

Highlights

Global	<p>Wall Street closed higher on Friday, notwithstanding Fed chair Yellen's comments that "it's appropriate...for the Fed to gradually and cautiously increase our overnight interest rate over time" and "probably in the coming months such a move would be appropriate" as "the economy is continuing to improve" and "inflation will move up over the next couple of years to our 2 percent objective". As anticipated, the shorter-tenor UST bond yields pushed higher, whilst the futures pricing for the June and July FOMC probabilities notched higher. Given the US Memorial day holiday, there is a fairly light economic data calendar today that will focus on Eurozone economic confidence and business climate indicator, France's 1Q16 GDP growth and German CPI. Focus this week will be on the ECB meeting on 2 June (likely static but Draghi's rhetoric could hint if any further policy options are on the table), coupled with the key US nonfarm payrolls and unemployment report where market consensus is eyeing +160k and 4.9% respectively.</p>
US	<p>1Q GDP growth was revised up to 0.8%, up from the previous print of 0.5, albeit still missing expectations. The revisions were mostly evenly spread out among housing, trade and inventories while consumer spending remained flat. Meanwhile, survey data from the University of Michigan Sentiment index came in markedly worse than expected, coming in at 94.7 as opposed to 95.4, as overall sentiment remains less than ebullient in the run up to the presidential elections.</p>
Singapore	<p>The STI climbed by 1.05% to close at 2802.51, crossing the 2800 handle for the first time since the start of May. Hutchison Port Holdings Ltd (+4.71%), Genting Singapore PLC (+3.52%) and Singapore Technologies Engineering Ltd (+2.23%) were the main drivers for the uptick in the index, while Capitaland Commercial Trust (-0.35%) and UOL Group Ltd (-0.35%) closed lower, weighing on overall gains. However, given the morning sell off in Kospi, STI could see itself edging lower, with support and resistance tipped at 2770 and 2820 respectively. SGS bonds may face some selling pressure at the front end of the curve today, taking the cue from more hawkish Yellen comments on Friday. The \$2.5b 10-year SGS bond auction fetched a bid-cover ratio of 1.7x, a tail of 5bps and a cut-off yield of 2.15%.</p>
China	<p>The important event last week was that China re-elaborated its prudent monetary policy and proactive fiscal policy tone last week. We think the chance of broad based monetary easing has been ruled out in the near term as long as China's capital market remains steady. Targeted measures such as open market operation, MLF and PSL are still most preferred measures by PBoC. On fiscal side, given the increasing constraints of monetary policy following aggressive easing in 2015, fiscal policy is likely to play a leading role to stabilize Chinese growth this year.</p>
Indonesia	<p>Bank Indonesia is said to be issuing new rules on money markets soon. As reported by Bloomberg, BI will expand trading window for 1m JIBOR to 20 minutes starting from June 1st, from 10 minutes previously. Trading size will also increase from IDR10bn to 20bn. The move is part of the central bank's quest for deepening financial market development.</p>

