

## Highlights

|        |   |
|--------|---|
| Global | <p><b>Global risk sentiments should kickstart the week on a relatively firm tone amid what portends to be a busy but Easter holiday-shortened week ahead.</b> The S&amp;P500 rallied while the UST bonds (with the 10-year yield at 2.57%) and the USD slipped on Friday amid upbeat earnings from JPMorgan. US President Trump also renewed his criticism of the Fed, saying that “the stock market would be 5000 to 10,000” points higher if not for the Fed rate hikes. The ongoing IMF-World Bank meetings warned that the global economy is at a delicate moment with very high uncertainty and at risk of self-inflicted wounds, albeit ECB president Draghi argued the Eurozone has “remarkable resilience” and UK Chancellor Hammond opined a Brexit agreement could be struck within weeks.</p> <p><b>Asian markets may attempt to trade with a firm tone today.</b> Given the paucity of economic data releases today, with only Indonesia’s March trade data and US’ Empire manufacturing index, attention will be on any news headlines coming from Japanese Economy Minister Motegi who is in the US for trade talks until 18 April, or French president Macron’s address to the nation on measures to potentially appease the Yellow Vest protests and media session. BOE’s Haskel, ECB’s Villeroy and Fed’s Evans are also speaking. Key to watch for this week include more US earnings results with Citigroup, Bank of America, Goldman Sachs, Amex, Morgan Stanley, Netflix, IBM, PepsiCo, and Alcoa etc due, BOK likely static at 1.75% on 18 April, as well as RBA minutes tomorrow, China’s data dump including 1Q19 GDP growth estimates on Wednesday together with Indonesia’s presidential elections, and the second round of voting in India’s national elections on Thursday.</p> |
| US     | <p><b>On the US-China trade talks,</b> Treasury secretary Mnuchin said that US is open to facing “repercussions” if it does not live up to its commitments and “we’re hopefully getting very close to the final round of these issues”. Meanwhile, the University of Michigan confidence sentiments eased from 98.4 to 96.9 in April, with the slippage in the expectations gauge (85.8 from 88.8 previously) outweighing the improvement in the current conditions gauge (114.2 versus 113.3). Notably, both the 1-year and the 5-10 year inflation gauges were also softer at 2.4% and 2.3% respectively, down from 2.5%.</p>   |
| CH     | <p>China’s exports increased by 1.4% yoy in 1Q while imports fell by 4.8% yoy in 1Q. China’s demand for major commodities remains stable. However, China’s imports of electronic integrated circuit remained weak with total imports falling by 7.8% yoy in 1Q. This is in line with the weak exports data from South Korea. The weak outlook on electronic industry may weigh down on China’s export prospect in the second quarter. Meanwhile, the latest message from the upcoming Spring Canton fair was also not positive as the organizer expects the decline of number of participating purchasers. China’s export sector may face uncertainty due to the global economic slowdown.</p>  |
| SG     | <p>February retail sales slumped 10.0% yoy (-1.5% mom sa) in Feb, compared to +7.6% yoy (5.3% mom sa) in Jan, while retail sales excluding autos also dropped 10.7% yoy. This was significantly below market expectations of 2.5% yoy and 1.8% yoy excluding autos (the Bloomberg consensus forecast).</p>  |

## Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 advancing 0.7%. The DJIA jumped 1.0%, and the Nasdaq composite climbed 0.5%.
- **Singapore:** The STI closed 0.03% to end at 3331.98 on Friday and may test the 3340 resistance today. Given UST bond yields rose further by up to 7bps on Friday, led by the longer tenors, SGS bonds may also remain under pressure today even though it sold off by up to 3bps on Friday.
- **China:** March credit data beat market expectations again. Both on-balance sheet and off-balance sheet lending expanded strongly in March although China's top leaders have re-iterated a few times that China will not flood the economy with the excessive liquidity. In addition, the reacceleration of both M1 and M2 growth shows the revival of economic activity. The stronger than expected credit expansion together with the rebound of inflation reading reinforced market concerns that China may put easing monetary policy on hold. The diminishing expectation on RRR cut has led to the sell-off of bond market recently.
- **Malaysia:** Malaysia and China have agreed to resume the East Coast Rail Link after the project costs were slashed by RM21.5bn from RM65.5bn to RM44bn. Meanwhile, the government has talked of protecting the MYR as Mahathir suggested the MYR depreciation could be halted by fixing its value and also mentioned that "Malaysia cannot allow the market and ringgit to decline and depreciate further due to attacks by currency speculators".
- **Indonesia:** The country gears up for the Presidential elections this coming Wednesday with almost all opinion polls indicating that incumbent Jokowi would defeat Prabowo as many of them show the former maintaining a large lead over the latter. However, watch closely the margin of victory that the winner would achieve.
- **Commodities:**

Energy: Crude oil prices appear to have stabilised over the past week after touching multi-week highs since the start of April. WTI closed at \$63.89/bbl after breaching the \$63/bbl level last Monday. Brent continues to trade above \$70/bbl, closing at \$71.55/bbl last Friday. Prices are being pressured higher on the Libya crisis, with French president Emmanuel Macron apparently having secretly endorsed a military campaign to overthrow the UN-backed government in Tripoli. The National Oil Cooperation of Libya said that the current situation is worse than the period immediately after deposition of Muammar Ghaddafi in 2011.

