoline prices higher. Note that gasoline surged 2.1% overnight, as inventories unexpectedly fell 3.8 million barrels for the week ended 11 th May, versus market call of -1.4 million barrels. Coupled with falling crude oil inventories as well, the sharper-than-expected declines suggested that demand remains robust in the US. Another interesting data beyond inventories is the US oil export print, which rose to record high to 2.6 million barrels per day over the same period. Another session of dollar strength seen overnight dampened gold's rally, even as investors likely took caution to the potential breakdown in US-Pyongyang talks.

Major Market

- **Wall Street:** Equities closed higher on Wednesday, as optimism from stronger data offset concerns over a rising UST yields. Consumer stocks led gains, as the S&P 500 added 0.41%. Meanwhile, the Dow and Nasdaq Composite were in the black by 0.25% and 0.64% respectively. VIX closed at 13.42, down from 14.63. UST yields continue to firm from the long end, with the 10y benchmark yield touching 3.1019% before closing at 3.0964%. The 2y yield also added 1 bps to 2.5851%.
- **Singapore:** The STI slipped 0.20% to close at 3533.05 yesterday, but may open firmer and may trade with a more positive tone today, given a positive Wall Street session overnight as well as morning gains by Kospi and Nikkei. STI support and resistance are tipped 3524 and 3555 respectively. With the UST bond yields higher by up to 3bps overnight led by the longer tenors, the SGS bond market may remain under pressure today as well, albeit yesterday's losses were led by the belly of the curve.
- **China:** Housing prices have been recently distorted by government's window guidance to cap the unit prices sold by developers. Judging by the queues outside show flats, it seems that China has not found a good solution to cool the housing fever. We expect housing prices to remain stable in the coming months with government's window guidance in place.
- **Thailand:** The Bank of Thailand kept its benchmark rate unchanged at 1.50% in their latest MPC meeting (16th May 2018). The committee voted on the decision in an unanimous fashion, although one MPC member was reported to have been unable to attend the discussion. Note that the central bank had seen its first dissenting vote to hike rates in their previous meeting in March.
- The language surrounding the BOT statement remains largely positive, which indicated that the "economy as a whole continued to gain further traction" given the uptick in exports and tourism, while private investment was seen to have picked up and is projected to expand further from government projects. However, the policy-makers were quick to point out that the positive spillovers from the improvement in Thailand's external sector has still not been seen in private consumption and employment, while household debt remains elevated. Also, they pointed out that there are risks of delays in budget disbursement, which could limit public expenditure levels should the delays persist.
- Elsewhere, inflation has picked up into 2Q, especially seen with headline inflation crossing its 1.0% handle then. Note that the policy makers expect both headline and core inflation prints to rise gradually into the year, though demand-pull inflationary pressures remained low, reinforcing the rather tepid domestic consumption prints and employment indicators as discussed above. On exchange rates, BOT indicated their outlook for the Baht to remain volatile given the uncertainties pertaining to policy-making in other major advanced economies, and the central bank will closely monitor exchange rate developments going forward.
- Our outlook for Thailand remains positive to-date despite signs of moderation seen in the latest prints. While Thailand's Purchasing Manager's Index Manufacturing remained below the expansionary handle of 50.0, exports continue to surprise market expectation (note custom exports rose 7.1% y/y in March, vs market estimate of 6.0%). Still, note that Thailand remains to be an export-oriented economy, with merchandise exports accounting for 58.5% of GDP in 2017, and the exports growth moderation from 17.6% y/y seen in January 2018 and a relatively formidable base year in 2017 (export grew 9.9% y/y in 2017) could mean further export growth moderation into the year. Our outlook for Thailand's economic growth remains unchanged at 3.5% for the year, while

inflation is projected to rise to average 1.4% at end-year. Lastly, note that BOT's concern surrounding the current low interest rate environment at 1.50% is still being seen in the latest statement, specifically that such an environment could "lead to underpricing of risks, and the deterioration of debt serviceability of households and SMEs". In a nutshell, barring an unexpected decline in growth outlook, the issues surrounding further rate differentials from further rate hikes in other major developed economies amid BOT's concern over the current interest rate level would likely lead to BOT's rate hike of 25bps rate hike at end-year.

