

Highlights

Global	A likely quiet start to the week as the US markets are closed for Memorial Day, UK out for spring bank holiday, and Singapore is also heading in to a public holiday tomorrow. The latest rhetoric suggests that the US-North Korean summit could proceed after all, following President Trump's recent rejection, as US officials arrived in North Korea for preparations today. On Friday, the S&P edged down while the 10-year UST bond yield closed down at 2.93% amid softer crude oil prices following news that Saudi Arabia and Russia are nearing a deal to ramp up production. Asian bourses may attempt to trade on a firmer tone amid the hints that the Trump-Kim summit is back on the table. The light economic calendar today comprises of only HK trade data for Apr. This week, watch for the BOC rate decision (likely static at 1.25%), BI rate decision (after the recent hike, market players are divided if another hike will follow so quickly, but this is an unscheduled meeting so some announcement is anticipated), and IMF's China Article IV consultation press conference on 30 May, as well as the Fed's Beige Book on 31 May. Friday's key market focus will be the US' May labour market report, with nonfarm payrolls, unemployment rate and average hourly earnings eyed at 190k (previously 164k), 3.9% (unchanged) and 0.2% mom (previously 0.1% mom).
US	April durable goods orders fell more than expected by 1.7% in April, dragged down by aircraft orders (-36.2%), but non-defense capital equipment excluding aircraft rose 1.0%, which suggested that momentum is moderating but still sustaining for now. The final University of Michigan sentiment index also printed at a softer 98.0 for May, as tapered expectations (89.1 versus 89.5) mitigated stronger current conditions (111.8 versus 113.3). The 1- and 5-10 year inflation gauges were unchanged at 2.8% and 2.5% respectively.
EU	Moody's warned that Italy's Baa2 rating may be cut amid concerns over the new government's fiscal plans and potential reversal of past reform.
SG	Industrial production accelerated more than expected from a revised 6.1% yoy (0.5% mom sa) in March to 9.1% yoy (0.2% mom sa) in April, led by pharmaceuticals (10.7% yoy) and electronics (11.3% yoy).
MA	Prime Minister Mahathir Mohamad has made mention that the government will try to "find out how we can reduce the amount of money we have to pay for breaking the agreement" regarding the Singapore – Malaysia high speed rail. He also said that "we are renegotiating the terms" when commenting on the East Coast Rail Line (ECRL).
ID	The new governor Perry Warjiyo has called an unscheduled policy meeting for Wednesday 30th May 2018. Warjiyo has said the meeting was to discuss "current economic and monetary conditions and future prospects".
CMD	Brewing speculation over potential disagreements in the upcoming OPEC meeting on 22 nd June 2018 left oil bulls up and dry into the start of a new week. Both WTI and Brent declined to \$67.9/bbl (-4.0%) and \$76.4 (-3.0%), respectively. Market-players owe their sudden bearish view on oil to the rather surprising rhetoric by both Saudi Arabia and Russia, especially with Al-Falih's comment "I think in the near future there will be time to release supply... likely happen in the second half of this year". Russia oil minister Novak also chimed in recently that the price of \$60 per barrel "suits Russia", adding that "a decision will be made in June" while referring to the possibility of returning oil production levels to Oct 2016 levels.

