

Highlights

Global	<p>With the approaching end of May, risk-off sentiments subsided slightly over the weekend as Trump hinted of “great progress” and a trade deal with Japan could come after the latter’s July elections (with PM Abe still looking for a sales tax hike in October to maintain credibility). Wall Street eked out small gains on Friday while the 10-year UST bond yield was at 2.33%. Over the weekend, European Parliament elections also pointed to mainstream, pro-establishment and pro-EU parties holding their ground against populist, euroskeptic and anti-establishment parties. Meanwhile, UK PM May has finally resigned, this ironically raises the probability of a no-deal Brexit in our view (note Chancellor Hammond has refused to rule out backing a no-confidence motion against the government if the next PM tries to force a no-deal Brexit on Parliament). Separately, China’s Guo Shuqing warned that speculators “shorting the yuan will inevitably suffer from a huge loss”.</p> <p>Asian markets may trade sideways today with the US markets closed for Memorial Day holiday. Today’s economic calendar is relatively lightweight with only Hong Kong’s April trade data on tap. ECB’s Coeure is also speaking. In addition, US President Trump will meet Japanese PM Abe for one-on-one talks today and also meet the new Japanese emperor. For the week ahead, key to watch include RBNZ’s financial stability report on 29 May, Bank of Canada’s policy decision (likely static at 1.75%) on 29 May, China’s May economic data starting Friday with the official manufacturing PMIs, as well as BOK’s policy decision (likely static at 1.75%) on 31 May.</p>
US	<p>Durables goods orders fell 2.1% in April, dragged down by a slump in civilian aircraft orders (-38.5%) and reversing the downwardly revised 1.7% increase in March (previously estimated at +2.6%). Excluding transportation, durable orders also fell 0.2% (previously -0.7%) and pointing to a decelerating growth momentum into 2Q19.</p>
SG	<p>April industrial production surprised by expanding 0.1% yoy in April, reversing the 4.3% yoy decline seen in March, and also grew 2.4% mom sa in April after two months of contraction. The main boost came from biomedical manufacturing whose output rose 11.2% yoy, driven by both pharmaceuticals (+10.9% yoy) and medical technology (+12% yoy). Excluding biomedical, manufacturing output still fell 2.1% yoy (+5.7% mom sa), suggesting that the recovery was not broad-based yet. Electronics output declined for a second month by 0.6% yoy, albeit a smaller decrease compared to the -15.1% yoy seen in March, due to weakness in computer peripherals (-18.1% yoy) and data storage (-7.0% yoy). While April’s print is an improvement from the -0.5% yoy seen in 1Q19, it is still too early to tell if the positive manufacturing growth streak will last. Note that the May 2018 base is relatively high at +13.0% yoy, so without an attendant stabilization or improvement in the electronic or other related clusters, 2Q19 manufacturing growth may not be fully out of the woods yet.</p>

Major Markets

- **US:** Wall Street ended higher on Friday, with the S&P500 advancing 0.1%. The DJIA rose 0.4%, and the Nasdaq composite climbed 0.1%.
- **Singapore:** The STI added 0.29% to close at 3169.89 on Friday, and may range trade today between 3140-3180 given small gains in Wall Street on Friday and marginal morning slippage in Kosp. With UST bond yields moving a modest 1-2bps higher on Friday, SGS bonds will similarly unwind Friday's gains today. Note the 3-month to 10-year UST bond yield curve is again inverted, and there is US\$72b of UST bill auctions tomorrow, which may keep investors sidelined for now. For SGS, watch the upcoming auctions of \$2.9b 2-year SGS (with MAS taking \$300m) and \$900m 15-year SGS bonds which close at noon on 29 May.
- **China:** Other than trade war related topics, the takeover of Baoshang bank jointly announced by the central bank and banking regulator may come with consequences. The incident is probably the reflection of the idiosyncratic risk rather than the systemic risk as the bank has postponed the release of its annual report for 2017 and 2018 ever since its main shareholder was taken into custody from 2017. Although Baoshang bank has effectively been backed by the sovereign credit, the CNY50 million mark mentioned in the press statement published on Sunday may lead to concerns that investors with exposure more than CNY50 million may not be able to get the full amount back. This may cause interbank lenders to reassess their relationship with the smaller lenders
- **Malaysia:** Primary Industries Minister Teresa Kok has said that Malaysia together with Indonesia will pursue its complaint to the WTO on the EU's palm-biofuel restrictions.
- **Indonesia:** Finance Minister Sri Mulyani has pledged to boost spending in the second quarter to significantly boost gross domestic product (GDP) growth. The Finance Minister also mentioned that the government has allocated Rp20tn for Idul Fitri holiday bonuses this year of which Rp19tn has already been disbursed.
- **Commodities:** Crude oil prices held steady on Friday after enduring its worst YTD daily loss on Thursday. WTI was up +1.2% to \$58.63/bbl while Brent rose +1.4% to \$68.69/bbl, with the spreads maintaining at a stable rate of \$10/bbl. CFTC data on Friday showed a reduction of net long non-commercial futures position of -9.4k contracts on NYMEX in the week ended 21 May to 478.4k contracts. This decline in net long position has not factored in the liquidation on Thursday and we estimate that the number of net-longs left is approximately in the region of 450k contracts, so that probably implies that 40% of long liquidation may have already been completed at current prices. For this reason and the continued tightness in supply, we do not expect a huge slide in current crude oil prices similar to Q4, despite the similarity in trade war backdrop for both cases.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with the shorter tenors and belly trading 2-3bps lower while the longer tenors traded 4-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was little changed at 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 493bps. 10Y UST yields traded little change at 2.32%, with the slight

intraday uptick in yields attributed to profit-taking from investors after Thursday's steep rally in treasury prices.