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Major Market

- **US:** Equities closed the week with gains across the board. Hawkish remarks from Yellen further increased the odds of an impending rate hike, but investors are now more confident that the US economy will be able to cope with that. S&P 500 (+0.43%) closed at 2099.06, a shade below the 2100 handle and the year-to-date high recorded on April 20. Dow closed higher by 0.25%, while Nasdaq also gained 0.65%. US Treasuries fell on the back of Yellen's comments, but pared losses in later trade. 2-yr and 10-yr Treasury bonds yield 0.91% and 1.85% respectively. Elsewhere, VIX closed lower by 2.31%. US markets will be closed on Monday for the Memorial Day holiday.
- **Macau:** Unemployment rate held steady at 1.9% in April, reinforcing a stable labour market in Macau. As it is clear that the gaming sector has already bottomed out, the employment in this sector registered robust gains (+ 4.0% mom). In contrast, despite the continuous growth in overnight visitors, employment in hotels, restaurants and similar activities were down 1.6% mom. Additionally, delays in the completion of some hotel and casino projects have also resulted in layoffs in the construction sector. Moving forward, we still believe that after the completion of a fresh wave of new hotels and casinos in the coming 1-2 years, employment in the hotel, construction and gaming sectors will increase. Elsewhere, the outlook of the retail sector's employment (-0.9% mom) remains clouded by soft tourist spending and the resulting slump in retail sales. All in all, we expect that the jobless rate will remain stable below 2.0% this year. Nevertheless, economic uncertainty at home and abroad will translate into slower wage growth and even risk a potential salary cut, in turn weighing on domestic consumption and demand in the housing market.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, trading 1-3bps higher across all tenors. Flows in SGD corporates were heavy, where we saw better buyers in SOCGEN 4.3%'26s and UOBSP 4%'49s. Meanwhile, we also saw mixed interests in, BPCEGP 4.5%'26s and MFCCN 3.85%'26s. In the broader dollar space, the spread on JACI IG corporates increased slightly by 1bps to 222bps, while the yield on JACI HY corporates decreased slightly by 1bps to 7.21%. Notably, RLTAIN curve (18s: -20pts, 19s:-11pts) was down sharply after missed coupon earlier this month. 10y UST yield increased by 2bps to 1.85%.
- **Rating Changes:** Moody's assigned a credit rating of "Baa1" to Changchun Urban Development International Ltd's long term rating and its senior unsecured debt. The assignment of the rating follows the company's completion of its notes issuance, the final terms and conditions of which are consistent with Moody's expectation. The outlook is negative. Moody's withdrew all credit ratings on China Oriental Group Company Ltd. The credit ratings prior to withdrawal was "B2". S&P affirmed its "BBB-" credit ratings on Kerry Properties Ltd. reflecting Kerry's expected elevated financial leverage in 2016 & 2017. This is due to the company's large capital expenditure needs and fewer projects for recognition amid subdued residential market conditions in Hong Kong. The outlook is negative. Moody's affirmed its credit rating on Mizuho Financial Group of "A1", reflecting Mizuho's lowered balance sheet risk profile, improved capitalization and that the current rating has sufficient headroom to absorb the increased risks and challenges arising from the introduction of negative interest rates in Japan. The outlook is stable. S&P affirmed its credit rating of "BBB-" on Soilbuild REIT, reflecting SBREIT's stable cash flows despite the recent rental default from Technics Offshore Engineering. Outlook is stable. S&P subsequently withdrew all ratings on SBREIT's request. Fitch upgraded Ford Motor Company to "BBB" from "BBB-" reflecting the company's improving product portfolio stronger and financial position including lower leverage and better liquidity. Outlook is stable.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.521	0.37%	USD-SGD	1.3795	0.43%
USD-JPY	110.310	0.50%	EUR-SGD	1.5333	-0.29%
EUR-USD	1.1132	0.00%	JPY-SGD	1.2509	-0.04%
AUD-USD	0.7182	-0.61%	GBP-SGD	2.0171	0.09%
GBP-USD	1.4623	-0.32%	AUD-SGD	0.9912	-0.14%
USD-MYR	4.0780	0.04%	NZD-SGD	0.9239	-0.22%
USD-CNY	6.5655	0.11%	CHF-SGD	1.3869	-0.11%
USD-IDR	13587	0.01%	SGD-MYR	2.9662	0.14%
USD-VND	22383	0.06%	SGD-CNY	4.7732	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3490	-0.0010	O/N	0.3850	-0.0011
2M	-0.2990	-0.0010	1M	0.4567	0.0022
3M	-0.2600	-0.0020	2M	0.5580	0.0006
6M	-0.1490	-0.0030	3M	0.6731	-0.0010
9M	-0.0820	-0.0020	6M	0.9781	0.0010
12M	-0.0150	-0.0010	12M	1.3167	-0.0040

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread %
Portugal	0.52	3.70	3.05
Italy	-0.07	-0.50	1.36
Ireland	-0.36	1.90	0.77
Greece*	7.16	25.70	7.26
Spain	-0.09	1.00	1.48
Russia^	2.98	0.70	4.83

* 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
DJIA	17,873.22	44.90
S&P	2,099.06	9.00
Nasdaq	4,933.51	31.70
Nikkei 225	16,834.84	62.40
STI	2,802.51	29.20
KLCI	1,637.19	6.10
JCI	4,814.73	30.20
Baltic Dry	606.00	5.00
VIX	13.12	-0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.06 (+0.02)	0.91 (+0.04)
5Y	1.71 (+0.04)	1.38 (+0.04)
10Y	2.17 (+0.06)	1.85 (+0.02)
15Y	2.43 (+0.03)	--
20Y	2.47 (+0.03)	--
30Y	2.53 (+0.02)	2.65 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	19.56	0.85
EURIBOR-OIS	8.50	--
TED	36.28	-2.64

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	49.33	-0.30%	Coffee (per lb)	1.213	-0.16%
Brent (per barrel)	49.32	-0.54%	Cotton (per lb)	0.6428	-0.08%
Heating Oil (per gallon)	1.494	-0.49%	Sugar (per lb)	0.1752	0.57%
Gasoline (per gallon)	1.63	0.77%	Orange Juice (per lb)	1.4650	-1.05%
Natural Gas (per MMBtu)	2.169	10.49%	Cocoa (per mt)	3,005	3.05%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,695.0	0.73%	Wheat (per bushel)	4.8150	0.05%
Nickel (per mt)	8,387	0.30%	Soybean (per bushel)	10.865	0.63%
Aluminium (per mt)	1,547.3	-0.05%	Corn (per bushel)	4.1275	1.10%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,213.8	-0.54%	Crude Palm Oil (MYR/MT)	2,587.0	-1.18%
Silver (per oz)	16.269	-0.42%	Rubber (JPY/KG)	160.3	1.14%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 24 May 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Corn	176,945	147,517	29,428	Gold	234,075	298,651	-64,576
Cotton	41,266	37,018	4,248	Natural Gas	-159,644	-134,660	-24,984
Heating Oil	18,464	14,651	3,813	Cocoa	27,306	44,095	-16,789
Sugar	282,347	284,265	-1,918	Nymex Crude	393,660	408,569	-14,909
Palladium	4,307	6,970	-2,663	Lean Hogs	59,192	73,395	-14,203
Platinum	36,601	40,578	-3,977	Coffee	10,300	22,474	-12,174
Live Cattle	46,242	50,473	-4,231	Wheat	-88,139	-77,050	-11,089
RBOB Gasoline	62,219	67,176	-4,957	Copper	-41,156	-30,625	-10,531
Soybean	240,828	247,317	-6,489	Silver	67,136	77,114	-9,978

