

Highlights

Global	<p>With global risk appetite continuing to ebb, Wall Street retreated further to a 12-week low overnight and the 10-year UST bond yield tumbled to 2.21% (lowest since Sep17), prompting traders to see the key 2% handle for the first time since late 2016 amid increased speculation of Fed rate cuts whilst the 3-month to 10-year yield curve inverted further to -13bps (most since 2007). Meanwhile, the Bank of Canada kept its policy rate static at 1.75% as expected, but signalled that the current rate is below “neutral” and “continued strong job growth suggests that businesses see the weakness in the past two quarters as temporary”.</p> <p>Asian markets may range trade awaiting further cues such as the manufacturing PMIs including China tomorrow, but overall risk sentiments remain soft. Today’s economic calendar is relatively light and comprises US’ 1Q19 GDP growth, initial jobless claims, wholesale inventories, and pending home sales. Speakers include BOE’s Ramsden and Fed’s Clarida.</p>
US	Richmond Fed manufacturing index rose less than expected from 3 in April to 5 in May (forecast: 5), suggesting that firms are struggling to find skilled workers even though the new orders index improved from -2 to 0.
EU	ECB’s Villeroy opined that “lets allow time” to assess the negative rate impact on the bank profit margins and “avoid blowing it out of proportion”.
MY	Bank Negara Malaysia (BNM) has refuted US claims of Malaysia being a potential currency manipulator after Malaysia was placed on a US watch list. The central bank stressed that the country “adopts a floating exchange rate regime” and the “ringgit exchange rate is market-determined and is not relied upon for exports competitiveness”. They further added that “about half of Malaysia’s trade surplus is driven by commodity exports, which is largely influenced by global demand and supply, as opposed to the exchange rate.” They noted that “manufactured goods surplus, on the other hand, is partly driven by the long-standing presence of large export-oriented multinational corporations in Malaysia, including from the US.”
SG	Following the US Treasury Report on Macroeconomic and Foreign Exchange Policies which included Singapore in its monitoring list, MAS reiterated that its monetary policy framework is aimed at ensuing medium-term stability and does not and cannot use the exchange rate to gain an export advantage or achieve a current account surplus. The re-opening of \$900m 15-year SGS bonds fetched a cut off yield of 2.33% with a bid-cover ratio of 1.84x, while the auction of the \$2.9b 2-year SGS bond fetched a cut off yield of 1.94% with a bid-cover ratio of 2.02x.

