

Highlights

Global	Global risk sentiment improved, with the S&P 500 index ending higher for the second day on the back of rising expectations that the US Fed may cut its interest rates soon despite the mixed economic data. The hope that the US and Mexico being able to strike a deal to avert the tariff also proved short-lived, as Wednesday's meeting between US and Mexican delegations ended with no breakthrough, though President Trump tweeted in Europe that "progress is being made". Markets will continue to monitor the progress of the negotiations closely, which will resume today. Separately, President Trump is facing more resistance within his own Republican Party on his tariff threat to Mexico. This may give hopes both sides will eventually reach a deal.
US	On economic data, US service sector expanded at a strong pace with the ISM non-manufacturing index rising by 1.4 to 56.9 in May, above market consensus of 55.5. The employment sub index surged by 4.4 to a seven month high, which partially offset the weak sentiment from the ADP. The ADP National Employment Report showed that the job creation by private employers only increased by 27000 in May, lowest since March 2010. Investors will watch closely on the non-farm payroll data due on Friday, though ADP has a poor predicting record. On a separate report, the Fed Beige book, which covered the period from April to mid-May, shows that there are increasing concerns among business owners on the impact of the trade war though the outlook for the month ahead was solidly positive but modest. Rethinking of the Fed's monetary policy framework may be underway. With inflation running persistently below a 2% target under the current framework, the Fed may take a more active approach to achieve its inflation target and place more emphasis on boosting the labor market.
EU	The European Commission warned of a possible disciplinary procedure against Italy, as Italy's growing public debt has broken the EU rules, sending the Italian yields government bond yields higher.
CMD	Another bearish catalyst in the form of US petroleum reserves sparked a session of profit-taking in crude oil prices once again. Petroleum reserves rose on the week to 1.308bn barrels, an increase of 22.44mil barrels and also the largest weekly increase since data began in 1982. WTI is now trading at \$51.68/bbl and Brent at \$60.63/bbl. Risk-off sentiments have gripped the energy markets and specs look eager to sell on both optimistic and pessimistic news headlines. Brent going for \$55/bbl now appears to present a higher probability, depending on the magnitude of longs that have exited the spec space.

Major Markets

- **US:** Wall Street ended higher on Wednesday, with the S&P500 advancing 0.8%. The DJIA rose 0.8%, and the Nasdaq composite jumped 0.6%.
- **Singapore:** The STI rose +0.6% on Tuesday to 3,142.37 but that uptick may prove nothing more than a technical rebound for now. With the US and Mexico not able to come to a trade agreement, we expect the STI to trend lower today. The support for STI at 3,000 appears intact in the meantime.
- **Hong Kong:** Housing transaction volume rose for the third consecutive month by 49% yoy or 4.9% mom to the highest since Oct 2012 at 8208 deals in May 2019. CCL index which tracks secondary property prices rose by 8.6% YTD to an all-time high as of 26th May. Nevertheless, we expect the YTD housing rebound to subside moderately in the coming months due to several unfavourable factors including negative wealth effect on stock market correction, souring investor sentiment on trade war re-escalation, elevated HIBORs and increasing short-term supply. In conclusion, we expect housing transaction volume and price to retreat from recent highs in the coming months. Housing prices are expected to grow by 8% by end of 2019. Should US-China trade war continue to escalate, housing prices will likely see a milder growth this year.
- **Thailand:** Thailand's parliament has chosen to retain incumbent PM Prayut Chan-ocha as its Prime Minister. The pro-military Palang Pracharath party (PPRP) managed a late-hour deal to secure a coalition with the Democrat party, a traditional political powerhouse that holds 53 of 500 seats in the Lower House. The PPRP has also managed to secure an alliance with the Bhumjaithai (BJT) party last week (51 seats). Together the PPRP coalition now holds 254 seats, with the PPRP, Democrat and BJT holding a combined total of 220 seats, while 16 other smaller parties contributed another 34 seats. Overall, PM Prayut won 500 of 244 seats in the race for the premiership against Future Forward Party leader Thanathorn Juangroongruangkit. Assuming that 250 Senate members voted for Prayut, that would mean 250 of the Lower House casted Prayut as their choice for the top job – 4 shy of the coalition's 254 seats. It may suggest that even though the PPRP has a majority coalition in the Lower House, the stability may appear fragile and political deadlock in passing economic reforms may still be expected.
- **Indonesia:** Coordinating Minister for Economic Affairs, Darmin Nasution, said that the Indonesian government will take "responsive steps" in anticipation of external economic stresses. The country is focused on maintaining stability and expects domestic demand to remain robust in the short run. Finance Minister Sri Mulyani Indrawati also said that the US-China trade war will affect Indonesia's ability to shift shipment to other markets. Indonesia suffered massive capital outflows last year as funds were pulled out of EM markets on the wake of Sino-US tensions – the latest statements from Indonesian officials appear to suggest that they may be anticipating and preparing to deal with a repeat scenario.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened over the past 2 days, with the shorter tenors and belly trading 3-7bps lower while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 521bps. 10Y UST yields rose 6bps to 2.13%, on the back of improving investor sentiment in the equity market after Fed officials came up with statements supportive of continuing economic growth path while the US and Mexico continued tariff discussions. Of note, the yield curve between the 3-month treasury bills and 10-year treasury notes continued to be inverted, though narrower at -20bps.
- **New Issues:** UHI Capital Ltd has priced a USD500mn 5-year bond (guarantor: Guangdong Energy Group Co., Ltd.) at T+128bps, tightening from IPT of T+160bps area. Xinhua (BVI) 2018 Holding Company Limited has priced a USD110mn 3NCNP2 bond (guarantor: Xinhua Zhongbao Co., Ltd.) at 11.0%, tightening from IPG of 11.25% area. Fuqing Investment Management Ltd has priced a USD400mn 3-year bond (guarantor: Pingan Real Estate Capital Ltd.) at 4.30%, tightening from IPT of 4.6% area. Keppel Infrastructure Fund Management Pte Ltd has priced a SGD200mn NC10-perpetual bond at 4.75%. Korea Gas Corporation has initiated investor meetings from June 10 for its potential USD bond issuance. China National Chemical Corporation Limited has scheduled investor meetings from June 6 for its potential USD bond issuance

