

Highlights

Global	<p>With market players holding their breath for FOMC starting today, Asian markets may tread water this morning, albeit the overnight cue from Wall Street was moderately positively. We expect that the FOMC may go by the same playbook ahead of the March rate hike, ie. be static with few tweaks to the FOMC statement and largely retain its economic optimism while acknowledging some potential inflationary pressures on the horizon, but leave the heavy lifting till post-FOMC when a slew of Fed speakers will ramp up the hawkish rhetoric to set the stage for the next rate hike in June.</p> <p>Today's economic data calendar comprises US' non-manufacturing ISM, ADP employment change and services/composite PMIs, Eurozone's 1Q17 GDP growth and Germany's unemployment change.</p>
PMI	<p>The manufacturing PMI prints from Asia and Europe (UK at a 3-year high of 57.3 and Eurozone at a near 6-year high of 56.7) were mostly upbeat and well in the expansion territory, suggesting that the manufacturing momentum still had room to extend in 2Q17.</p>
AU	<p>RBA was static at 1.5% for a 9th straight month as widely anticipated, citing a "mixed" labour market and warned that wage growth could remain slow "for a while yet".</p>
SG	<p>After hitting a post-Nov14 high of 51.2 in March, Singapore's manufacturing PMI finally edged down 0.1 points to 51.1 in April, due mainly to slower growth in new orders, new exports, inventory and employment. Still, this marked the 8th consecutive month of expansion. Similarly the electronics PMI also slipped 0.2 points to 51.6 in April, but marked its 9th straight month of expansion, on the back of slowing growth in new orders, factory output and inventory as well. The April consolidation comes after a blockbuster 1Q17 where manufacturing production and NODX surprised on the upside, and inventory restocking may have been completed. This domestic slippage is not too surprising, but looking ahead, given the deleveraging and tightening regulation concerns in China, and ongoing US-initiated trade talks, it remains to be seen if there will be further spillover implications for Asia in the coming months. While we do not expect a V-shape manufacturing recovery in 2017, it also looks like the global semiconductor upswing has more to run. As such, we wouldn't read too much into the small pullback in the manufacturing and electronics PMI prints at this juncture.</p>
TH	<p>Business sentiment in April fell below its 50.0 mark, marking the lowest since Nov 2016, though the fall could have been attributed to the seasonal Songkran Festival (Thailand's new year festive).</p>
Commodities	<p>Crude oil dipped 2.4% in Asian trading hours yesterday before covering back lost grounds to \$48/bbl this morning. New output data from OPEC confirmed the cartel's continued compliance to limit production as part of their agreement late last year. Empirically, output fell 40,000 barrels per day in April from a month earlier, with Saudi's production steady at 9.95 mbpd while both Iraq and Venezuela produced closer to their targets. Note that there are little fundamental reasons to explain the current weakness in oil prices, and we may only attribute the fall to technical reasons given WTI's current testing below its 200-day moving average line. Watch for tonight's fresh inventory data from the US, which may shed more light on global fundamental background into the week ahead.</p>

