

Highlights

Global	<p>The weak global manufacturing activities and US government's antitrust probe on US tech giants weighed down the already fragile trade-war hit sentiment. Nasdaq ended the day down by 1.61% while US 10-year Treasury yields slipped further to 2.07%. Amazon and Facebook were reported to be under the watch of Federal Trade Commission while Google and Apple were under investigation by the Justice Department. On economic data, the US ISM manufacturing index slowed further to 52.1 in May from 52.8. In Europe, the final May PMI remained weak at 47.7 with Germany PMI falling to 44.3. In the US, the expectation on Powell put is rising. St. Louis Fed President James Bullard said that a US interest rate cut "may be warranted soon" to prop up the inflation expectations. He also showed his concern about the inversion of the yield curve.</p> <p>For today, market will look at the RBA meeting later.</p>
MY	<p>Data yesterday showed exports beating estimates of a -2.1% contraction, coming in with a growth of 1.1% in the month of April. Imports, however, came in higher than expected at 4.4% vs -0.3% expected, eroding estimates of April's trade surplus. The trade balance in April at MYR10.86bn was softer than the Bloomberg poll estimate of MYR12.50b, the lowest level YTD.</p>
SG	<p>The manufacturing PMI sank back into contraction territory at 49.9 in May, the lowest since August 2016 and down from 50.3 in April. The weakness was broad-based across new orders, exports, production, inventory and employment. Similarly, the electronics PMI contracted for the seventh straight month at 49.4, the weakest since June 2016 as well. This set of data dovetails with the weakness seen in other global and regional manufacturing PMIS and suggest that there is no light at the end of the tunnel yet amid the ongoing US-China trade and tech war which has dented market confidence and may continue to take a toll on global demand as time wears on.</p>
CMD	<p>Prices of crude oil continue their decline, with both Brent and WTI now having lost more than \$10/bbl each since 30 April. Brent closed at \$61.28/bbl yesterday, while WTI closed at \$53.25/bbl – on 30 April, both benchmarks were trading at \$71.45/bbl and \$63.57/bbl respectively. The downward momentum appears intact for now and long speculators are exiting their positions. We expect support for Brent at \$55/bbl. The 1m/12m calendar spread on Brent has also collapsed from \$5.22/bbl to \$2.46/bbl, suggesting that spot demand for energy is dampening.</p>

Major Markets

- **US:** Wall Street ended mixed on Monday, with the S&P500 declining 0.3% and the Nasdaq composite tumbling 1.6%.
- **Singapore:** STI added 0.18% to close up at 3,123.46 yesterday and may attempt to trade firmer again amid the slightly more positive cues from Nikkei today. With the UST yield curve declining by up to 9bps led by the front tenors, SGS bonds are likely to sing a similar tune today amid the de-risking mood.
- **Macau:** GDP contracted for the first time since 1Q 2016 by 3.2% yoy in 1Q 2019. The contraction was mainly attributed to high base effect and weak external demand which dragged exports of services (accounting for 84% of GDP) down by 0.3% yoy (weakest since 2Q 2016). Domestically, due to the gradual completion of mega projects and the lack of new projects, fixed investment fell for the fourth quarter in a row by 31.7% yoy. Private consumption growth also moderated to the softest since 3Q 2017 at 2.1% yoy as domestic consumers remained cautious on external headwinds. Moving ahead, with high base effect to wane gradually in the coming quarters and government's fiscal stimulus to take effect, Macau's economic may not enter a recession in the near term. However, we are not optimistic about the gambling hub's outlook as the re-escalation of US-China trade war may add downside risks onto both tourism and gaming sectors. Policy risks may also continue looming over the VIP segment. Furthermore, as few mega projects are still under construction, fixed investment will likely remain subdued. In a nutshell, we expect Macau's GDP growth will soften from 4.7% in 2018 to around 0% in 2019.
- **Thailand:** It will prove to be a busy week for Thailand today, with a few key events to watch out for. On the economic front, data on May inflation will be released at 11.30am SGT, with consensus at 0.99%. The Bank of Thailand has set an inflation target range of 1-4% and is widely seen to be keeping rates constant at 1.75% for the rest of the year. Inflation in Thailand sank to as low as 0.27% in January before rebounding to 1.23% last month, but the BoT has largely kept their patience stance throughout this fluctuation. Separately, in the afternoon, the pro-military Palang Pracharath party and the non-aligned Democrat Party are set to release statements on coalition plans. Thailand is expected to announce their Prime Minister elect tomorrow, widely expected to be incumbent Prayut Chan-ocha.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened yesterday, with the shorter tenors and belly trading 6-8bps lower while the longer tenors traded 3-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 3bps to 144bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 520bps. 10Y UST yields fell 5bps to 2.07%, on the back of safe haven demand from the escalating trade conflicts between US and its trade partners. St Louis Federal Reserve President James Bullard has also commented that a rate cut may be imminent due to the global trade tensions and weak inflationary data. Of note, the yield curve between the 3-month treasury bills and 10-year treasury notes has inverted further to -21bps yesterday.
- **New Issues:** Industrial & Commercial Bank of China Ltd has priced a USD750mn 3-year FRN at 3-month US LIBOR+72bps (tightening from IPT 3-month LIBOR+95bps area) and a USD750mn 5-year FRN at 3-month US LIBOR+83bps (tightening from IPT of 3-month US LIBOR+105bps area). Zunyi Road and Bridge Construction (Group) Ltd has priced USD78mn of its existing ZYRDBG 8.0%'22s at 8.0%. Shangri-La Hotel Ltd has priced a SGD135mn 5-year private placement at 3.70% and a SGD165mn 8-year private placement at 4.10%. LMIRT Capital Pte Ltd and Perpetual (Asia) Ltd (guarantor: Lippo Malls Indonesia Retail Trust) has scheduled investor meetings from 4 June for its potential USD bond issuance. Xinhua Zhongbao Co Ltd has scheduled investor meetings from 3 June for its potential USD bond issuance. Jiangsu Zhongnan Construction Group Co Ltd has scheduled investor meetings from 4 June for its potential USD bond issuance. POSCO has scheduled investor meetings from 12 June for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.142	-0.62%	USD-SGD	1.3666	-0.60%
USD-JPY	108.070	-0.20%	EUR-SGD	1.5364	0.06%
EUR-USD	1.1241	0.64%	JPY-SGD	1.2645	-0.32%
AUD-USD	0.6977	0.56%	GBP-SGD	1.7308	-0.35%
GBP-USD	1.2664	0.28%	AUD-SGD	0.9535	-0.02%
USD-MYR	4.1812	-0.21%	NZD-SGD	0.9017	0.34%
USD-CNY	6.9037	-0.02%	CHF-SGD	1.3770	0.28%
USD-IDR	14273	--	SGD-MYR	3.0508	0.28%
USD-VND	23397	-0.08%	SGD-CNY	5.0418	0.50%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3780	--	O/N	2.3545	--
2M	-0.3360	--	1M	2.4305	--
3M	-0.3220	--	2M	2.4740	--
6M	-0.2500	--	3M	2.5025	--
9M	-0.1940	--	6M	2.5166	--
12M	-0.1680	--	12M	2.5103	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	33.9%	0.0%	33.9%	66.1%
07/31/2019	0.0%	65.7%	16.3%	49.4%	34.3%
09/18/2019	0.0%	93.6%	43.2%	37.2%	6.4%
10/30/2019	0.0%	96.4%	40.5%	23.4%	3.6%
12/11/2019	0.0%	98.7%	29.6%	10.7%	1.3%
01/29/2020	0.0%	99.2%	22.2%	7.0%	0.8%