- **New Issues:** There was no new issuance over 24th May 2019.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.613	-0.25%	USD-SGD	1.3753	-0.37%
USD-JPY	109.310	-0.27%	EUR-SGD	1.5407	-0.18%
EUR-USD	1.1203	0.20%	JPY-SGD	1.2580	-0.08%
AUD-USD	0.6927	0.38%	GBP-SGD	1.7484	0.07%
GBP-USD	1.2714	0.45%	AUD-SGD	0.9522	-0.03%
USD-MYR	4.1880	-0.13%	NZD-SGD	0.9009	0.10%
USD-CNY	6.9002	-0.15%	CHF-SGD	1.3724	-0.22%
USD-IDR	14390	-0.50%	SGD-MYR	3.0430	0.27%
USD-VND	23394	0.04%	SGD-CNY	5.0150	0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3720	--	O/N	2.3565	0.0002
2M	-0.3360	0.0002	1M	2.4281	-0.0016
3M	-0.3110	-0.0016	2M	2.4866	-0.0094
6M	-0.2410	-0.0094	3M	2.5249	0.0042
9M	-0.1940	0.0042	6M	2.5486	-0.0115
12M	-0.1480	-0.0115	12M	2.6190	-0.0258

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	6.3%	0.0%	6.3%	93.7%
07/31/2019	0.0%	15.7%	0.6%	15.1%	84.3%
09/18/2019	0.0%	51.0%	6.7%	44.1%	49.0%
10/30/2019	0.0%	62.3%	15.3%	45.2%	37.7%
12/11/2019	0.0%	78.7%	28.3%	41.9%	21.3%
01/29/2020	0.0%	84.6%	32.1%	36.3%	15.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.63	1.2%	Corn (per bushel)	4.0425	3.7%
Brent (per barrel)	68.69	1.4%	Soybean (per bushel)	8.298	1.0%
Heating Oil (per gallon)	1.9713	0.5%	Wheat (per bushel)	4.8950	4.1%
Gasoline (per gallon)	1.9345	1.1%	Crude Palm Oil (MYR/MT)	1,976.0	0.1%
Natural Gas (per MMBtu)	2.5980	0.8%	Rubber (JPY/KG)	209.0	1.5%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,955	0.5%	Gold (per oz)	1,283.6	-0.1%
Nickel (per mt)	12,355	3.9%	Silver (per oz)	14.520	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,585.69	95.22
S&P	2,826.06	3.82
Nasdaq	7,637.01	8.73
Nikkei 225	21,117.22	-33.92
STI	3,169.89	9.17
KLCI	1,598.32	-3.55
JCI	6,057.35	24.66
Baltic Dry	1,066.00	-2.00
VIX	15.85	-1.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (-0.03)	2.16 (+0.02)
5Y	1.95 (-0.06)	2.12 (+0.01)
10Y	2.13 (-0.06)	2.32 (-)
15Y	2.38 (-0.08)	--
20Y	2.44 (-0.09)	--
30Y	2.63 (-0.08)	2.75 (-)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.57	-0.03
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.37
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/24/2019 07:30	JN Natl CPI YoY	Apr 0.90%	0.90%	0.50%	--
05/24/2019 07:30	JN Natl CPI Ex Fresh Food YoY	Apr 0.90%	0.90%	0.80%	--
05/24/2019 12:00	MA CPI YoY	Apr 0.40%	0.20%	0.20%	--
05/24/2019 13:00	SI Industrial Production SA MoM	Apr -1.40%	2.40%	-2.60%	-2.50%
05/24/2019 13:00	SI Industrial Production YoY	Apr -3.50%	0.10%	-4.80%	-4.30%
05/24/2019 13:30	JN All Industry Activity Index MoM	Mar -0.20%	-0.40%	-0.20%	--
05/24/2019 15:30	TH Foreign Reserves	May-17 --	\$209.3b	\$211.4b	--
05/24/2019 16:30	UK Retail Sales Ex Auto Fuel MoM	Apr -0.50%	-0.20%	1.20%	1.40%
05/24/2019 16:30	UK Retail Sales Inc Auto Fuel MoM	Apr -0.30%	0.00%	1.10%	1.20%
05/24/2019 16:30	UK Retail Sales Inc Auto Fuel YoY	Apr 4.50%	5.20%	6.70%	--
05/24/2019 20:30	US Durable Goods Orders	Apr P -2.00%	-2.10%	2.60%	1.70%
05/24/2019 20:30	US Durables Ex Transportation	Apr P 0.10%	0.00%	0.30%	-0.50%
05/27/2019 16:30	HK Exports YoY	Apr 0.10%	--	-1.20%	--

Source: Bloomberg

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