Major Markets

- **US:** Equities edged higher on high volume on Tuesday, with a sustained rally in technology stocks joined by gains in industrials and healthcare. The energy sector was the main drag, underperforming, in part, due to slumping crude prices. Overall, the Nasdaq nudged higher by 0.06% to a new record high, while the S&P 500 and Dow rose 0.12% and 0.17% respectively. Equities have been enjoying a great earnings season thus far, with more than 75% of companies beating earnings estimates. Relative laggards in this front include companies in the real estate and financial sectors. VIX closed at 10.59, up 4.75%.
- Meanwhile, US Treasuries were supported by weak auto sales and a slump in crude prices, pushing yields down 1-4 bps. 2- and 10-year yields stood at 1.26% and 2.28% at NY closing. We note that the yield curve bull steepened, with the Treasury 5-30 yield spread widening 1.5% and making a decided push through its 200-DMA level.
- **Singapore:** STI rallied 1.12% to overcome the 3200 handle to a near 2-year high of 3211.11 yesterday, as investor sentiments improved on the back of better-than-expected earnings from DBS. However, some sideways trading, possibly consolidation is plausible as market awaits the FOMC decision due tonight. STI's resistance and support are tipped at 3220 and 3200 respectively. The SGS bond yield curve steepened yesterday, led by the longer-dated tenors, but may range trade today awaiting further cues from FOMC.
- **South Korea:** The nation watched on as ex-president Park Guen-hye's trial begun yesterday. Park, who has been in jail since 31st March, faces 18 criminal counts of bribery, abuse of power, coercion and leak of government secrets. If convicted, she could face prison term ranging from 10 years to life.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was range-bound yesterday, with swap rates trading around 1-2bps across all tenors. Flows in SGD corporates were heavy last Friday, with better buying seen in BNP 4.3%'25s, FCLSP 5%'49s, HPLSP 4.65%'49s and better selling seen in BNP 3.65%'24s, OUESP 3.75%'22s. The Itraxx Asia ex-Japan IG index closed at 93bps yesterday, changing little from Monday's close. 10y UST yield fell 4bps to 2.28% yesterday, amid oil price declines and changing expectations for potential ultra-long bonds issuance by the US Treasury.
- **Rating Changes:** Moody's downgraded Standard Chartered Bank (HK) Limited's Baseline Credit Assessment (BCA) and adjusted BCA to 'A2' from 'A1', issuer rating to 'A1' from 'Aa3', senior unsecured MTN program rating, subordinated debt and program ratings by one notch to 'A3' from 'A2'. The rating action reflects the downgrade of the parent's ratings and takes into account profitability pressures that weigh on the broader group, which has been declining sequentially since 2013 due to narrowing net interest margins and rising credit costs. Other regional branches affected by the parents' downgrade include: Standard Chartered Bank Malaysia Berhad's (SCBM) adjusted BCA to 'Baa1' from 'A3'; Standard Chartered Bank (Thai) Public Co Ltd's (SCBT) adjusted BCA and issuer ratings to 'Baa2' from 'Baa1'. The rating outlooks have been revised to stable from negative. Moody's assigned Orient Securities Company Limited (Orient Securities) a 'Baa3' long-term issuer rating. The ratings outlook is stable. The rating action reflects Orient Securities' standalone assessment of 'Ba2' and a two-notch uplift based on our assumption of a high level of support from Shenergy (Group) Co Ltd and the Chinese government in times of stress. Fitch affirmed the ratings on 10 Japanese insurers and revised their outlooks to stable from negative. The 10 Japanese insurers include: Dai-ichi Life Insurance Company Limited, Daido Life Insurance Co., Fukoku Mutual Life Insurance Co, Meiji Yasuda Life Insurance Company, Mitsui Sumitomo Insurance Company Limited, Nippon Life Insurance Company, Sompo Japan Nipponkoa Insurance Inc., Taiyo Life