Major Markets

- **US:** Wall Street ended lower on Wednesday, with the S&P500 declining 0.7%. The DJIA fell 0.9%, and the Nasdaq composite tumbled 0.8%.
- **Singapore:** The STI declined a very modest 0.06% to close at 3163.28 yesterday, but looks set to consolidate further today given the weak overnight leads from Wall Street. STI may continue to tread within the 3140-3180 range for now. With flight to safety still the prevailing theme, SGS bonds may track UST bonds to gain today, especially with the two SGS bond auctions out of the way.
- **China:** China stepped up its liquidity injection via its open market operation in the past two days calming the market down after the volatility in the bond market spiked following the takeover of Baoshang bank. Meanwhile, the PBoC also announced to set up a CNY10 billion deposit insurance asset management cooperation to standardize the management of the insurance fund.
- **Commodities:** Oil prices continued to hold steady, with WTI and Brent closing -0.6% and -0.9% respectively. The bearish overhang from the trade war continued to pile downward pressure on crude prices, with WTI sinking as low as \$56.88/bbl (-3.8%), only to stage a mid-day comeback on dipping US inventory worries. WTI-Brent spreads have narrowed to \$10.64/bbl from \$11.48/bbl two days ago, but still remains wider than average.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with the shorter tenors and belly trading 1-2bps lower while the belly and longer tenors traded 3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was little changed at 496bps. 10Y UST yields dropped 1bps to 2.26%, paring an intraday rates rally with stock markets rebounding somewhat towards the end of the trading day. The US-China trade war continued to weigh in negatively on market sentiments as Chinese newspapers warned of retaliation against the US using rare earths. Of note, yield curve between 3-month treasury bills and 10-year treasury notes has inverted.
- **New Issues:** Xi Yang Overseas Ltd has priced a USD500mn 5-year bond (guarantor: Nanjing Yangzi State-owned Assets Investment Group Co Ltd) at 4.43%, tightening from IPT of 4.8% area. GS Caltex Corp has priced a USD300mn 5-year bond at T+100bps, tightening from IPT of T+125bps area. Bank of China Ltd of Macau has priced a USD200mn 2-year bond at 2.50%. Credit Suisse Group AG has priced a SGD750mn NC5-perpetual bond at 5.625%, tightening from IPT of 5.875% area. Guangdong Energy Group Co Ltd has scheduled investor meetings from 30 May for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.144	0.20%	USD-SGD	1.3812	0.12%
USD-JPY	109.590	0.19%	EUR-SGD	1.5374	-0.14%
EUR-USD	1.1131	-0.26%	JPY-SGD	1.2602	-0.09%
AUD-USD	0.6917	-0.10%	GBP-SGD	1.7439	-0.09%
GBP-USD	1.2626	-0.21%	AUD-SGD	0.9553	0.02%
USD-MYR	4.1940	0.14%	NZD-SGD	0.8992	-0.38%
USD-CNY	6.9145	0.06%	CHF-SGD	1.3701	0.08%
USD-IDR	14415	0.26%	SGD-MYR	3.0348	-0.16%
USD-VND	23411	0.06%	SGD-CNY	4.9993	-0.27%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3740	--	O/N	2.3539	--
2M	-0.3360	--	1M	2.4294	--
3M	-0.3150	--	2M	2.4826	--
6M	-0.2420	--	3M	2.5238	--
9M	-0.1940	--	6M	2.5413	--
12M	-0.1530	--	12M	2.5999	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
06/19/2019	0.0%	9.5%	0.0%	9.5%	90.5%
07/31/2019	0.0%	24.9%	1.6%	23.3%	75.1%
09/18/2019	0.0%	56.3%	10.7%	45.0%	43.7%
10/30/2019	0.0%	66.4%	18.6%	44.7%	33.6%
12/11/2019	0.0%	83.5%	31.9%	39.0%	16.5%
01/29/2020	0.0%	88.1%	33.9%	32.7%	11.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	58.81	-0.6%	Corn (per bushel)	4.1875	-0.4%
Brent (per barrel)	69.45	-0.9%	Soybean (per bushel)	8.720	1.9%
Heating Oil (per gallon)	1.9675	-1.3%	Wheat (per bushel)	4.9050	-2.8%
Gasoline (per gallon)	1.9452	-0.6%	Crude Palm Oil (MYR/MT)	2,044.0	1.3%
Natural Gas (per MMBtu)	2.6330	2.0%	Rubber (JPY/KG)	218.1	0.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	5,883	-1.3%	Gold (per oz)	1,281.0	0.3%
Nickel (per mt)	12,050	-0.6%	Silver (per oz)	14.372	0.6%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,126.41	-221.36
S&P	2,783.02	-19.37
Nasdaq	7,547.31	-60.04
Nikkei 225	21,003.37	-256.77
STI	3,163.28	-2.04
KLCI	1,623.67	9.10
JCI	6,104.11	70.96
Baltic Dry	1,082.00	--
VIX	17.90	0.40

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-)	2.11 (-0.02)
5Y	1.93 (-0.01)	2.07 (-)
10Y	2.11 (-0.01)	2.26 (-0.01)
15Y	2.33 (-0.02)	--
20Y	2.39 (-0.01)	--
30Y	2.58 (-0.01)	2.69 (-0.01)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.30	0.10
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.37
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/29/2019 14:45	FR CPI YoY	May P	1.10%	1.00%	1.30%	--
05/29/2019 14:45	FR GDP QoQ	1Q F	0.30%	0.30%	0.30%	--
05/29/2019 15:55	GE Unemployment Change (000's)	May	-7.5k	60.0k	-12.0k	--
05/29/2019 19:00	US MBA Mortgage Applications	May-24	--	-3.30%	2.40%	--
05/29/2019 22:00	CA Bank of Canada Rate Decision	May-29	1.75%	1.75%	1.75%	--
05/30/2019 09:30	AU Building Approvals MoM	Apr	0.00%	--	-15.50%	--
05/30/2019 20:30	US GDP Annualized QoQ	1Q S	3.00%	--	3.20%	--
05/30/2019 20:30	US Initial Jobless Claims	May-25	214k	--	211k	--
05/30/2019 20:30	US Wholesale Inventories MoM	Apr P	0.10%	--	-0.10%	--
05/30/2019 22:00	US Pending Home Sales MoM	Apr	0.50%	--	3.80%	--

Source: Bloomberg

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