

Highlights

Global	<p>Another weekend, another North Korean missile test, but it remains to be seen if financial markets will be fazed at the start of this week, especially for new South Korean president Moon Jae-in. Asia was on a roll last week, with Malaysia's 1Q17 GDP growth surprising on the upside and Indonesia's sovereign rating update by S&P. US president Trump also played nice in the Middle East in his inaugural foreign trip, criticizing Iran and heralding "a battle between good and evil" while major US companies signed multi-billion dollar deals in defense, energy and infrastructure industries. With former FBI director Comey scheduled to testify in front of Congress in an open session about the probe into suspected Russian meddling with the 2016 US election this week, the USD may remain under pressure.</p> <p>Expect Asian markets to tread higher but lightly today given a very light economic data calendar with only Thai trade, Taiwan export orders and Malaysia's FX reserves on tap. However, a heavy and potentially eventful week lies ahead with G7 and NATO meetings in Europe for US president Trump, FOMC minutes on Wed, OPEC meeting in Vienna to discuss extending quota cuts, and central bank meetings by BOC and BOT on 24 May and BOK on 25 May, albeit all three are likely to be static. Speakers include Fed's Kashkari, Brainard and Harker.</p>
US	<p>Fed's Bullard said he would not object to a June rate hike, but disagrees with future hikes as "longer-term yields have declined, inflation expectations have weakened, and market expectations of the policy rate path have declined" which "may suggest that the FOMC's contemplated policy rate path is overly aggressive relative to actual incoming data on US macroeconomic performance. Futures market has fully priced in the 14 June rate hike for now.</p>
EZ	<p>EU ministers are meeting in Brussels today to discuss their Brexit negotiating position after UK Brexit Secretary Davis said in a Sunday Times interview that even a GBP1b settlement would be a "lot of money" and threatened "under the circumstances, if that was necessary, we would be in a position to do it" and walk away. Meanwhile, Germany's current account surplus is expected to shrink to 7% of GDP by 2018, down from around 7.5% this year and the 8.6% peak in 2015, according to its Finance Ministry.</p>
JP	<p>Exports rose for a fifth straight month by 7.5% yoy in Apr, while imports surged 15.1% to bring the trade surplus to JPY481.7b.</p>
ID	<p>S&P upgraded Indonesia to investment grade rating on Friday, on the back of fiscal rectitude and stable macroeconomic conditions. With this move, it joins its two competitors, Moody's and Fitch, in establishing Indonesia's investment grade.</p>
MA	<p>Q1 GDP growth surprised strongly on the upside. At 5.6%yoy, it proved to be much better than the 4.8% that market has pencilled in. A pick-up in exports combined with strength in domestic demand to lift the country's growth to its best year-on-year rate since mid-2014.</p>
CMD	<p>Commodities across the board, ranging from energy to industrial and precious metals surged late last week. Oil prices surged above its \$50/bbl handle on Friday last week on increased anticipation for another ambitious OPEC oil cut deal this Thursday.</p>