- **Malaysia:** 1Q18 GDP is set to be released today. Our expectation is for 1Q18 growth to be at 5.3% yoy with the entire 2018 growth forecast to stand at 5.5% yoy. Meanwhile, the government has announced that GST will be reduced from 6% to 0% effecting from 1 Jun'18.
- **Indonesia:** BI's Board of Governors is set to release its decision today on the benchmark interest rate. The weak IDR has put increasing pressure on the central bank to adjust rates. The USD – IDR value ended at 14,093 on Wednesday 16th May 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-3bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 1.32% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 408bps. 10Y UST yields rose 2bps to 3.1%, following a bond market selloff spurred by signs that the US economy is on a stronger footing in the second quarter.
- **New Issues:** BlueScope Finance (Americas) LLC has priced a USD300mn 5-year bond (guaranteed by BlueScope Steel Ltd and other guarantors defined in the Offering Circular) at CT5+180bps, tightening from its initial price guidance of CT5+205bps area. Greenland Global Investment Ltd has priced a USD500mn 363-day bond at 6.75%, tightening from its initial price guidance of 6.875%. First Abu Dhabi Bank PSJC has priced a CNH1.1bn 3-year bond at 4.8%, in line with its initial price guidance. Hyundai Marine & Fire has hired banks for its potential USD hybrid bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.392	0.19%	USD-SGD	1.3398	-0.36%
USD-JPY	110.400	0.05%	EUR-SGD	1.5820	-0.60%
EUR-USD	1.1808	-0.25%	JPY-SGD	1.2142	-0.35%
AUD-USD	0.7516	0.59%	GBP-SGD	1.8070	-0.48%
GBP-USD	1.3486	-0.12%	AUD-SGD	1.0069	0.22%
USD-MYR	3.9683	0.31%	NZD-SGD	0.9240	0.14%
USD-CNY	6.3715	-0.09%	CHF-SGD	1.3381	-0.35%
USD-IDR	14097	0.43%	SGD-MYR	2.9540	-0.17%
USD-VND	22748	-0.10%	SGD-CNY	4.7498	0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.7050	--
2M	-0.3410	--	1M	1.9388	--
3M	-0.3260	--	2M	2.0917	--
6M	-0.2710	--	3M	2.3206	--
9M	-0.2190	--	6M	2.4925	--
12M	-0.1880	--	12M	2.7539	--

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%	72.0%	28.0%	0.0%	0.0%
08/01/2018	100.0%	66.0%	31.6%	2.3%	0.0%
09/26/2018	100.0%	16.0%	57.7%	24.5%	1.8%
11/08/2018	100.0%	14.3%	53.2%	28.1%	4.2%
12/19/2018	100.0%	7.3%	34.1%	40.4%	16.0%
01/30/2019	100.0%	6.4%	30.9%	39.7%	18.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	71.49	0.25%	Copper (per mt)	6,769.3	0.47%
Brent (per barrel)	79.28	1.08%	Nickel (per mt)	14,432.0	0.35%
Heating Oil (per gallon)	2.2692	0.90%	Aluminium (per mt)	2,349.0	0.26%
Gasoline (per gallon)	2.2499	2.05%			
Natural Gas (per MMBtu)	2.8150	-0.74%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,414.0	-0.74%
			Rubber (JPY/KG)	188.5	0.21%
Precious Metals	Futures	% chg			
Gold (per oz)	1,291.5	0.09%			
Silver (per oz)	16.371	0.63%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,768.93	62.52
S&P	2,722.46	11.01
Nasdaq	7,398.30	46.67
Nikkei 225	22,717.23	-100.79
STI	3,533.05	-7.18
KLCI	1,858.26	10.06
JCI	5,841.46	3.35
Baltic Dry	1,468.00	--
VIX	13.42	-1.21