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.320	0.26%	USD-SGD	1.3662	-0.01%
USD-JPY	108.460	0.29%	EUR-SGD	1.5330	-0.29%
EUR-USD	1.1221	-0.28%	JPY-SGD	1.2603	-0.25%
AUD-USD	0.6970	-0.30%	GBP-SGD	1.7333	-0.09%
GBP-USD	1.2687	-0.09%	AUD-SGD	0.9521	-0.32%
USD-MYR	4.1745	--	NZD-SGD	0.9042	0.13%
USD-CNY	6.9089	0.01%	CHF-SGD	1.3737	-0.25%
USD-IDR	14273	--	SGD-MYR	3.0609	0.33%
USD-VND	23413	0.04%	SGD-CNY	5.0597	0.28%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3790	--	O/N	2.3600	--
2M	-0.3360	--	1M	2.4209	--
3M	-0.3220	--	2M	2.4575	--
6M	-0.2540	--	3M	2.4744	--
9M	-0.1940	--	6M	2.4243	--
12M	-0.1770	--	12M	2.4053	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	24.5%	0.0%	24.5%	75.5%
07/31/2019	0.0%	69.8%	14.7%	55.1%	30.2%
09/18/2019	0.0%	95.7%	49.4%	33.7%	4.3%
10/30/2019	0.0%	97.6%	42.3%	20.4%	2.4%
12/11/2019	0.0%	99.1%	29.2%	9.6%	0.9%
01/29/2020	0.0%	99.4%	22.5%	6.7%	0.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	51.68	-3.4%	Corn (per bushel)	4.1475	-2.5%
Brent (per barrel)	60.63	-2.2%	Soybean (per bushel)	8.698	-1.4%
Heating Oil (per gallon)	1.7800	-2.3%	Wheat (per bushel)	4.9075	-3.3%
Gasoline (per gallon)	1.6928	-1.8%	Crude Palm Oil (MYR/MT)	2,030.0	--
Natural Gas (per MMBtu)	2.3780	-1.6%	Rubber (JPY/KG)	218.6	0.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,807	-1.2%	Gold (per oz)	1,328.3	0.4%
Nickel (per mt)	11,721	-0.8%	Silver (per oz)	14.791	0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,539.57	207.39
S&P	2,826.15	22.88
Nasdaq	7,575.48	48.36
Nikkei 225	20,776.10	367.56
STI	3,142.37	--
KLCI	1,644.09	--
JCI	6,209.12	--
Baltic Dry	1,122.00	--
VIX	16.09	-0.88

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.81 (-)	1.86 (-0.03)
5Y	1.84 (-)	1.88 (-0.02)
10Y	2.06 (-)	2.13 (+0.01)
15Y	2.29 (-)	--
20Y	2.37 (-)	--
30Y	2.54 (-)	2.65 (+0.04)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.30	0.43
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.39
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
06/05/2019 09:00	PH CPI YoY 2012=100	May	2.90%	3.20%	3.00%	--
06/05/2019 09:30	AU GDP SA QoQ	1Q	0.50%	0.40%	0.20%	--
06/05/2019 09:30	AU GDP YoY	1Q	1.80%	1.80%	2.30%	--
06/05/2019 19:00	US MBA Mortgage Applications	May-31	--	1.50%	-3.30%	--
06/05/2019 20:15	US ADP Employment Change	May	185k	27k	275k	271k
06/05/2019 22:00	US ISM Non-Manufacturing Index	May	55.4	56.9	55.5	--
06/06/2019 09:30	AU Trade Balance	Apr	A\$5000m	--	A\$4949m	--
06/06/2019 14:15	IN RBI Repurchase Rate	Jun-06	5.75%	--	6.00%	--
06/06/2019 17:00	EC GDP SA QoQ	1Q F	0.40%	--	0.40%	--
06/06/2019 19:45	EC ECB Main Refinancing Rate	Jun-06	0.00%	--	0.00%	--
06/06/2019 20:30	US Trade Balance	Apr	-\$50.7b	--	-\$50.0b	--
06/06/2019 20:30	US Initial Jobless Claims	Jun-01	215k	--	215k	--
06/06/2019 06/13	VN Domestic Vehicle Sales YoY	May	--	--	-2.80%	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Howie Lee HowieLee@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

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