

Highlights

Global	<p>Market players may take heart that the US and China have decided on “putting the trade war on hold” according to US Treasury Secretary Mnuchin which came on the back of talks in Washington last week after China agreed to “substantially” reduce the US trade deficit, albeit there was some confusion if China would adhere to the US demand for a US\$200bn annual reduction. That said, there remains market speculation if the US-North Korea meeting on 12 Jun would materialise so watch South Korean president’s visit to Washington on Tue to discuss North Korea. Additionally, the recently struck Five Star and League coalition in Italy could pose contentious headwinds for the EU ahead. To recap, the 10-year UST bond yield went on a roller-coaster ride and touched a recent high of 3.12% but closed back down at 3.07% last Friday. Brent also traded to the US\$80 per barrel handle, while BI hiked 25bps and pledged stronger measures if need be to ward off IDR weakness. Asian bourses may open firmer this morning, but global risk sentiments may still remain choppy this week as investors await the Fed rhetoric including the 2 May FOMC minutes due Wed (especially an elaboration of the “symmetric” phase in relation to the inflation target) and Fed chair Powell speaking on Fri. BOK is also meeting on Thu, but is likely static at 1.5% for now. For today, watch Thailand’s 1Q18 GDP growth and Taiwan’s export orders, while Fed’s Bostic, Harker and Kashkari are on tap.</p>
SG	<p>The revised 1Q18 GDP growth estimates are due Thursday and we tip 4.3% yoy (1.2% qoq saar), versus the flash estimates of 4.3% yoy (1.4% qoq saar).</p>
CH	<p>The US China trade war paused for now after the Trump administration decided to put additional tariff on hold. The joint statement after the meeting between Liu He and US officials did not explicitly specify the amount of trade surplus reduction. This may alleviate the pressure for China in the near term. Nevertheless, the statement did not mention US’s exports of restricted high-tech products and China will rely mainly on imports of farm and energy products to reduce the goods trade surplus. This may be read by market observers as China’s compromise to reach the agreement. It might be too early to declare the end of trade war as details will only be worked out gradually in the coming months. Watching out for negotiations about the details as well as for any potential substituting effect which may exacerbate trade tensions between China and other economies such as EU in future after China may increase imports from the US at the expense of other economies.</p>
TH	<p>The country is slated to release its 1Q18 GDP print later today. We pencil 1Q18 growth at 3.5%, a tat below market estimation of 4.0% y/y.</p>
CMD	<p>Crude oil prices could not sustain its last week’s high, with Brent falling a good one percentage point to \$78.51/bbl while WTI fell 0.29%. The quick fall in oil prices suggested to us, two key take-aways: (1) Brent at above-\$80/bbl appears to be a rather uncomfortably high handle and market-players were quick to engage in profit-taking, and (2) fundamental concerns over US-led supplies overshadowed geopolitical factors as Syrian-led supply shortfall fears continue to ebb. Elsewhere, note US oil rig counts were unchanged at 844 last week. Additionally, note that the Syrian Ministry of Petroleum and Mineral Resources announced plans to increase its crude oil production to 310,000 barrels per day by 2022.</p>