Major Market

- **US:** Equities ended mixed as risk taking sentiment scaled back following the on-again-off-again rhetoric that has been surrounding the highly anticipated Trump-Kim summit. As of late, the summit seems to be back on track as US officials arrived in North Korea this morning for further negotiations and preparations regarding the summit. Furthermore, news that OPEC and major crude oil producers such as Russia and Saudi Arabia were nearing a deal to increase output dragged oil prices lower. The Dow Jones fell 0.24% to close down at 24,753.09. Similarly, the S&P500 inched 0.24% lower. On the other hand, the Nasdaq composite rose marginally up by 0.13%. VIX rose 5.51% up to 13.22, vs 12.53 previously. For US treasuries, the 2y benchmark yield and 10y yield both fell 3bps and 4bps to end lower at 2.4758 and 2.9313, respectively.
- **Singapore:** The STI slipped 0.44% to close at 3513.23 on Friday and may range trade between 3500-3550 today amid mixed cues from Wall Street (softer close on Friday) but morning gains in Nikkei and Kospi. With UST bonds rallying and yields lower by up to 5bps on Friday for the belly to longer dated tenors, the SGS bond market may also gain today, but market is awaiting the \$2.2b t-year re-opening auction later today.
- **Malaysia:** In a press statement, Finance Minister Lim Guan Eng has described that the payments made by the Malaysian government on behalf of 1MDB, amounted to a “major bailout” and he also said that an additional payment of RM954m on behalf of 1MDB was due by end-2018.
- **Indonesia:** The last BI meeting was just held on the 17th May 2018 when the central bank raised the benchmark interest rate by 25bps. The next meeting was initially scheduled to come on the 27th – 28th June 2018. Governor Warjiyo has already made mention that he “will be more pre-emptive, front loaded and ahead of the curve regarding the key rate”.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates trading 2bps lower across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 417bps. 10Y UST yields fell 5bps to 2.93% as uncertainty about Italy's new government and leadership challenge in Spain drove safe haven bids.
- **New issues:** There were no new issuances over 25 May 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.253	0.51%	USD-SGD	1.3420	0.21%
USD-JPY	109.410	0.14%	EUR-SGD	1.5638	-0.36%
EUR-USD	1.1651	-0.59%	JPY-SGD	1.2270	0.10%
AUD-USD	0.7548	-0.37%	GBP-SGD	1.7865	-0.30%
GBP-USD	1.3309	-0.53%	AUD-SGD	1.0128	-0.17%
USD-MYR	3.9813	0.04%	NZD-SGD	0.9281	0.03%
USD-CNY	6.3917	0.21%	CHF-SGD	1.3549	0.37%
USD-IDR	14125	-0.06%	SGD-MYR	2.9745	0.21%
USD-VND	22755	-0.07%	SGD-CNY	4.7652	0.10%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	0.0020	O/N	1.7073	-0.0012
2M	-0.3390	--	1M	1.9756	0.0074
3M	-0.3230	0.0010	2M	2.0994	0.0005
6M	-0.2710	--	3M	2.3181	-0.0012
9M	-0.2170	--	6M	2.4819	-0.0031
12M	-0.1880	-0.0010	12M	2.7314	-0.0061

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%	84.0%	16.0%	0.0%	0.0%
08/01/2018	100.0%	82.3%	17.4%	0.3%	0.0%
09/26/2018	100.0%	33.0%	56.3%	10.6%	0.2%
11/08/2018	100.0%	31.2%	55.0%	13.1%	0.8%
12/19/2018	100.0%	16.0%	43.4%	33.4%	6.7%
01/30/2019	100.0%	15.1%	41.8%	34.0%	8.3%

Equity and Commodity

Index	Value	Net change
DJIA	24,753.09	-58.67
S&P	2,721.33	-6.43
Nasdaq	7,433.85	9.43
Nikkei 225	22,450.79	13.78
STI	3,513.23	-15.69
KLCI	1,797.40	21.74
JCI	5,975.74	29.20
Baltic Dry	1,077.00	-32.00
VIX	13.22	0.69

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (+0.02)	2.48 (-0.03)
5Y	2.23 (-0.01)	2.77 (-0.05)
10Y	2.61 (-)	2.93 (-0.05)
15Y	2.89 (-)	--
20Y	2.89 (+0.01)	--
30Y	3.00 (-)	3.09 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	43.31	-2.23
EURIBOR-OIS	3.56	-0.05
TED	42.90	-0.34

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	67.88	-4.00%	Copper (per mt)	6,784.7	-0.60%
Brent (per barrel)	76.44	-2.98%	Nickel (per mt)	14,734.0	-0.82%
Heating Oil (per gallon)	2.2098	-2.51%	Aluminium (per mt)	2,267.5	-1.10%
Gasoline (per gallon)	2.1814	-2.35%			
Natural Gas (per MMBtu)	2.9390	-0.03%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,455.0	-1.48%
			Rubber (JPY/KG)	193.7	-0.05%
Precious Metals	Futures	% chg			
Gold (per oz)	1,309.0	-0.06%			
Silver (per oz)	16.546	-0.84%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 22 May 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	-44,286	-86,006	41,720	Soybean	127,823	144,496	-16,673
Natural Gas	-64,455	-94,738	30,283	Platinum	1,919	8,046	-6,127
Silver	14,508	-324	14,832	Lean Hogs	-8,377	-5,148	-3,229
RBOB Gasoline	110,651	98,173	12,478	Gold	77,410	80,577	-3,167
Cotton	121,308	111,430	9,878	Cocoa	59,443	61,244	-1,801
Wheat	17,996	8,340	9,656	Palladium	10,801	10,749	52
Corn	334,162	328,823	5,339	Live Cattle	19,776	19,421	355
Coffee	-37,808	-40,919	3,111	Heating Oil	43,232	42,414	818
Copper	37,324	34,937	2,387	Nymex Crude	680,342	678,899	1,443