Gold: Prices of the precious metal fell -1.3% on Thursday and Friday combined, after closing above \$1,300/bbl for the first time in two weeks on Wednesday. A series of profit-taking and speculation that the US and China are nearing a trade deal – both parties apparently having agreed largely on enforcement and penalty mechanisms – pushed gold prices lower across Thursday and Friday.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with the shorter tenors and belly trading 6-7bps higher while the longer tenors from 5-year onwards traded 5-6bps higher (with the exception of the 12-year swap rates at 4bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 2bps to 133bps

while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 465bps. 10Y UST yields rose 7bps to 2.57%, a three-week high, on the back of lower safe haven demand after strong data on Chinese exports and a steepening yield curve eased worries regarding a global economic slowdown.

- **New Issues:** Yuyao Economic Development Zone Construction Investment & Development Co Ltd has priced a USD100mn 3-year bond at 6.0%, tightening from IPT of 6.2% area. Guangzhou Fineland Real Estate Development Co Ltd has priced a USD300mn 2-year bond at 14.6% (13.5% at 98.15).

### Key Financial Indicators

#### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 96.972    | -0.21%   | <b>USD-SGD</b> | 1.3529    | -0.24%   |
| <b>USD-JPY</b> | 112.020   | 0.32%    | <b>EUR-SGD</b> | 1.5286    | 0.16%    |
| <b>EUR-USD</b> | 1.1299    | 0.41%    | <b>JPY-SGD</b> | 1.2078    | -0.57%   |
| <b>AUD-USD</b> | 0.7173    | 0.69%    | <b>GBP-SGD</b> | 1.7690    | -0.11%   |
| <b>GBP-USD</b> | 1.3074    | 0.12%    | <b>AUD-SGD</b> | 0.9703    | 0.42%    |
| <b>USD-MYR</b> | 4.1143    | 0.03%    | <b>NZD-SGD</b> | 0.9150    | 0.26%    |
| <b>USD-CNY</b> | 6.7036    | -0.24%   | <b>CHF-SGD</b> | 1.3496    | -0.16%   |
| <b>USD-IDR</b> | 14095     | -0.32%   | <b>SGD-MYR</b> | 3.0385    | -0.06%   |
| <b>USD-VND</b> | 23199     | 0.00%    | <b>SGD-CNY</b> | 4.9551    | -0.05%   |

#### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD Libor | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3670 | --     | <b>O/N</b> | 2.3923    | 0.0037 |
| <b>2M</b>  | -0.3360 | 0.0037 | <b>1M</b>  | 2.4774    | 0.0048 |
| <b>3M</b>  | -0.3100 | 0.0048 | <b>2M</b>  | 2.5426    | 0.0059 |
| <b>6M</b>  | -0.2320 | 0.0059 | <b>3M</b>  | 2.6010    | 0.0042 |
| <b>9M</b>  | -0.1940 | 0.0042 | <b>6M</b>  | 2.6378    | 0.0065 |
| <b>12M</b> | -0.1120 | 0.0065 | <b>12M</b> | 2.7484    | 0.0143 |

#### Fed Rate Hike Probability

| Meeting    | Prob Hike | Prob Cut | 1.75-2% | 2-2.25% | 2.25-2.5% |
|------------|-----------|----------|---------|---------|-----------|
| 03/20/2019 | 0.0%      | 0.5%     | 0.0%    | 0.5%    | 99.5%     |
| 05/01/2019 | 0.0%      | 10.9%    | 0.1%    | 10.8%   | 89.1%     |
| 06/19/2019 | 0.0%      | 13.2%    | 0.3%    | 12.8%   | 86.8%     |
| 07/31/2019 | 0.0%      | 27.0%    | 2.3%    | 24.6%   | 73.0%     |
| 09/18/2019 | 0.0%      | 30.7%    | 3.5%    | 27.1%   | 69.3%     |
| 10/30/2019 | 0.0%      | 42.3%    | 7.4%    | 34.1%   | 57.7%     |