Major Market

- **US:** Equities closed the week on a weaker footing on Friday. Overall, markets remained somewhat cagey over the higher UST yields, and this would take some getting used to. However, progress on the trade talks between China and the US should allay some concerns. Overall, the S&P 500 closed lower by 0.26%, and the Nasdaq Composite slipped 0.38%. The Dow closed essentially unchanged. VIX closed at 13.42, compared to 13.43 previously. The US Treasury curve bull flattened, with the 2y benchmark down 2 bps to 2.5467%. The 10y yield slipped almost 6 bps to 3.0559%.
- This week, watch out for the release of FOMC minutes on Wednesday and a slew of Fed speakers scheduled throughout the week. Meanwhile, the Sino-US trade situation is still evolving and any changes may affect the overall trading climate. On the data front, watch for preliminary PMIs on Wednesday and consumer sentiments on Friday.
- **Singapore:** The STI slipped 0.21% to close at 3529.27 on Friday and may range trade between 3500-3550 today, given mixed cues from Wall Street on Friday and flattish signals from Kospi and Nikkei this morning. With the UST bonds rallying on Friday led by the longer tenors, the SGS bond market may also gain today.
- **Malaysia:** 13 individuals will be sworn in today for various ministerial positions of the new government by the King of Malaysia. These individuals include Lim Guan Eng as the Minister of Finance and Azmin Ali as the Minister of Economic Affairs.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with minimal changes in the swap rates for the shorter tenors while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 1.34% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 415bps. 10Y UST yield fell 6bps to 3.06%, amid mixed trade signals between US and China.
- **New issues:** DBS Bank Ltd has issued a USD100mn 2-year bond at 3.12%. Korea Hydro & Nuclear Power has hired banks for its potential USD bond issuance. Tongyang Life Insurance Co Ltd has hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.637	0.18%	USD-SGD	1.3434	0.09%
USD-JPY	110.780	0.01%	EUR-SGD	1.5816	-0.09%
EUR-USD	1.1772	-0.19%	JPY-SGD	1.2133	0.13%
AUD-USD	0.7511	--	GBP-SGD	1.8096	-0.24%
GBP-USD	1.3469	-0.35%	AUD-SGD	1.0090	0.08%
USD-MYR	3.9722	0.07%	NZD-SGD	0.9290	0.65%
USD-CNY	6.3800	0.20%	CHF-SGD	1.3463	0.46%
USD-IDR	14156	0.70%	SGD-MYR	2.9593	-0.06%
USD-VND	22775	0.02%	SGD-CNY	4.7488	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7073	0.0013
2M	-0.3400	0.0010	1M	1.9528	0.0050
3M	-0.3260	--	2M	2.1038	0.0004
6M	-0.2710	-0.0010	3M	2.3294	-0.0019
9M	-0.2180	-0.0010	6M	2.4988	-0.0006
12M	-0.1890	-0.0010	12M	2.7648	-0.0017

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%	67.5%	30.7%	1.7%	0.0%
09/26/2018	100.0%	16.3%	58.6%	23.7%	1.3%
11/08/2018	100.0%	15.0%	55.2%	26.6%	3.1%
12/19/2018	100.0%	7.5%	35.2%	40.8%	14.8%
01/30/2019	100.0%	6.8%	32.4%	40.3%	17.4%

Equity and Commodity

Index	Value	Net change
DJIA	24,715.09	1.11
S&P	2,712.97	-7.16
Nasdaq	7,354.34	-28.13
Nikkei 225	22,930.36	91.99
STI	3,529.27	-7.49
KLCI	1,854.50	0.06
JCI	5,783.31	-32.61
Baltic Dry	1,273.00	-32.00
VIX	13.42	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (-0.01)	2.55 (-0.02)
5Y	2.27 (-)	2.89 (-0.05)
10Y	2.67 (-0.01)	3.06 (-0.06)
15Y	2.90 (-0.01)	--
20Y	2.88 (-0.02)	--
30Y	3.00 (-0.01)	3.20 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	43.74	0.28
EURIBOR-OIS	3.42	-0.23
TED	44.78	0.86

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	71.28	-0.29%	Copper (per mt)	6,753.9	-0.83%
Brent (per barrel)	78.51	-1.00%	Nickel (per mt)	14,708.5	1.07%
Heating Oil (per gallon)	2.2655	-0.67%	Aluminium (per mt)	2,280.3	-1.50%
Gasoline (per gallon)	2.2333	-0.44%			
Natural Gas (per MMBtu)	2.8470	-0.42%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,450.0	0.74%
			Rubber (JPY/KG)	193.9	2.11%
Precious Metals	Futures	% chg			
Gold (per oz)	1,291.3	0.15%			
Silver (per oz)	16.455	-0.16%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 15 May 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	-94,738	-124,424	29,686	Nymex Crude	678,899	723,189	-44,290
RBOB Gasoline	98,173	86,633	11,540	Gold	80,577	103,540	-22,963
Heating Oil	42,414	32,632	9,782	Corn	328,823	351,002	-22,179
Sugar	-86,006	-91,360	5,354	Soybean	144,496	163,909	-19,413
Cocoa	61,244	58,096	3,148	Coffee	-40,919	-32,795	-8,124
Copper	34,937	32,171	2,766	Wheat	8,340	16,379	-8,039
Silver	-324	-1,185	861	Cotton	111,430	118,282	-6,852
Lean Hogs	-5,148	-5,610	462	Live Cattle	19,421	25,240	-5,819
Palladium	10,749	10,365	384	Platinum	8,046	10,130	-2,084

