

Treasury Advisory
Corporate FX & Structured
Products

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Interest Rate Derivatives

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Investments & Structured
Products

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GT Institutional Sales

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Highlights

Global	Negative risk sentiments continued to extend overnight, with Fed officials (namely Bullard, Williams, Kaplan and Lockhart) sustaining rhetoric that the June FOMC meeting remained “live” and data-dependent, and Canadian wildfires aided the crude oil price ascent. Markets are likely to stay sidelined ahead of tonight’s key US’ nonfarm payrolls and unemployment data, with market consensus eyeing +200k and 4.9% respectively for April versus +215k and 5.0% in March. Of interest will also be the average hourly earnings growth for signs of wage-led inflation and the participation rate. Elsewhere, RBA releases its monetary policy statement this morning (which will draw some attention for the earlier-than-expected rate cut), and the services/composite PMI for Japan and trade data for Malaysia are also on tap today. Expect Asian markets to extend its cautious mood for today.
US	Initial jobless claims jumped 17k (largest increase since January 2015) to a 5-week high of 274k, bringing the 4-week average to 258k, while continuing claims also edged up to 2.121m. The Labour Department indicated there was nothing unusual in the jobless claims data. Meanwhile, Challenger job cuts rose a more tepid 5.8% in April, vis-à-vis +31.7% in March.
AU	Deputy governor Philip Lowe will replace Glenn Stevens as RBA governor for a 7-year term from 18 September.
Singapore	The Nikkei whole economy PMI slumped from 52.0 in March to contraction territory at 49.4 in April, marking the first contraction since May 2015, the lowest reading since November 2012 and the sharpest drop since the series started in May 2013. The deterioration was attributed to a steep fall in new orders (lowest since October 2015) that contributed to the weaker output reading of 51 (vis-à-vis 56.8 in March and the slowest since September 2013). This suggests that domestic business confidence appears to have been dented amid the weaker external demand conditions since 1Q16. While we had anticipated some weakness, the April print surprised on the downside, especially in the wake of the recent manufacturing PMI and the recent business surveys which had suggested slightly less bearish sentiments. Nevertheless, this data reinforces our view that 2Q GDP is likely to be lacklustre and should 1Q16 flash growth estimates (which already reflected some deceleration in the services sectors) be revised down, the probability of a technical recession remains on the cards. Meanwhile, the STI extended losses by 0.19% to close at 2767.81 yesterday, and may continue to slide today in cautious trading given weak overnight leads from Wall Street. STI may see support and resistance at 2740 and 2780 respectively. Meanwhile, SGS bonds may rangetrade today as market awaits the US NFP/unemployment report and be reluctant to track the overnight UST bond rally.
Commodities	Oil bulls cheered on news that Iran will participate in talks as soon as it lifts oil production back to pre-sanction levels. According to estimates, Iran is only 500k barrels per day away from its pre-sanction levels, after ramping its output higher by 40% from its trough seen back in May 2013. We note that even in the absence of any oil agreement in June (should that happen), oil prices will still edge higher given the rebalancing environment already seen. For details, please read our latest oil report <The wind beneath its wings, 5th May 2016>.