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-0.01)	2.59 (+0.01)
5Y	2.23 (+0.01)	2.94 (+0.02)
10Y	2.65 (+0.01)	3.10 (+0.02)
15Y	2.87 (+0.01)	--
20Y	2.86 (+0.01)	--
30Y	2.98 (+0.01)	3.22 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	43.56	-1.64
EURIBOR-OIS	2.40	-1.05
TED	42.06	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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%	-0.20%	0.40%	0.10%
05/16/2018 07:50	JN GDP Annualized SA QoQ	1Q P	-0.10%	-0.60%	1.60%	0.60%
05/16/2018 07:50	JN GDP Nominal SA QoQ	1Q P	0.10%	-0.40%	0.30%	0.10%
05/16/2018 07:50	JN GDP Deflator YoY	1Q P	0.30%	0.50%	0.10%	0.00%
05/16/2018 08:30	AU Westpac Consumer Conf SA MoM	May	--	-0.60%	-0.60%	--
05/16/2018 09:30	AU Wage Price Index QoQ	1Q	0.60%	0.50%	0.60%	0.50%
05/16/2018 11:00	NZ Non Resident Bond Holdings	Apr	--	59.80%	59.00%	--
05/16/2018 12:30	JN Industrial Production MoM	Mar F	--	1.40%	1.20%	--
05/16/2018 12:30	JN Capacity Utilization MoM	Mar	--	0.50%	1.30%	3.30%
05/16/2018 14:00	GE CPI MoM	Apr F	0.00%	0.00%	0.00%	--
05/16/2018 14:00	GE CPI EU Harmonized YoY	Apr F	1.40%	1.40%	1.40%	--
05/16/2018 15:05	TH BoT Benchmark Interest Rate	May-16	1.50%	1.50%	1.50%	--
05/16/2018 16:00	IT Industrial Sales MoM	Mar	--	0.80%	0.50%	0.00%
05/16/2018 16:00	IT Industrial Orders MoM	Mar	--	0.50%	-0.60%	-0.80%
05/16/2018 17:00	EC CPI Core YoY	Apr F	0.70%	0.70%	0.70%	--
05/16/2018 17:00	EC CPI YoY	Apr F	1.20%	1.20%	1.30%	--
05/16/2018 17:00	IT CPI EU Harmonized YoY	Apr F	0.60%	0.60%	0.60%	--
05/16/2018 19:00	US MBA Mortgage Applications	May-11	--	-2.70%	-0.40%	--
05/16/2018 20:30	CA Manufacturing Sales MoM	Mar	0.90%	1.40%	1.90%	2.70%
05/16/2018 20:30	US Housing Starts	Apr	1310k	1287k	1319k	1336k
05/16/2018 20:30	US Building Permits	Apr	1350k	1352k	1354k	1377k
05/16/2018 21:15	US Industrial Production MoM	Apr	0.60%	0.70%	0.50%	0.70%
05/16/2018 21:15	US Capacity Utilization	Apr	78.40%	78.00%	78.00%	77.60%
05/16/2018 22:00	US Mortgage Delinquencies	1Q	--	4.63%	5.17%	--
05/17/2018 06:45	NZ PPI Output QoQ	1Q	--	0.20%	1.00%	--
05/17/2018 06:45	NZ PPI Input QoQ	1Q	--	0.60%	0.90%	--
05/17/2018 07:50	JN Core Machine Orders MoM	Mar	-3.00%	--	2.10%	--
05/17/2018 07:50	JN Japan Buying Foreign Bonds	May-11	--	--	¥363.7b	--
05/17/2018 07:50	JN Japan Buying Foreign Stocks	May-11	--	--	¥23.8b	--
05/17/2018 07:50	JN Foreign Buying Japan Bonds	May-11	--	--	¥15.4b	--
05/17/2018 07:50	JN Foreign Buying Japan Stocks	May-11	--	--	¥0.3b	--
05/17/2018 08:30	SI Non-oil Domestic Exports SA MoM	Apr	0.80%	--	-1.80%	--
05/17/2018 08:30	SI Electronic Exports YoY	Apr	--	--	-7.10%	--
05/17/2018 08:30	SI Non-oil Domestic Exports YoY	Apr	7.30%	--	-2.70%	--
05/17/2018 09:30	AU Employment Change	Apr	20.0k	--	4.9k	--
05/17/2018 09:30	AU Unemployment Rate	Apr	5.50%	--	5.50%	--
05/17/2018 09:30	AU Full Time Employment Change	Apr	--	--	-19.9k	--
05/17/2018 09:30	AU Part Time Employment Change	Apr	--	--	24.8k	--
05/17/2018 09:30	AU Participation Rate	Apr	65.50%	--	65.50%	--
05/17/2018 09:30	AU RBA FX Transactions Market	Apr	--	--	A\$874m	--
05/17/2018 12:00	MA GDP YoY	1Q	5.60%	--	5.90%	--
05/17/2018 12:00	MA BoP Current Account Balance MYR	1Q	--	--	12.9b	--
05/17/2018 14:00	EC EU27 New Car Registrations	Apr	--	--	-5.30%	--
05/17/2018 16:00	IT Trade Balance Total	Mar	--	--	3104m	--
05/17/2018 16:30	HK Unemployment Rate SA	Apr	2.90%	--	2.90%	--
05/17/2018 20:30	US Initial Jobless Claims	May-12	215k	--	211k	--
05/17/2018 20:30	US Continuing Claims	May-05	1780k	--	1790k	--
05/17/2018 20:30	US Philadelphia Fed Business Outlook	May	21	--	23.2	--
05/17/2018 22:00	US Leading Index	Apr	0.40%	--	0.30%	--
05/17/2018	HK Composite Interest Rate	Apr	--	--	0.38%	--
05/17/2018	ID Bank Indonesia 7D Reverse Repo	May-17	4.50%	--	4.25%	--

Source: Bloomberg

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