Insurance Company, and Tokio Marine & Nichido Fire Insurance Co. Ltd. The outlooks on the Issuer Default Ratings (IDR) of The Dai-ichi Life Insurance Company Limited and Fukoku Mutual Life Insurance Co remain Stable. The rating action follows Fitch's revision of the Outlook on Japan to Stable from Negative. Fitch assigned PT Saka Energi Indonesia's (Saka) USD625 million 4.45% senior notes due 2024 a final rating of 'BB+'. The assignment of the final rating follows a review of the final documentation, which conforms to the draft documentation previously received.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.976	-0.10%	USD-SGD	1.3940	-0.21%
USD-JPY	111.990	0.13%	EUR-SGD	1.5238	0.08%
EUR-USD	1.0930	0.28%	JPY-SGD	1.2445	-0.36%
AUD-USD	0.7536	0.13%	GBP-SGD	1.8031	0.17%
GBP-USD	1.2939	0.41%	AUD-SGD	1.0503	-0.10%
USD-MYR	4.3285	-0.29%	NZD-SGD	0.9666	0.22%
USD-CNY	6.8959	0.03%	CHF-SGD	1.4055	0.24%
USD-IDR	13312	-0.13%	SGD-MYR	3.1028	-0.15%
USD-VND	22750	--	SGD-CNY	4.9401	0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9294	--
2M	-0.3400	--	1M	0.9950	--
3M	-0.3290	--	2M	1.0372	--
6M	-0.2490	--	3M	1.1723	--
9M	-0.1790	--	6M	1.4263	--
12M	-0.1210	--	12M	1.7740	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
03/05/2017	12.8%	0.0%	12.8%	0.0%	0.0%
14/06/2017	67.1%	0.0%	59.1%	8.0%	0.0%
26/07/2017	70.0%	0.0%	56.8%	12.5%	0.7%
20/09/2017	81.4%	0.0%	46.6%	29.4%	5.2%
01/11/2017	82.2%	0.0%	45.4%	30.1%	6.2%
13/12/2017	86.8%	0.0%	38.3%	34.0%	12.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.66	-2.42%	Copper (per mt)	5,787.1	-0.94%
Brent (per barrel)	50.46	-2.06%	Nickel (per mt)	9,466.0	0.64%
Heating Oil (per gallon)	1.4680	-1.33%	Aluminium (per mt)	1,922.8	0.98%
Gasoline (per gallon)	1.5136	-0.89%			
Natural Gas (per MMBtu)	3.1950	-0.62%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,730.0	1.34%
			Rubber (JPY/KG)	270.0	2.39%
Precious Metals	Futures	% chg			
Gold (per oz)	1,257.0	0.12%			
Silver (per oz)	16.769	-0.07%			

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	20,949.89	36.43
S&P	2,391.17	2.84
Nasdaq	6,095.37	3.76
Nikkei 225	19,445.70	135.18
STI	3,211.11	35.67
KLCI	1,778.47	10.41
JCI	5,675.81	-9.49
Baltic Dry	1,073.00	-36.00
VIX	10.59	0.48

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.21 (-)	1.26 (-0.02)
5Y	1.60 (+0.01)	1.80 (-0.04)
10Y	2.14 (+0.02)	2.28 (-0.04)
15Y	2.30 (+0.02)	--
20Y	2.40 (+0.03)	--
30Y	2.44 (+0.03)	2.97 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	17.43	-0.18
EURIBOR-OIS	2.93	1.83
TED	34.42	--

