

Highlights

Global	<p>US stocks rose for the third consecutive day on Thursday on the back of hopes that a deal may be reached between US and Mexico to avert the planned 5% tariff. The outline of an immigration deal is being discussed by both officials, according to a report from Washington Post. However, there is still no sign of de-escalation for the US-China trade war. President Trump said yesterday that he will decide whether he will impose additional tariff on the remaining at least US\$300 billion Chinese imports after the G20 meeting. China's Commerce Ministry spokesman reiterated again yesterday that China will fight to the end if the US willingly decides to escalate tensions.</p> <p>The focus will be shifted to the G20 finance ministers and central Bankers meeting this weekend in Japan, where US Treasury Secretary Mnuchin will meet PBoC Governor Yi Gang for face-to-face discussions.</p> <p>In Europe, the ECB kept its benchmark interest rate unchanged as expected but tweaked its forward guidance for the second time within half year. The ECB said rates would "remain at their present levels at least through the first half of 2020". Although ECB President Draghi said "several members raised the possibility of further rate cuts", investors took ECB's new forward guidance as message ruling out rate cut till 2020. This sent the EUR and yields higher. On economic assessment, Draghi said risks to the economy were tilted to the downside. In its revised forecast, the ECB lower its growth target to 1.4% for 2020 and 2021 from previously expected 1.6% and 1.5% though it raised the growth target for 2019 to 1.2% from 1.1%.</p>
US	<p>Exports fell by 3.1% in April, largest drop since January 2015 distorted by the decline of civilian aircraft exports following the deadly accident. Imports also declined by 2.5% yoy in April. As a result of falling imports, US goods trade deficit narrowed to US\$50.8 billion. However, trade deficit with China remained wide at US\$26.9 billion.</p>
UK	<p>PM May will be stepping down as Conservative Party leader on 7 June, albeit still remaining as the PM. The leadership contest will begin the week starting 10 June. The final result is expected to be out by 22 July. Boris Johnson, Michael Gove, Jeremy Hunt and Dominic Raab are among the frontrunners for the top job.</p>

Major Markets

- **US:** Wall Street ended higher on Thursday, with the S&P500 advancing 0.6%. The DJIA rose 0.7%, and the Nasdaq composite jumped 0.5%.
- **China:** PBoC conducted CNY500 billion medium term lending facility on Thursday with the same cost, higher than the CNY463 billion maturing MLFs. The higher than expected injection shows PBoC's flexibility to support liquidity.
- **Singapore:** The STI rose 0.1% yesterday to follow overnight US markets higher. Optimism that the Fed may cut interest rates given the mixed economic data drove Singapore equities higher. Today we expect the STI to trade muted with an upward bias, as investors await the all-important US nonfarm payrolls tonight. Optimism over a short-lived US-Mexico trade deal may present upward pressure on the STI.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-steepened over yesterday, with the shorter tenors and belly trading 5-9bps lower while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 518bps. 10Y UST yields fell 2bps to 2.12%, due to increased risk aversion by investors, continuing expectations that trade tensions between US and its trade partners may be prolonged, compounded by ECB's decision to not lower rates. Spread between 3-month treasury bills and 10-year treasury notes continued to be inverted, though narrower at -17bps.
- **New Issues:** Gemdale Ever Prosperity Investment Ltd. has priced a USD250mn 3-year bond (guarantor: Famous Commercial Ltd.) at 5.6%, tightening from IPT at 6% area. China South City Holdings Ltd has priced a USD60mn re-tap of its existing CSCHCN 11.875%'21s at 12.12% (reoffer: 99.567). Ronshine China Holdings Ltd has priced a USD235mn 3-year bond at 9%, from IPT at 9.25% area. Cooperatieve Rabobank U.A. has priced a SGD15mn 1-year FRN at SORF3M-5bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.044	-0.28%	USD-SGD	1.3641	-0.15%
USD-JPY	108.400	-0.06%	EUR-SGD	1.5382	0.34%
EUR-USD	1.1276	0.49%	JPY-SGD	1.2588	-0.12%
AUD-USD	0.6977	0.10%	GBP-SGD	1.7315	-0.10%
GBP-USD	1.2694	0.06%	AUD-SGD	0.9517	-0.04%
USD-MYR	4.1745	--	NZD-SGD	0.9036	-0.07%
USD-CNY	6.9096	0.01%	CHF-SGD	1.3763	0.19%
USD-IDR	14273	--	SGD-MYR	3.0581	-0.09%
USD-VND	23406	-0.03%	SGD-CNY	5.0686	0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3830	--	O/N	2.3454	--
2M	-0.3360	--	1M	2.4185	--
3M	-0.3200	--	2M	2.4564	--
6M	-0.2540	--	3M	2.4716	--
9M	-0.1940	--	6M	2.4084	--
12M	-0.1770	--	12M	2.3825	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	19.7%	0.0%	19.7%	80.3%
07/31/2019	0.0%	66.3%	11.4%	54.8%	33.7%
09/18/2019	0.0%	92.8%	45.6%	38.2%	7.2%
10/30/2019	0.0%	95.8%	42.5%	25.4%	4.2%
12/11/2019	0.0%	98.2%	32.9%	13.5%	1.8%
01/29/2020	0.0%	98.7%	26.7%	9.8%	1.3%

