

### Highlights

<b>Global</b>	<p><b>The US-China trade drama continues, with US Trade Representative Lighthizer accusing China of backpedalling on commitments made during negotiations and plans to raise tariffs on Friday, whilst China's Liu He will still lead a smaller delegation to visit Washington on Thursday-Friday.</b> With global risk appetite still suppressed for now, Wall Street closed lower after paring losses while the 10-year UST bond yield edged lower to 2.49%. Oil prices also rose on news that the US is deploying an aircraft carrier and a strike force to the Middle East as a deterrent to Iran. PBOC also announced it will cut RRR for some small and medium-sized banks to 8% in three phases from 15 May, 17 June and 15 July to release about CNY280b.</p> <p><b>Asian markets are likely to attempt to trade with a more stable tone today, but market sentiments may remain vulnerable to news headlines while awaiting further cues on the US-China trade front. Key events to watch are the RBA and BNM policy decisions later today.</b> In our view, the risk is that RBA stays pat contrary to market expectations. Today's economic calendar comprises Taiwan's April trade and CPI data, Australia's retail sales and trade for March, German factory orders, and Malaysia's foreign reserves. Also speaking today are BOE's Cunliffe and Haldane, Fed's Kaplan and Quarles.</p>
<b>EU</b>	<p>Eurozone's final services and composite PMIs rose to 52.8 and 51.5 respectively, up from the preliminary readings of 52.5 and 51.3. The Sentix investor confidence rebounded from -0.3 to 5.3 in May, with the current account and expectations gauges at 11.0 and -0.3 respectively.</p>
<b>MY</b>	<p>BNM will be holding their policy meeting today with our expectations that the central bank will likely keep rates on hold. We see that BNM may want to still continue to monitor the economic situation and that a rate cut may only come as early as July 2019.</p>
<b>ID</b>	<p>Similar to other Asian currencies, the IDR was pressured yesterday amid a risk-off environment given uncertainty regarding the US – China trade negotiations. BI intervened in the spot market yesterday as well as absorbed government bonds. The USD – IDR closed higher by 0.23% at the end of yesterday. MoF will be holding a conventional bond auction today with a target to raise Rp15tn. Continue to closely watch for interest in the bond market in the current environment. Meanwhile, 1Q 2019 GDP slowed to 5.07% yoy but we expect it to pick up in 2Q 2019 to 5.20% yoy.</p>

## Major Markets

- **US:** Wall Street ended lower on Monday, with the S&P500 declining 0.5%. The DJIA fell 0.3%, and the Nasdaq composite tumbled 0.5%.
- **Singapore:** The STI closed lower by 3.0% at 3290.80 yesterday, amid the sea of red ink across Asia on renewed US-China trade tensions. Given that market sentiments remain fragile, as seen by Kospi's morning weakness, STI may continue to consolidate lower in a 3362-3300 range for today. With UST bond yields falling further by up to 6bps, again led by the belly of the curve overnight, the SGS bond market may remain better bid today as well.
- **Canada:** BOC governor Poloz opined that the housing sector will return to growth this year and downplayed the impact of new mortgage regulations and higher interest rates.
- **Hong Kong:** The exchange funds gained a record quarterly returns of HK\$120.9 billion in 1Q 2019, owing to the strong performance of global bond and stock markets on the back of trade war optimism, major central banks' dovish tone and China's stimulus. Moving forward, the performance of exchange funds in the coming quarters remains uncertain. At this juncture, we believe that the upside for global stock market may be capped as market has fully priced in the expectations of major central banks' easing bias but not yet well priced in the possible escalation in trade war and further slowdown in global growth. In contrast, bond market's bull run may continue should global growth remains on a downtrend and trade tensions escalate. Elsewhere, we expect the US dollar to remain resilient in the coming quarter owing to the yield differential, solid domestic growth as well as the safe-haven demand. This will in turn limit or even revert the gain from foreign exchange. In conclusion, exchange funds may not achieve such a strong return in the coming quarters as stock market and bond market will unlikely to thrive together given global uncertainties.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors trading 1bps lower, while the belly and longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 130bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 470bps. 10Y UST yields fell 6bps to 2.47%, on the back safe haven demand driven by fresh trade tensions between China and the United States. With US President Donald Trump threatening to increase tariffs on USD200bn of Chinese-made goods from 10% to 25%, fears of a global slowdown in the event of derailed trade talks between the two largest economies in the world became the focus of the market. The drop in yields, however, was offset by the upcoming USD84bn treasury supply this week.
- **New Issues:** Yankuang Group Co Ltd has scheduled investor meetings from 7 May for a potential re-tap of its existing USD 2022 bond. Delhi International Airport Ltd has scheduled investor meetings from 7 May for its potential USD 10-year bond issuance. State Development & Investment Corp Ltd (issuer: Rongshi International Finance Ltd) has scheduled investor meetings from 8 May for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.515	-0.01%	<b>USD-SGD</b>	1.3631	0.19%
<b>USD-JPY</b>	110.760	-0.31%	<b>EUR-SGD</b>	1.5267	0.20%
<b>EUR-USD</b>	1.1199	0.01%	<b>JPY-SGD</b>	1.2306	0.50%
<b>AUD-USD</b>	0.6991	-0.38%	<b>GBP-SGD</b>	1.7854	-0.37%
<b>GBP-USD</b>	1.3097	-0.58%	<b>AUD-SGD</b>	0.9530	-0.26%
<b>USD-MYR</b>	4.1470	0.09%	<b>NZD-SGD</b>	0.9015	-0.25%
<b>USD-CNY</b>	6.7662	0.46%	<b>CHF-SGD</b>	1.3392	0.05%
<b>USD-IDR</b>	14299	0.23%	<b>SGD-MYR</b>	3.0429	0.15%
<b>USD-VND</b>	23282	0.11%	<b>SGD-CNY</b>	4.9640	0.27%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3650	--	<b>O/N</b>	2.3779	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4666	--
<b>3M</b>	-0.3090	--	<b>2M</b>	2.5084	--
<b>6M</b>	-0.2300	--	<b>3M</b>	2.5599	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.6174	--
<b>12M</b>	-0.1140	--	<b>12M</b>	2.7455	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	7.9%	0.0%	7.9%	92.1%
07/31/2019	0.0%	17.1%	0.8%	16.3%	82.9%
09/18/2019	0.0%	35.8%	4.3%	31.4%	64.2%
10/30/2019	0.0%	42.5%	7.1%	34.8%	57.5%
12/11/2019	0.0%	59.2%	15.2%	41.4%	40.8%
01/29/2020	0.0%	64.1%	18.3%	41.3%	35.9%