Major Market

- **US:** Equity markets closed flat as an early rally in crude oil fizzled out. Investors appear cautious while awaiting the release of the non-farm payrolls on Friday. This data will give an indication of the strength of the US economy, and may have follow-on effects on the June FOMC. S&P 500 (-0.02%), Dow (+0.05%) and Nasdaq (-0.18%). US Treasuries also recovered from a decline to close higher. 2-year and 10-year US Treasuries yield 0.72% and 1.74% respectively. VIX slipped 0.87% to close at 15.91.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded lower yesterday, with rates generally trading 1bp-2bps lower across the curve. Flows in the SGD corporates were moderate, where we saw better buyers in STANLN 4.4%'26s, mixed interests in FCLSP 4.25%'26s, GENSSP 5.125%'49s and ABNANV 4.7%'22s.. In the broader dollar space, the spread on the JACI IG corporates was level at 228bps, with the yield on the JACI HY corporates also level at 7.36%. 10y UST yield decreased by 3bps to 1.75% following the path set earlier in the week which saw renewed softness in oil prices and global risk aversion increasing somewhat from mixed market data.
- **New Issues:** Frasers Hospitality Trust priced a SGD100mn perpNC5 at 4.45%, tightening from an initial guidance of 4.75%. The issue is expected to be rated "NR/Baa2/NR".
- **Rating Changes:** Fitch lowered Brazil's issuer default ratings to "BB" from "BB+" to reflect the stronger economic contraction, weak outlook for public finances and sustained legislative gridlock and political uncertainty. Outlook is negative due to continued uncertainty on the government's ability to improve the outlook for growth, public finances and government debt. Moody's downgraded STATS ChipPAC Ltd's corporate family rating and senior secured bond ratings to "B2" from "B1". The downgrade reflects the company's continued weak operating performance and the expectation that the company's liquidity position will tighten considerably over the next 6 months. Outlook is negative. S&P revised its outlook on Manila Electric Co's "BB+" long-term corporate credit rating to positive from stable. This reflects a cautious approach to leverage given uncertainty on the timing and impact of the next regulatory reset. S&P revised the outlook on China Zhengtong Auto Services's "BB-" rating to negative from stable. The outlook revision reflects the potential weakening in credit metrics over the next 12 months based on weak cost control, aggressive debt-funded expansion appetite and declining new car sales.

Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	93.780	0.64%	USD-SGD	1.3589	0.04%	DJIA	17,660.71	9.50
USD-JPY	107.260	0.23%	EUR-SGD	1.5499	-0.67%	S&P	2,050.63	-0.50
EUR-USD	1.1132	0.00%	JPY-SGD	1.2669	-0.19%	Nasdaq	4,717.09	-8.50
AUD-USD	0.7465	0.11%	GBP-SGD	1.9683	-0.04%	Nikkei 225	16,147.38	--
GBP-USD	1.4485	-0.08%	AUD-SGD	1.0145	0.17%	STI	2,767.81	-5.30
USD-MYR	4.0078	0.37%	NZD-SGD	0.9354	0.07%	KLCI	1,645.09	-12.50
USD-CNY	6.5102	0.00%	CHF-SGD	1.4042	-1.00%	JCI	4,822.60	--
USD-IDR	13342	0.61%	SGD-MYR	2.9535	0.27%	Baltic Dry	642.00	-10.00
USD-VND	22332	-0.33%	SGD-CNY	4.7851	-0.09%	VIX	15.91	-0.10

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3450	--	O/N	0.3858	--	2Y	1.03 (--)	0.72 (-0.02)
2M	-0.2910	--	1M	0.4359	--	5Y	1.59 (-0.01)	1.20 (-0.03)
3M	-0.2530	--	2M	0.5219	--	10Y	2.01 (--)	1.75 (-0.03)
6M	-0.1420	--	3M	0.6341	--	15Y	2.37 (--)	--
9M	-0.0790	--	6M	0.9071	--	20Y	2.45 (--)	--
12M	-0.0120	--	12M	1.2301	--	30Y	2.56 (--)	2.60 (-0.03)

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread %		Value	Change
Portugal	0.65	4.00	3.27	11.50	3.11	LIBOR-OIS	24.61	0.22
Italy	-0.05	-0.70	1.50	-0.70	1.33	EURIBOR-OIS	9.20	--
Ireland	-0.36	-1.50	0.89	-2.30	0.73	TED	44.36	-0.23
Greece*	10.47	55.20	8.62	-12.60	8.46			
Spain	-0.06	0.60	1.59	-1.90	1.42			
Russia^	3.14	-0.40	4.86	-1.50	4.69			