Equity and Commodity

Index	Value	Net change
DJIA	24,819.78	4.74
S&P	2,744.45	-7.61
Nasdaq	7,333.02	-120.13
Nikkei 225	20,410.88	-190.31
STI	3,123.46	5.70
KLCI	1,655.31	4.55
JCI	6,209.12	--
Baltic Dry	1,096.00	--
VIX	18.86	0.15

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (-0.06)	1.83 (-0.09)
5Y	1.88 (-0.05)	1.84 (-0.08)
10Y	2.06 (-0.03)	2.07 (-0.05)
15Y	2.28 (-0.04)	--
20Y	2.36 (-0.04)	--
30Y	2.54 (-0.04)	2.53 (-0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.65	0.05
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.49
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	53.25	-0.5%	Corn (per bushel)	4.2425	-0.6%
Brent (per barrel)	61.28	-5.0%	Soybean (per bushel)	8.790	0.1%
Heating Oil (per gallon)	1.8065	-1.9%	Wheat (per bushel)	5.1975	3.3%
Gasoline (per gallon)	1.7413	-3.4%	Crude Palm Oil (MYR/MT)	1,994.0	-1.8%
Natural Gas (per MMBtu)	2.4030	-2.1%	Rubber (JPY/KG)	217.3	-0.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,842	0.2%	Gold (per oz)	1,322.7	1.3%
Nickel (per mt)	11,878	-1.2%	Silver (per oz)	14.740	1.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
06/03/2019 08:30	JN Nikkei Japan PMI Mfg	May F	--	49.8	49.6
06/03/2019 08:30	SK Nikkei South Korea PMI Mfg	May	--	48.4	50.2
06/03/2019 08:30	VN Nikkei Vietnam PMI Mfg	May	--	52	52.5
06/03/2019 09:45	CH Caixin China PMI Mfg	May	50	50.2	50.2
06/03/2019 16:00	EC Markit Eurozone Manufacturing PMI	May F	47.7	47.7	47.7
06/03/2019 16:30	UK Markit UK PMI Manufacturing SA	May	52.2	49.4	53.1
06/03/2019 21:45	US Markit US Manufacturing PMI	May F	50.6	50.5	50.6
06/03/2019 22:00	US ISM Manufacturing	May	53	52.1	52.8
06/04/2019 07:00	SK GDP YoY	1Q F	1.80%	1.70%	1.80%
06/04/2019 09:30	AU Retail Sales MoM	Apr	0.20%	--	0.30%
06/04/2019 11:30	TH CPI YoY	May	0.99%	--	1.23%
06/04/2019 12:30	AU RBA Cash Rate Target	Jun-04	1.25%	--	1.50%
06/04/2019 22:00	US Durable Goods Orders	Apr F	--	--	-2.10%

Source: Bloomberg

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