

## Highlights

Global	<p>Wall Street continued to edge higher overnight, tracking gains signifying that global risk appetite remaining fairly resilient with crude oil prices creeping towards US\$50 per barrel in the absence of market-moving economic data and as the repricing of Fed rate hike expectations appear to have settled somewhat. Fed rhetoric continued to lean towards the hawkish side, but the marginal effect appeared to be waning – Kaplan opined two, possibly three rate hikes, albeit Brexit uncertainty could delay any move till July or later. Meanwhile, Bank of Canada left its policy rate unchanged at 0.5% as widely anticipated, citing that “the economy’s structural adjustment to the oil price shock continues, but is proving to be uneven” and risks to the price outlook “remain roughly balanced” and the “current stance of monetary policy is still appropriate”, notwithstanding recent Alberta wildfires that affected oil output.</p> <p>Expect Asian markets to trade on a more upbeat tone today. The G7 leaders meeting in Japan will be interesting to watch as Japan is keen to get endorsement for policy stimulus, especially for fiscal help. Other speakers include Fed’s Bullard and Powell. The economic data calendar will focus on US’ April durable goods orders, pending home sales and initial jobless claims, UK’s prelim 1Q16 GDP growth, HK’s trade data for April, and Singapore’s April industrial production (market forecast: +1.6% mom).</p>
US	<p>The Markit services and composite PMIs both softened to 51.2 and 50.8 respectively in May, down from 52.8 and 52.4 previously. Meanwhile, the FHFA house price index rose more than expected by 0.7% mom in March, faster than the upwardly revised 0.5% gain in February.</p>
EZ	<p>Germany’s IFO business climate reading rose more than expected from a revised 106.7 print in April to a 5-month high of 107.7 in May, with both the current assessment and expectations gauges both climbing to 114.2 and 101.6 respectively, up from 113.2 and 100.5 previously. The GfK consumer confidence also edged higher from 9.7 in May to 9.8 in June. These data suggest that German sentiments remained strong despite the Brexit risk.</p>
SG	<p>Industrial production likely shrank for the third straight month by 1.3% yoy (+0.1% mom sa) in April, following the -0.5% yoy (+1.0% mom sa) reading in March.</p>
CN	<p>The USDCNY fixing was set at 6.5693, highest since March 2011 as a result of dollar strength. However, dollar index remained relatively stable around 97.3, which helped prevent from the disorderly sale.</p>
Indonesia	<p>Bank Indonesia’s governor, Agus Martowardojo, said that the central bank may loosen monetary policy next month if global macroeconomic condition remains stable. BI is reportedly also considering macro prudential measures in order to boost credit growth, which has been hampered by low demand for credit owing to lacklustre global growth. These measures could include more lenient loan-to-value and loan-to-funding ratios as well allowing bank loans for purchases of unconstructed second homes.</p>