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/18/2018 07:30	JN Natl CPI YoY	Apr 0.70%	0.60%	1.10%	--
05/18/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Apr 0.80%	0.70%	0.90%	--
05/18/2018 07:30	JN Natl CPI Ex Fresh Food, Energy YoY	Apr 0.40%	0.40%	0.50%	--
05/18/2018 13:08	PH BoP Overall	Apr --	-\$270m	-\$266m	--
05/18/2018 14:00	GE Wholesale Price Index MoM	Apr --	0.50%	0.00%	--
05/18/2018 14:00	GE PPI MoM	Apr 0.30%	0.50%	0.10%	--
05/18/2018 15:30	TH Foreign Reserves	May-11 --	\$214.5b	\$214.7b	--
05/18/2018 15:30	TH Forward Contracts	May-11 --	\$33.8b	\$33.8b	--
05/18/2018 16:00	EC ECB Current Account SA	Mar --	32.0b	35.1b	36.8b
05/18/2018 16:00	EC Current Account NSA	Mar --	40.6b	22.7b	24.2b
05/18/2018 16:00	IT Current Account Balance	Mar --	3408m	839m	861m
05/18/2018 17:00	EC Trade Balance SA	Mar 21.0b	21.2b	21.0b	20.9b
05/18/2018 17:00	EC Trade Balance NSA	Mar --	26.9b	18.9b	--
05/18/2018 17:05	ID Motorcycle Sales	Apr --	580921	535371	--
05/18/2018 17:05	ID Local Auto Sales	Apr --	102256	101674	--
05/18/2018 20:30	CA Retail Sales MoM	Mar 0.30%	0.60%	0.40%	0.50%
05/18/2018 20:30	CA Retail Sales Ex Auto MoM	Mar 0.50%	-0.20%	0.00%	--
05/18/2018 20:30	CA CPI NSA MoM	Apr 0.30%	0.30%	0.30%	--
05/18/2018 20:30	CA CPI YoY	Apr 2.30%	2.20%	2.30%	--
05/18/2018 20:30	CA Consumer Price Index	Apr 133.3	133.3	132.9	--
05/18/2018	CH FX Net Settlement - Clients CNY	Apr --	92.4b	-16.5b	--
05/21/2018 05:00	SK PPI YoY	Apr --	1.60%	1.40%	1.30%
05/21/2018 06:45	NZ Net Migration SA	Apr --	4930	5480	5380
05/21/2018 06:45	NZ Retail Sales Ex Inflation QoQ	1Q 1.00%	0.10%	1.70%	1.40%
05/21/2018 07:01	UK Rightmove House Prices MoM	May --	0.80%	0.40%	--
05/21/2018 07:50	JN Trade Balance	Apr ¥440.0b	--	¥797.3b	¥797.0b
05/21/2018 07:50	JN Trade Balance Adjusted	Apr ¥114.9b	--	¥119.2b	--
05/21/2018 07:50	JN Exports YoY	Apr 8.70%	--	2.10%	--
05/21/2018 07:50	JN Imports YoY	Apr 9.80%	--	-0.60%	--
05/21/2018 10:30	TH GDP SA QoQ	1Q 1.20%	--	0.50%	--
05/21/2018 10:30	TH GDP YoY	1Q 3.90%	--	4.00%	--
05/21/2018 11:00	NZ Credit Card Spending YoY	Apr --	--	7.20%	--
05/21/2018 12:00	JN Tokyo Condominium Sales YoY	Apr --	--	6.10%	--
05/21/2018 15:00	JN Convenience Store Sales YoY	Apr --	--	1.30%	--
05/21/2018 16:00	TA Export Orders YoY	Apr 7.10%	--	3.10%	--
05/21/2018 16:20	TA BoP Current Account Balance	1Q --	--	\$26577m	--
05/21/2018 16:30	HK CPI Composite YoY	Apr --	--	2.60%	--
05/21/2018 20:30	US Chicago Fed Nat Activity Index	Apr 0.48	--	0.1	--
05/19/2018 05/24	TH Car Sales	Apr --	--	95082	--

Source: Bloomberg

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