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,438.48	-66.47
<b>S&amp;P</b>	2,932.47	-13.17
<b>Nasdaq</b>	8,123.29	-40.71
<b>Nikkei 225</b>	22,258.73	--
<b>STI</b>	3,290.62	-101.67
<b>KLCI</b>	1,632.80	-4.50
<b>JCI</b>	6,256.35	-63.11
<b>Baltic Dry</b>	985.00	--
<b>VIX</b>	15.44	2.57

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.95 (-0.01)	2.29 (-0.04)
<b>5Y</b>	2.02 (-0.03)	2.26 (-0.06)
<b>10Y</b>	2.21 (-0.05)	2.47 (-0.06)
<b>15Y</b>	2.44 (-0.03)	--
<b>20Y</b>	2.50 (-0.03)	--
<b>30Y</b>	2.66 (-0.03)	2.89 (-0.03)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.50	--
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.43
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#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	62.25	0.5%	Corn (per bushel)	3.5575	-2.0%
Brent (per barrel)	71.24	0.6%	Soybean (per bushel)	8.175	-1.4%
Heating Oil (per gallon)	2.0676	-0.1%	Wheat (per bushel)	4.2800	--
Gasoline (per gallon)	1.9966	-1.5%	Crude Palm Oil (MYR/MT)	1,877.0	-1.2%
Natural Gas (per MMBtu)	2.5240	-1.7%	Rubber (JPY/KG)	187.1	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,236	--	Gold (per oz)	1,283.8	0.2%
Nickel (per mt)	12,179	--	Silver (per oz)	14.857	-0.3%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/06/2019 12:07	ID GDP YoY	1Q	5.20%	5.07%	5.18%	--
05/06/2019 15:55	GE Markit Germany Services PMI	Apr F	55.6	55.7	55.6	--
05/06/2019 16:00	EC Markit Eurozone Composite PMI	Apr F	51.3	51.5	51.3	--
05/07/2019 08:30	JN Nikkei Japan PMI Mfg	Apr F	--	--	49.5	--
05/07/2019 09:00	PH CPI YoY 2012=100	Apr	3.10%	--	3.30%	--
05/07/2019 12:30	AU RBA Cash Rate Target	May-07	1.25%	--	1.50%	--
05/07/2019 14:00	GE Factory Orders MoM	Mar	1.40%	--	-4.20%	--
05/07/2019 15:00	MA BNM Overnight Policy Rate	May-07	3.00%	--	3.25%	--
05/07/2019 15:30	UK Halifax House Prices MoM	Apr	0.10%	--	-1.60%	--
05/07/2019 16:00	TA CPI YoY	Apr	0.50%	--	0.58%	--
05/07/2019 16:00	TA Exports YoY	Apr	-3.10%	--	-4.40%	--

Source: Bloomberg

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