#### Commodities Futures

| Energy                   | Futures        | % chg        | Soft Commodities        | Futures        | % chg        |
|--------------------------|----------------|--------------|-------------------------|----------------|--------------|
| WTI (per barrel)         | 63.89          | 0.5%         | Corn (per bushel)       | 3.6100         | 0.3%         |
| Brent (per barrel)       | 71.55          | 1.0%         | Soybean (per bushel)    | 8.953          | --           |
| Heating Oil (per gallon) | 2.0707         | 0.2%         | Wheat (per bushel)      | 4.6450         | 0.9%         |
| Gasoline (per gallon)    | 2.0370         | 0.3%         | Crude Palm Oil (MYR/MT) | 2,038.0        | -0.1%        |
| Natural Gas (per MMBtu)  | 2.6600         | -0.2%        | Rubber (JPY/KG)         | 186.4          | 1.3%         |
| <b>Base Metals</b>       | <b>Futures</b> | <b>% chg</b> | <b>Precious Metals</b>  | <b>Futures</b> | <b>% chg</b> |
| Copper (per mt)          | 6,484          | 1.2%         | Gold (per oz)           | 1,290.6        | 0.2%         |
| Nickel (per mt)          | 13,022         | 0.4%         | Silver (per oz)         | 14.963         | 0.6%         |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 26,412.30 | 269.25     |
| <b>S&amp;P</b>    | 2,907.41  | 19.09      |
| <b>Nasdaq</b>     | 7,984.16  | 36.80      |
| <b>Nikkei 225</b> | 21,870.56 | 159.18     |
| <b>STI</b>        | 3,331.98  | 1.16       |
| <b>KLCI</b>       | 1,630.17  | 5.94       |
| <b>JCI</b>        | 6,405.87  | -4.30      |
| <b>Baltic Dry</b> | 726.00    | -2.00      |
| <b>VIX</b>        | 12.01     | -1.01      |

#### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.88 (+0.02) | 2.39 (+0.04) |
| <b>5Y</b>  | 1.93 (+0.03) | 2.38 (+0.07) |
| <b>10Y</b> | 2.10 (+0.03) | 2.57 (+0.07) |
| <b>15Y</b> | 2.30 (+0.02) | --           |
| <b>20Y</b> | 2.35 (+0.02) | --           |
| <b>30Y</b> | 2.56 (+0.02) | 2.98 (+0.05) |

#### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>EURIBOR-OIS</b> | 5.40  | -0.10  |
| <b>TED</b>         | 35.36 | --     |

#### Secured Overnight Fin. Rate

|             |      |
|-------------|------|
| <b>SOFR</b> | 2.44 |
|-------------|------|

### Economic Calendar

| Date Time        | Event                     | Survey | Actual  | Prior    | Revised  |         |
|------------------|---------------------------|--------|---------|----------|----------|---------|
| 04/12/2019 08:00 | SI GDP SAAR QoQ           | 1Q A   | 2.20%   | 2.00%    | 1.40%    | --      |
| 04/12/2019 08:00 | SI GDP YoY                | 1Q A   | 1.40%   | 1.30%    | 1.90%    | --      |
| 04/12/2019 13:00 | SI Retail Sales YoY       | Feb    | 2.50%   | -10.00%  | 7.60%    | --      |
| 04/12/2019 14:30 | CH Trade Balance          | Mar    | \$5.70b | \$32.65b | \$4.12b  | \$4.08b |
| 04/12/2019 14:30 | CH Exports YoY            | Mar    | 6.50%   | 14.20%   | -20.70%  | -20.80% |
| 04/12/2019 14:30 | CH Imports YoY            | Mar    | 0.20%   | -7.60%   | -5.20%   | --      |
| 04/12/2019 15:30 | TH Foreign Reserves       | Apr-05 | --      | \$211.6b | \$212.2b | --      |
| 04/12/2019 16:00 | CH New Yuan Loans CNY     | Mar    | 1250.0b | 1690.0b  | 885.8b   | --      |
| 04/12/2019 16:00 | CH Money Supply M2 YoY    | Mar    | 8.20%   | 8.60%    | 8.00%    | --      |
| 04/12/2019 20:30 | US Import Price Index MoM | Mar    | 0.40%   | 0.60%    | 0.60%    | 1.00%   |
| 04/12/2019 22:00 | US U. of Mich. Sentiment  | Apr P  | 98.2    | 96.9     | 98.4     | --      |
| 04/15/2019 12:00 | ID Exports YoY            | Mar    | -11.77% | --       | -11.33%  | --      |
| 04/15/2019 20:30 | US Empire Manufacturing   | Apr    | 8       | --       | 3.7      | --      |

Source: Bloomberg

| <u>OCBC Treasury Research</u>  |  |
|--|--|
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