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
05/25/2018 07:30	JN	Tokyo CPI YoY	May	0.50%	0.40%	0.50%	--
05/25/2018 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	May	0.60%	0.50%	0.60%	--
05/25/2018 07:30	JN	Tokyo CPI Ex-Fresh Food, Energy YoY	May	0.30%	0.20%	0.30%	--
05/25/2018 13:00	SI	Industrial Production YoY	Apr	8.00%	9.10%	5.90%	6.10%
05/25/2018 15:30	TH	Foreign Reserves	May-18	--	\$213.3b	\$214.5b	--
05/25/2018 15:30	TH	Forward Contracts	May-18	--	\$33.3b	\$33.8b	--
05/25/2018 16:00	GE	IFO Business Climate	May	102	102.2	102.1	102.2
05/25/2018 16:00	GE	IFO Expectations	May	98.5	98.5	98.7	--
05/25/2018 16:00	GE	IFO Current Assessment	May	105.5	106	105.7	105.8
05/25/2018 16:00	TA	GDP YoY	1Q F	3.00%	3.02%	3.04%	--
05/25/2018 16:30	UK	Index of Services 3M/3M	Mar	0.30%	0.30%	0.40%	0.50%
05/25/2018 16:30	UK	GDP QoQ	1Q P	0.10%	0.10%	0.10%	--
05/25/2018 16:30	UK	Private Consumption QoQ	1Q P	0.10%	0.20%	0.30%	--
05/25/2018 16:30	UK	Government Spending QoQ	1Q P	0.30%	0.50%	0.40%	--
05/25/2018 16:30	UK	Gross Fixed Capital Formation QoQ	1Q P	-0.20%	0.90%	1.10%	--
05/25/2018 16:30	UK	Exports QoQ	1Q P	0.40%	-0.50%	-0.90%	--
05/25/2018 16:30	UK	Imports QoQ	1Q P	0.10%	-0.60%	0.40%	--
05/25/2018 16:30	UK	Total Business Investment QoQ	1Q P	--	-0.20%	0.30%	--
05/25/2018 16:47	UK	UK Finance Loans for Housing	Apr	37400	38049	37567	37606
05/25/2018 20:30	US	Durable Goods Orders	Apr P	-1.30%	-1.70%	2.60%	2.70%
05/25/2018 20:30	US	Durables Ex Transportation	Apr P	0.50%	0.90%	0.10%	0.40%
05/25/2018 20:30	US	Cap Goods Orders Nondef Ex Air	Apr P	0.70%	1.00%	-0.40%	-0.90%
05/25/2018 20:30	US	Cap Goods Ship Nondef Ex Air	Apr P	0.40%	0.80%	-0.80%	-0.70%
05/25/2018 22:00	US	U. of Mich. Sentiment	May F	98.8	98	98.8	--
05/25/2018 22:00	US	U. of Mich. Current Conditions	May F	98.6	111.8	113.3	--
05/25/2018 22:00	US	U. of Mich. Expectations	May F	--	89.1	89.5	--
05/25/2018 22:00	US	U. of Mich. 1 Yr Inflation	May F	--	2.80%	2.80%	--
05/25/2018 22:00	US	U. of Mich. 5-10 Yr Inflation	May F	--	2.50%	2.50%	--
05/27/2018 09:30	CH	Industrial Profits YoY	Apr	--	21.90%	3.10%	--
05/28/2018 07:50	JN	PPI Services YoY	Apr	0.50%	--	0.50%	--
05/28/2018 16:00	IT	PPI MoM	Apr	--	--	0.40%	--
05/28/2018 16:00	TA	Monitoring Indicator	Apr	--	--	23	--
05/28/2018 16:30	HK	Exports YoY	Apr	9.10%	--	8.00%	--
05/28/2018 16:30	HK	Imports YoY	Apr	12.10%	--	10.70%	--
05/28/2018 16:30	HK	Trade Balance HKD	Apr	-38.5b	--	-55.5b	--
05/28/2018 22:00	CA	Bloomberg Nanos Confidence	May-25	--	--	58	--
05/28/2018	MU	Unemployment Rate	Apr	--	--	1.90%	--
05/28/2018 06/03	UK	Nationwide House PX MoM	May	0.20%	--	0.20%	--
05/28/2018 06/03	UK	Nationwide House Px NSA YoY	May	3.00%	--	2.60%	--
05/28/2018 05/31	VN	Trade Balance	May	--	--	\$700m	--
05/28/2018 05/31	VN	CPI YoY	May	--	--	2.75%	--
05/28/2018 05/31	VN	Imports YTD YoY	May	--	--	10.10%	--
05/28/2018 05/31	VN	Exports YTD YoY	May	--	--	19.00%	--
05/28/2018 05/31	VN	Industrial Production YoY	May	--	--	9.40%	--
05/28/2018 05/31	VN	Retail Sales YTD YoY	May	--	--	9.80%	--

Source: Bloomberg

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