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
05/02/2017	07:00	SK CPI MoM	Apr	0.10%	-0.10%	0.00%	--
05/02/2017	07:00	SK CPI YoY	Apr	2.10%	1.90%	2.20%	--
05/02/2017	07:50	JN Monetary Base YoY	Apr	--	19.80%	20.30%	--
05/02/2017	08:30	MA Nikkei Malaysia PMI	Apr	--	50.7	49.5	--
05/02/2017	08:30	ID Nikkei Indonesia PMI Mfg	Apr	--	51.2	50.5	--
05/02/2017	08:30	PH Nikkei Philippines PMI Mfg	Apr	--	53.3	53.8	--
05/02/2017	08:30	TH Nikkei Thailand PMI Mfg	Apr	--	49.8	50.2	--
05/02/2017	08:30	SK Nikkei South Korea PMI Mfg	Apr	--	49.4	48.4	--
05/02/2017	08:30	TA Nikkei Taiwan PMI Mfg	Apr	--	54.4	56.2	--
05/02/2017	08:30	JN Nikkei Japan PMI Services	Apr	--	52.2	52.9	--
05/02/2017	08:30	JN Nikkei Japan PMI Composite	Apr	--	52.6	52.9	--
05/02/2017	09:45	CH Caixin China PMI Mfg	Apr	51.3	50.3	51.2	--
05/02/2017	12:04	ID CPI YoY	Apr	4.10%	4.17%	3.61%	--
05/02/2017	12:04	ID CPI NSA MoM	Apr	0.05%	0.09%	-0.02%	--
05/02/2017	12:07	ID CPI Core YoY	Apr	3.32%	3.28%	3.30%	--
05/02/2017	12:30	AU RBA Cash Rate Target	May-02	1.50%	1.50%	1.50%	--
05/02/2017	13:00	IN Nikkei India PMI Mfg	Apr	--	52.5	52.5	--
05/02/2017	14:50	PH Bank Lending YoY	Mar	--	18.40%	17.50%	--
05/02/2017	15:45	IT Markit/ADACI Italy Mfg PMI	Apr	56	56.2	55.7	--
05/02/2017	15:50	FR Markit France Mfg PMI	Apr F	55.1	55.1	55.1	--
05/02/2017	15:55	GE Markit/BME Germany Mfg PMI	Apr F	58.2	58.2	58.2	--
05/02/2017	16:00	EC Markit Eurozone Mfg PMI	Apr F	56.8	56.7	56.8	--
05/02/2017	16:00	IT Unemployment Rate	Mar P	11.50%	11.70%	11.50%	--
05/02/2017	16:30	UK Markit UK PMI Mfg SA	Apr	54	57.3	54.2	--
05/02/2017	17:00	EC Unemployment Rate	Mar	9.40%	9.50%	9.50%	--
05/02/2017	21:00	SI Purchasing Managers Index	Apr	51.2	51.1	51.2	--
05/02/2017	21:00	SI Electronics Sector Index	Apr	--	51.6	51.8	--
05/02/2017	22:05	IT Budget Balance	Apr	--	-5.2b	-22.9b	--
05/02/2017	05/03	TH Car Sales	Mar	--	--	68435	--
05/02/2017	05/03	US Wards Total Vehicle Sales	Apr	17.10m	16.81m	16.53m	--
05/02/2017	05/03	US Wards Domestic Vehicle Sales	Apr	13.30m	13.12m	12.97m	--
05/03/2017	00:00	IT New Car Registrations YoY	Apr	--	-4.62%	18.16%	--
05/03/2017	01:00	NZ QV House Prices YoY	Apr	--	11.10%	12.90%	--
05/03/2017	06:45	NZ Unemployment Rate	1Q	5.10%	4.90%	5.20%	--
05/03/2017	06:45	NZ Employment Change QoQ	1Q	0.80%	1.20%	0.80%	0.70%
05/03/2017	06:45	NZ Employment Change YoY	1Q	5.30%	5.70%	5.80%	--
05/03/2017	06:45	NZ Pvt Wages Inc Overtime QoQ	1Q	0.50%	0.40%	0.40%	--
05/03/2017	06:45	NZ Average Hourly Earnings QoQ	1Q	0.70%	0.30%	-0.30%	--
05/03/2017	07:30	AU AiG Perf of Services Index	Apr	--	53	51.7	--
05/03/2017	08:30	VN Nikkei Vietnam PMI Mfg	Apr	--	--	54.6	--
05/03/2017	15:55	GE Unemployment Change (000's)	Apr	-11k	--	-30k	--
05/03/2017	15:55	GE Unemployment Claims Rate SA	Apr	5.80%	--	5.80%	--
05/03/2017	16:30	UK Markit/CIPS UK Construction PMI	Apr	52	--	52.2	--
05/03/2017	17:00	EC PPI MoM	Mar	-0.10%	--	0.00%	--
05/03/2017	17:00	EC PPI YoY	Mar	4.20%	--	4.50%	--
05/03/2017	17:00	EC GDP SA QoQ	1Q A	0.50%	--	0.40%	0.50%
05/03/2017	17:00	EC GDP SA YoY	1Q A	1.70%	--	1.70%	--
05/03/2017	19:00	US MBA Mortgage Applications	Apr-28	--	--	2.70%	--
05/03/2017	20:15	US ADP Employment Change	Apr	175k	--	263k	--
05/03/2017	21:45	US Markit US Services PMI	Apr F	52.5	--	52.5	--
05/03/2017	21:45	US Markit US Composite PMI	Apr F	--	--	52.7	--
05/03/2017	22:00	US ISM Non-Manf. Composite	Apr	55.8	--	55.2	--

Source: Bloomberg

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