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## Major Market

- **US:** Equities posted gains for the second straight session as investors become increasingly comfortable that the economy will be able to withstand a rate hike. Financials led the gains, with expectation that the rate hike will boost bank profits. The S&P 500 rose 0.70% to close at 2090.54, a 4-week high. The Dow and Nasdaq rose 0.82% and 0.70% respectively. A new \$34b auction of 5-year US Treasuries was awarded at 1.395%. Demand was strong, leaving primary dealers with the lowest portion at an offering. Meanwhile, 2-year and 10-year US Treasuries yielded 0.91% and 1.85%. Volatility continued to edge downwards, closing down 3.61%.
- **Singapore:** The STI gained 0.60% to close at 2766.66 yesterday, but may extend gains following sustained winds in Wall Street's sails overnight and morning rally in Kospi. The STI could see support and resistance at 2740 and 2780 respectively. SGS bonds were under selling pressure yesterday, but may see some reprieve today, albeit the belly of the yield curve may still be cautious ahead of the 10-year SGS bond auction tomorrow.
- **Macau:** Retail sales value dropped at a faster pace by 11.2% yoy in 1Q 2016 to MOP 14.7 billion. The seven straight months of decline was attributed to slump in the sales value of "Watches, Clocks & Jewellery", "Goods in Department Stores" and "Leather Goods", all of which accounted for 47% of total retail sales. Clearly, the stronger MOP, global economic slowdown and China's anti-corruption campaign all resulted in sluggish tourist expenditure (-13.6% yoy in 1Q), especially from Mainland visitors (-18.1% yoy). Therefore, we expect retail sales continue to face downward risks despite recent signs of recovery in tourism activities. Notably, total sales value and volumes of motor vehicles, communication equipment and household appliances all posted significant decline, pointing to subdued domestic demand. Prospects of slower wage growth may also dent local consumer sentiment, in turn adding more downward pressure to retail sales and further dampen labour demand in the sector. Moving forward, we expect retail sales to continue to decrease albeit at a slower pace due to base effect, thus remaining a drag on the city's growth.
- **Commodities:** US. Crude oil stockpiles fell more than initially forecasted, with inventories sliding by 4.23 million barrels instead of the initially predicted 2 million barrels. As such, both Brent and WTI reached a 7-month high, both trading slightly above the US\$49 handle at US\$49.74 and US\$49.56 respectively. However, as we approach 2 June's OPEC meeting, a discussion of an output freeze has yet to be discussed in initial gatherings, with the cartel likely to continue their strategy of defending market share. Nonetheless, with US crude inventories falling and output disruptions continuing in France, oil sees some near-term support as the oversupply glut continues to trim.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve was range-bounded yesterday, with the short term trading 1bps lower, while the belly-to-long-end rates traded 1bps higher. Flows in the SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s, BNP 4.3%'25s, TATAIN 4.95%'23s and better sellers in MFCCN 3.85%'26s. Meanwhile we saw mixed interest in, GEMAU 5.5%'19s, STANLN 4.4%'26s, NAB 4.15%'28s, GENSSP 5.13%'49s, FCLSP 4.88%'49s and NOLSP 4.4%'19s. In the broader dollar space, the spread on JACI IG corporates decreased by 2 bps to 221bps, while the yield on the JACI HY corporates decreased by 2 bps to 7.22%. 10y UST yield increased by 1 bps to 1.87bps.
- **New Issues:** Bright Food Singapore Holdings Pte Ltd (guaranteed by Bright Food Group Co. Ltd) priced a EUR400m 3-year bond at 1.73%, tightening from its initial guidance of CT3+200 bps. The expected ratings are "BBB-/Baa3/A-". China Development Bank Corporation (CDB) priced a two-tranche deal, with the USD1bn 5-year bond priced at CT5+80bps, tightening from its initial guidance

of CT5+105bps. CDB priced another USD600m 10-year bond at CT10+120bps, tightening from its initial guidance of CT10+145bps. The expected ratings are "AA-/Aa3/NR". United Engineers priced a SGD150m 5-year bond at 3.68%, tightening from its initial guidance of 3.8%.

- **Rating Changes:** Fitch has downgraded its credit rating of Beijing Automotive Group Co Ltd (BAIC Group) to "BBB+" from "A-". Additionally, Fitch also downgraded the company's senior debt rating to "BBB+" from "A-". The downgrade reflects the group's deteriorating financial profile from increased leverage, operating losses, significant cash outflow on capital expenditure and increased working capital. The outlook is stable. Moody's withdrew its corporate family rating for Hilong Holding Ltd with no further news furnished on Bloomberg. The credit rating prior withdrawal was "B1". Moody's assigned "Baa3" credit rating to DP World Crescent Ltd with no other information provided by Bloomberg. Moody's also lowered Macau's rating to "Aa3" from "aa2" reflecting pressures on Macau's economy from challenging operating conditions for the gaming sector.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	95.354	-0.23%	<b>USD-SGD</b>	1.3783	-0.24%
<b>USD-JPY</b>	110.190	0.18%	<b>EUR-SGD</b>	1.5374	-0.12%
<b>EUR-USD</b>	1.1132	0.00%	<b>JPY-SGD</b>	1.2505	-0.45%
<b>AUD-USD</b>	0.7198	0.21%	<b>GBP-SGD</b>	2.0255	0.17%
<b>GBP-USD</b>	1.4697	0.42%	<b>AUD-SGD</b>	0.9921	-0.01%
<b>USD-MYR</b>	4.1035	-0.42%	<b>NZD-SGD</b>	0.9289	-0.21%
<b>USD-CNY</b>	6.5580	0.01%	<b>CHF-SGD</b>	1.3904	-0.04%
<b>USD-IDR</b>	13637	-0.01%	<b>SGD-MYR</b>	2.9731	-0.21%
<b>USD-VND</b>	21905	-1.92%	<b>SGD-CNY</b>	4.7537	0.08%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3510	--	<b>O/N</b>	0.3850	--
<b>2M</b>	-0.2980	--	<b>1M</b>	0.4442	--
<b>3M</b>	-0.2580	--	<b>2M</b>	0.5461	--
<b>6M</b>	-0.1440	--	<b>3M</b>	0.6653	--
<b>9M</b>	-0.0780	--	<b>6M</b>	0.9682	--
<b>12M</b>	-0.0120	--	<b>12M</b>	1.3124	--

### Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
<b>Portugal</b>	0.47	-3.20	2.96
<b>Italy</b>	-0.08	-1.30	1.35
<b>Ireland</b>	-0.36	-0.10	0.77
<b>Greece*</b>	7.46	-82.80	7.13
<b>Spain</b>	-0.12	-1.20	1.47
<b>Russia^</b>	2.99	-0.70	4.84

\* 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

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	17,851.51	145.50
<b>S&amp;P</b>	2,090.54	14.50
<b>Nasdaq</b>	4,894.89	33.80
<b>Nikkei 225</b>	16,757.35	258.60
<b>STI</b>	2,766.66	16.40
<b>KLCI</b>	1,630.96	5.10
<b>JCI</b>	4,772.98	62.20
<b>Baltic Dry</b>	605.00	-13.00
<b>VIX</b>	13.90	-0.50

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.07 (-)	0.92 (+0.01)
<b>5Y</b>	1.74 (+0.02)	1.40 (-)
<b>10Y</b>	2.17 (+0.02)	1.87 (-)
<b>15Y</b>	2.47 (+0.02)	--
<b>20Y</b>	2.51 (+0.02)	--
<b>30Y</b>	2.57 (+0.01)	2.66 (+0.02)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	19.88	-0.68
<b>EURIBOR-OIS</b>	8.60	0.10
<b>TED</b>	34.10	2.17

### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.56	1.93%	Coffee (per lb)	1.214	-0.33%
Brent (per barrel)	49.74	2.32%	Cotton (per lb)	0.6290	-0.17%
Heating Oil (per gallon)	1.513	1.61%	Sugar (per lb)	0.1716	3.31%
Gasoline (per gallon)	1.64	-0.77%	Orange Juice (per lb)	1.4780	1.58%
Natural Gas (per MMBtu)	1.992	0.61%	Cocoa (per mt)	2,924	-0.98%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,654.0	1.15%	Wheat (per bushel)	4.6600	0.43%
Nickel (per mt)	8,317	-0.60%	Soybean (per bushel)	10.855	2.92%
Aluminium (per mt)	1,536.8	-0.79%	Corn (per bushel)	4.0475	1.82%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,223.8	-0.44%	Crude Palm Oil (MYR/MT)	2,574.0	1.34%
Silver (per oz)	16.255	0.10%	Rubber (JPY/KG)	158.9	5.86%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
<b>05/25/2016 06:45</b>	<b>NZ Trade Balance</b>	<b>Apr</b>	<b>25m</b>	<b>292m</b>	<b>117m</b>	<b>189m</b>
05/25/2016 06:45	NZ Exports	Apr	4.08b	4.30b	4.20b	--
05/25/2016 06:45	NZ Imports	Apr	3.98b	4.01b	4.09b	4.01b
<b>05/25/2016 08:00</b>	<b>SI GDP YoY</b>	<b>1Q F</b>	<b>1.90%</b>	<b>1.80%</b>	<b>1.80%</b>	<b>--</b>
<b>05/25/2016 08:00</b>	<b>SI GDP SAAR QoQ</b>	<b>1Q F</b>	<b>0.60%</b>	<b>0.20%</b>	<b>0.00%</b>	<b>--</b>
05/25/2016 09:00	PH Imports YoY	Mar	8.90%	11.70%	1.20%	-5.60%
05/25/2016 09:00	PH Trade Balance	Mar	-\$1355m	-\$1747m	-\$1104m	--
05/25/2016 14:00	GE GfK Consumer Confidence	Jun	9.7	9.8	9.7	--
05/25/2016 15:00	TH Customs Imports YoY	Apr	-7.65%	-14.92%	-6.94%	--
<b>05/25/2016 15:00</b>	<b>TH Customs Exports YoY</b>	<b>Apr</b>	<b>-1.50%</b>	<b>-8.00%</b>	<b>1.30%</b>	<b>--</b>
05/25/2016 15:00	TH Customs Trade Balance	Apr	\$450m	\$721m	\$2966m	--
<b>05/25/2016 16:00</b>	<b>GE IFO Business Climate</b>	<b>May</b>	<b>106.8</b>	<b>107.7</b>	<b>106.6</b>	<b>106.7</b>
<b>05/25/2016 16:00</b>	<b>GE IFO Current Assessment</b>	<b>May</b>	<b>113.3</b>	<b>114.2</b>	<b>113.2</b>	<b>--</b>
<b>05/25/2016 16:00</b>	<b>GE IFO Expectations</b>	<b>May</b>	<b>100.8</b>	<b>101.6</b>	<b>100.4</b>	<b>100.5</b>
05/25/2016 16:00	IT Industrial Orders MoM	Mar	--	-3.30%	0.70%	--
05/25/2016 16:00	IT Industrial Orders NSA YoY	Mar	--	0.10%	3.80%	--
<b>05/25/2016 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>May-20</b>	<b>--</b>	<b>2.30%</b>	<b>-1.60%</b>	<b>-1.00%</b>
05/25/2016 21:00	US FHFA House Price Index MoM	Mar	0.50%	0.70%	0.40%	0.50%
05/25/2016 21:45	US Markit US Services PMI	May P	53	51.2	52.8	--
05/25/2016 21:45	US Markit US Composite PMI	May P	--	50.8	52.4	--
<b>05/25/2016 22:00</b>	<b>CA BOC Rate Decision</b>	<b>May-25</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>--</b>
05/26/2016 07:50	JN Foreign Buying Japan Stocks	May-20	--	--	¥71.7b	--
05/26/2016 09:30	AU Private Capital Expenditure	1Q	-3.50%	--	0.80%	--
05/26/2016 13:00	SI Industrial Production SA MoM	Apr	1.60%	--	1.00%	--
<b>05/26/2016 13:00</b>	<b>SI Industrial Production YoY</b>	<b>Apr</b>	<b>-0.20%</b>	<b>--</b>	<b>-0.50%</b>	<b>--</b>
<b>05/26/2016 16:00</b>	<b>IT Retail Sales MoM</b>	<b>Mar</b>	<b>--</b>	<b>--</b>	<b>0.30%</b>	<b>--</b>
05/26/2016 16:00	IT Retail Sales YoY	Mar	--	--	2.70%	--
05/26/2016 16:30	UK BBA Loans for House Purchase	Apr	44700	--	45096	--
<b>05/26/2016 16:30</b>	<b>HK Exports YoY</b>	<b>Apr</b>	<b>-7.60%</b>	<b>--</b>	<b>-7.00%</b>	<b>--</b>
05/26/2016 16:30	HK Imports YoY	Apr	-5.50%	--	-5.80%	--
05/26/2016 16:30	HK Trade Balance	Apr	-42.0b	--	-47.0b	--
<b>05/26/2016 16:30</b>	<b>UK GDP QoQ</b>	<b>1Q P</b>	<b>0.40%</b>	<b>--</b>	<b>0.40%</b>	<b>--</b>
<b>05/26/2016 16:30</b>	<b>UK GDP YoY</b>	<b>1Q P</b>	<b>2.10%</b>	<b>--</b>	<b>2.10%</b>	<b>--</b>
<b>05/26/2016 20:30</b>	<b>US Initial Jobless Claims</b>	<b>May-21</b>	<b>275k</b>	<b>--</b>	<b>278k</b>	<b>--</b>
05/26/2016 20:30	US Continuing Claims	May-14	2142k	--	2152k	--
<b>05/26/2016 20:30</b>	<b>US Durable Goods Orders</b>	<b>Apr P</b>	<b>0.50%</b>	<b>--</b>	<b>0.80%</b>	<b>1.30%</b>
05/26/2016 20:30	US Durables Ex Transportation	Apr P	0.30%	--	-0.20%	--
05/26/2016 20:30	US Cap Goods Ship Nondef Ex Air	Apr P	0.10%	--	0.50%	0.00%
05/26/2016 21:45	US Bloomberg Consumer Comfort	May-22	--	--	42.6	--
<b>05/26/2016 22:00</b>	<b>US Pending Home Sales MoM</b>	<b>Apr</b>	<b>0.70%</b>	<b>--</b>	<b>1.40%</b>	<b>--</b>

Source: Bloomberg

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