* Greece's bond yields data reflect 3-year (instead of 2-year) tenor

^ Russia's bond yields data reflects 3-year and 15-year tenors instead

Commodities Futures					
Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.32	1.23%	Coffee (per lb)	1.209	1.51%
Brent (per barrel)	45.01	0.87%	Cotton (per lb)	0.6163	-0.87%
Heating Oil (per gallon)	1.329	0.04%	Sugar (per lb)	0.1584	-4.86%
Gasoline (per gallon)	1.49	0.32%	Orange Juice (per lb)	1.3840	-1.00%
Natural Gas (per MMBtu)	2.076	-3.04%	Cocoa (per mt)	3,131	-0.89%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,785.0	-1.68%	Wheat (per bushel)	4.5300	-1.63%
Nickel (per mt)	8,986	-4.53%	Soybean (per bushel)	10.035	-2.05%
Aluminium (per mt)	1,596.8	-1.50%	Corn (per bushel)	3.7175	-0.40%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,272.3	-0.16%	Crude Palm Oil (MYR/MT)	2,615.0	0.58%
Silver (per oz)	17.302	0.14%	Rubber (JPY/KG)	182.0	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/05/2016 08:30	TA CPI YoY	Apr	1.50%	1.88%	2.00%	2.01%
05/05/2016 09:00	AU HIA New Home Sales MoM	Mar	--	8.90%	-5.30%	--
05/05/2016 09:00	PH CPI YoY	Apr	1.20%	1.10%	1.10%	--
05/05/2016 09:30	AU Trade Balance	Mar	-2900m	-2163m	-3410m	-3044m
05/05/2016 09:30	AU Retail Sales MoM	Mar	0.30%	0.40%	0.00%	0.10%
05/05/2016 09:45	CH Caixin China PMI Services	Apr	--	51.8	52.2	--
05/05/2016 09:45	CH Caixin China PMI Composite	Apr	--	50.8	51.3	--
05/05/2016 10:30	HK Nikkei Hong Kong PMI	Apr	--	45.3	45.5	--
05/05/2016 16:00	SI COE Open Bid Cat A	May-05	--	47889	47300	--
05/05/2016 16:00	SI COE Open Bid Cat B	May-05	--	51010	49602	--
05/05/2016 16:30	UK Markit UK Services PMI	Apr	53.5	52.3	53.7	--
05/05/2016 16:30	UK Markit UK Composite PMI	Apr	53.2	51.9	53.6	--
05/05/2016 16:30	HK Retail Sales Value YoY	Mar	-8.80%	-9.80%	-20.60%	--
05/05/2016 16:30	HK Retail Sales Volume YoY	Mar	-6.90%	-8.80%	-19.50%	--
05/05/2016 20:30	CA Building Permits MoM	Mar	-4.80%	-7.00%	15.50%	15.30%
05/05/2016 20:30	US Initial Jobless Claims	Apr-30	260k	274k	257k	--
05/05/2016 20:30	US Continuing Claims	Apr-23	2128k	2121k	2130k	2129k
05/05/2016 21:45	US Bloomberg Consumer Comfort	May-01	--	42	43.4	--
05/06/2016 07:50	JN Monetary Base YoY	Apr	--	--	28.50%	--
05/06/2016 10:00	JN Nikkei Japan PMI Services	Apr	--	--	50	--
05/06/2016 10:00	JN Nikkei Japan PMI Composite	Apr	--	--	49.9	--
05/06/2016 12:00	MA Exports YoY	Mar	-1.00%	--	6.70%	--
05/06/2016 12:00	MA Trade Balance MYR	Mar	7.10b	--	7.35b	--
05/06/2016 16:10	GE Markit Germany Retail PMI	Apr	--	--	54.1	--
05/06/2016 16:10	EC Markit Eurozone Retail PMI	Apr	--	--	49.2	--
05/06/2016 16:10	FR Markit France Retail PMI	Apr	--	--	45.5	--
05/06/2016 16:10	IT Markit Italy Retail PMI	Apr	--	--	46.6	--
05/06/2016 18:00	MA Foreign Reserves	Apr-29	--	--	\$97.2b	--
05/06/2016 20:30	CA Net Change in Employment	Apr	1.0k	--	40.6k	--
05/06/2016 20:30	US Change in Nonfarm Payrolls	Apr	200k	--	215k	--
05/06/2016 20:30	CA Unemployment Rate	Apr	7.20%	--	7.10%	--
05/06/2016 20:30	US Change in Manufact. Payrolls	Apr	-5k	--	-29k	--
05/06/2016 20:30	US Unemployment Rate	Apr	4.90%	--	5.00%	--
05/06/2016	HK Foreign Reserves	Apr	--	--	\$361.9b	--
05/06/2016	PH Foreign Reserves	Apr	--	--	\$82.6b	--
05/06/2016 05/13	VN Domestic Vehicle Sales YoY	Apr	--	--	52.50%	--

Source: Bloomberg

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