Equity and Commodity

Index	Value	Net change
DJIA	25,720.66	181.09
S&P	2,843.49	17.34
Nasdaq	7,615.55	40.08
Nikkei 225	20,774.04	-2.06
STI	3,146.18	3.81
KLCI	1,644.09	--
JCI	6,209.12	--
Baltic Dry	1,141.00	--
VIX	15.93	-0.16

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.73 (-0.08)	1.88 (+0.02)
5Y	1.80 (-0.04)	1.88 (+0.01)
10Y	2.04 (-0.02)	2.12 (-0.02)
15Y	2.28 (-0.01)	--
20Y	2.36 (-0.01)	--
30Y	2.54 (-)	2.61 (-0.03)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	4.85	-0.65
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.40
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	52.59	1.8%	Corn (per bushel)	4.2050	1.4%
Brent (per barrel)	61.67	1.7%	Soybean (per bushel)	8.688	-0.1%
Heating Oil (per gallon)	1.7883	0.5%	Wheat (per bushel)	5.1000	3.9%
Gasoline (per gallon)	1.7076	0.9%	Crude Palm Oil (MYR/MT)	2,030.0	--
Natural Gas (per MMBtu)	2.3240	-2.3%	Rubber (JPY/KG)	224.5	2.7%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,808	0.0%	Gold (per oz)	1,337.6	0.7%
Nickel (per mt)	11,666	-0.5%	Silver (per oz)	14.905	0.8%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised	
06/06/2019 14:00	GE	Factory Orders MoM	Apr	0.00%	0.30%	0.60%	0.80%
06/06/2019 14:15	IN	RBI Repurchase Rate	Jun-06	5.75%	5.75%	6.00%	--
06/06/2019 17:00	EC	GDP SA QoQ	1Q F	0.40%	0.40%	0.40%	--
06/06/2019 19:45	EC	ECB Main Refinancing Rate	Jun-06	0.00%	0.00%	0.00%	--
06/06/2019 20:30	US	Trade Balance	Apr	-\$50.7b	-\$50.8b	-\$50.0b	-\$51.9b
06/06/2019 20:30	US	Initial Jobless Claims	Jun-01	215k	218k	215k	218k
06/07/2019 14:00	GE	Industrial Production SA MoM	Apr	-0.50%	--	0.50%	--
06/07/2019 15:30	UK	Halifax House Prices MoM	May	0.00%	--	1.10%	--
06/07/2019 15:30	TH	Foreign Reserves	May-31	--	--	\$209.3b	--
06/07/2019 20:30	US	Change in Nonfarm Payrolls	May	175k	--	263k	--
06/07/2019 20:30	US	Unemployment Rate	May	3.60%	--	3.60%	--
06/07/2019 22:00	US	Wholesale Inventories MoM	Apr F	0.70%	--	0.70%	--

Source: Bloomberg

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

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