Source: CFTC

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
05/27/2016 07:05	UK GfK Consumer Confidence	May	-4	-1	-3	--
05/27/2016 07:30	JN Natl CPI YoY	Apr	-0.40%	-0.30%	-0.10%	--
05/27/2016 07:30	JN Natl CPI Ex Fresh Food YoY	Apr	-0.40%	-0.30%	-0.30%	--
05/27/2016 07:30	JN Natl CPI Ex Food, Energy YoY	Apr	0.70%	0.70%	0.70%	--
05/27/2016 07:30	JN Tokyo CPI YoY	May	-0.50%	-0.50%	-0.40%	--
05/27/2016 07:30	JN Tokyo CPI Ex-Fresh Food YoY	May	-0.40%	-0.50%	-0.30%	--
05/27/2016 11:13	MU Unemployment Rate	Apr	--	1.90%	1.90%	--
05/27/2016 14:45	FR Consumer Confidence	May	95	98	94	--
05/27/2016 15:30	VN Exports YTD YoY	May	6.30%	6.60%	6.00%	--
05/27/2016 15:30	TH Foreign Reserves	May-20	--	\$176.6b	\$177.7b	--
05/27/2016 16:00	TA GDP YoY	1Q F	-0.80%	-0.68%	-0.84%	--
05/27/2016 16:00	IT Consumer Confidence Index	May	114.5	112.7	114.2	114.1
05/27/2016 16:00	IT Manufacturing Confidence	May	103	102.1	102.7	--
05/27/2016 16:00	IT Economic Sentiment	May	--	103.4	102.7	--
05/27/2016 20:30	US GDP Annualized QoQ	1Q S	0.90%	0.80%	0.50%	--
05/27/2016 20:30	US Personal Consumption	1Q S	2.10%	1.90%	1.90%	--
05/27/2016 20:30	US GDP Price Index	1Q S	0.70%	0.60%	0.70%	--
05/27/2016 20:30	US Core PCE QoQ	1Q S	2.10%	2.10%	2.10%	--
05/27/2016 22:00	US U. of Mich. Sentiment	May F	95.4	94.7	95.8	--
05/30/2016 05:00	SK Business Survey Manufacturing	Jun	--	74	73	--
05/30/2016 07:50	JN Retail Trade YoY	Apr	-1.20%	-0.80%	-1.10%	-1.00%
05/30/2016 07:50	JN Retail Sales MoM	Apr	-0.60%	0.00%	1.40%	1.50%
05/30/2016 09:00	AU HIA New Home Sales MoM	Apr	--	--	8.90%	--
05/30/2016 10:00	SK Department Store Sales YoY	Apr	--	--	0.30%	--
05/30/2016 14:00	GE Import Price Index MoM	Apr	0.40%	--	0.70%	--
05/30/2016 14:00	GE Import Price Index YoY	Apr	-6.20%	--	-5.90%	--
05/30/2016 14:45	FR GDP QoQ	1Q P	0.50%	--	0.50%	--
05/30/2016 14:45	FR GDP YoY	1Q P	1.30%	--	1.30%	--
05/30/2016 15:00	GE CPI Saxony MoM	May	--	--	-0.20%	-0.40%
05/30/2016 16:00	IT PPI MoM	Apr	--	--	0.20%	--
05/30/2016 16:00	IT PPI YoY	Apr	--	--	-3.90%	--
05/30/2016 17:00	EC Economic Confidence	May	104.4	--	103.9	--
05/30/2016 17:00	EC Consumer Confidence	May F	-7	--	-7	--
05/30/2016 20:00	GE CPI MoM	May P	0.30%	--	-0.40%	--
05/30/2016 20:00	GE CPI YoY	May P	0.10%	--	-0.10%	--
05/30/2016 20:00	GE CPI EU Harmonized MoM	May P	0.30%	--	-0.50%	--
05/30/2016 20:00	GE CPI EU Harmonized YoY	May P	-0.10%	--	-0.30%	--
05/30/2016 20:30	CA Current Account Balance	1Q	-\$16.80b	--	-\$15.38b	--
05/30/2016 20:30	CA Industrial Product Price MoM	Apr	0.40%	--	-0.60%	--
05/30/2016 20:30	CA Raw Materials Price Index MoM	Apr	1.10%	--	4.50%	--
05/30/2016	MU GDP YoY	1Q	--	--	-14.40%	--

Source: Bloomberg

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