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Major Markets

- **US:** Equities recovered from their midweek tumble on higher energy prices ahead of the OPEC meeting this week from favourable rhetoric from Saudi Arabia on production cuts. Specifically, the Dow gained 0.69%, while the S&P and Nasdaq rose by 0.68% and 0.47% respectively. The gains were also translated to the VIX index as it fell by 17.9% to close at 12.04, erasing uncertainty arising from the Trump-FBI saga for now. Meanwhile, US Treasuries ended flat as exhibited by both the 2-year and 10-year benchmark yields which were left unchanged as it ended last Friday's session at 1.27% and 2.23% respectively.
- **Singapore:** STI slipped 0.15% to close at 3216.92 on Friday, among the select few Asian bourses who swam against the tide. Given positive Friday leads from Wall Street and morning gains in Nikkei and Kospi, the STI could stage a recovery today, with resistance tipped at 3240 and support at 3200. With UST bond yields tilted higher on Friday, SGS bonds may also face some selling pressure today.
- **Hong Kong:** The seasonally adjusted jobless rate remained unchanged at 3.2% in the three months through April, its lowest level since 2Q 2014. Due to the improved tourism activities (visitor arrivals rose by 3.7% yoy in 1Q), the unemployment rate of the retail, accommodation and food services industry held static at a relatively low level of 4.7%. On the other hand, the jobless rates in the financial sector (2.4%), construction sector (4.6%) and trade sector (3.2%) all increased. As housing constructions have been picking up pace, and the government is increasing spending on infrastructure, we believe that the unemployment rate of the construction sector will decrease gradually. Improved trading activities on global recovery are also likely to underpin the hiring sentiment in the trade sector. However, a likely housing market correction may increase the jobless rate in the financial sector while the launch of the bond connect could bolster labor demand for the sector. In conclusion, the labor market is expected to remain stable. Nevertheless, downward pressure still lingers given the expected slowdown in China over 2H.
- Elsewhere, the HKMA announced that all banks will lower the loan-to-value ratio cap by 10 percentage points for residential mortgage loans involving borrowers with one or more pre-existing mortgage loans and those who earn the majority of their income outside HK. The new rule is expected to deter speculative demand and reduce the heightened credit risks faced by banks.
- **South Korea:** President Moon nominated Kim Dong-yeon, a former vice finance minister and current Ajou University President, as his finance minister and deputy prime minister.
- **Thailand:** Market-watchers will be waiting for official trade prints later this afternoon by Thailand's Commerce Ministry, though Bangkok Post, citing government sources, reported export growth at 8.49% in April.
- **Commodities:** Market-watchers zoomed in on Saudi Arabia's Khalid al-Falih comment that *"continuation with the same level of cuts, plus eventually adding one or two small producers... will be more than adequate"* to reduce oil inventories. Elsewhere, gold posted its biggest weekly gain in a month, touching \$1,253.6/oz, while industrial metals especially copper (+1.9%) and nickel (+2.1%) also rose.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened last Friday, with swap rates trading 3-7bps higher across all tenors. Flows in SGD corporates were moderate, with better buying seen in FCLSP 4.15%'27s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 198bps, while the yield on JACI HY corporates rose 2bps to 6.78%. 10y UST yield rose 1bps to 2.23% last Friday, after the Washington Post reported that investigators were looking at White House official close to US President Trump as person of interest in Russia probe.
- **New Issues:** Melco Resorts Finance Limited mandated banks to arrange investor meetings from 19 May for potential USD bond issuance. CNRC Capitale Ltd. scheduled investor roadshow from 22 May for potential USD perp (guaranteed by China National Chemical Corp) issuance. The expected issue ratings are 'NR/Baa2/BBB+'. Korea Eximbank may sell EUR 5-year bonds early this week after investor roadshow concluded last Friday.
- **Rating Changes:** S&P upgraded the sovereign credit rating of Indonesia to 'BBB-' from 'BB+' last Friday. Following which, S&P raised the corporate credit ratings on seven Indonesian companies; namely, PT Pertamina (Persero), PT Pelabuhan Indonesia II (Persero), PT Perusahaan Gas Negara (Persero) Tbk., PT Pelabuhan Indonesia III (Persero), PT Saka Energi Indonesia, PT Telekomunikasi Selular, and PT Astra International Tbk. In addition, S&P also raised the issue ratings to 'BBB-' from 'BB+' on the outstanding notes issued by the following entities: PT Pertamina (Persero); PT Pelabuhan Indonesia II (Persero); PT Pelabuhan Indonesia III (Persero); PT Perusahaan Gas Negara (Persero) Tbk.; and the issue ratings to 'BB+' from 'BB' on the outstanding notes issued by PT Saka Energi Indonesia. Apart from the seven Indonesian companies, S&P upgraded PT Bank Negara Indonesia (Persero) Tbk.'s (BNI) issuer credit ratings to 'BB+' from 'BB', with stable outlook, and Lembaga Pembiayaan Ekspor Indonesia's (Indonesia Eximbank) issuer credit rating and senior unsecured rating to 'BBB-' from 'BB+', with stable outlook. Moody's revised to stable from negative the outlook on Bright Food (Group) Co. Ltd.'s (Bright Food) 'Baa3' issuer rating and senior unsecured ratings on the USD and EUR notes it guaranteed. In addition, Moody's affirmed the aforementioned ratings. The rating action reflects Moody's expectation that Bright Food's debt leverage over the next 12 to 18 months will not rise above the improved level achieved at end-December 2016. Moody's upgraded Tokyo Electric Power Company Holdings, Inc.'s (TEPCO) corporate family rating to 'Ba2' from 'Ba3' and its senior secured debt ratings to 'Ba1' from 'Ba2'. The rating outlook is stable. In addition, Moody's upgraded TEPCO's baseline credit assessment (BCA) to 'B3' from 'Caa1'. The rating action reflects the Japanese government's continued support of TEPCO in approving the company's latest business plan, which also provides clarity on how TEPCO will pay for the decommissioning costs for its Fukushima Daiichi nuclear plant.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.142	-0.75%	USD-SGD	1.3861	-0.48%
USD-JPY	111.260	-0.21%	EUR-SGD	1.5530	0.43%
EUR-USD	1.1206	0.93%	JPY-SGD	1.2455	-0.30%
AUD-USD	0.7459	0.54%	GBP-SGD	1.8022	0.01%
GBP-USD	1.3036	0.76%	AUD-SGD	1.0330	-0.04%
USD-MYR	4.3215	-0.15%	NZD-SGD	0.9600	-0.09%
USD-CNY	6.8850	-0.06%	CHF-SGD	1.4248	0.24%
USD-IDR	13325	-0.23%	SGD-MYR	3.1079	-0.08%
USD-VND	22703	0.04%	SGD-CNY	4.9666	0.36%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	-0.0030	O/N	0.9289	0.0011
2M	-0.3410	--	1M	1.0171	0.0072
3M	-0.3310	--	2M	1.0961	0.0197
6M	-0.2510	--	3M	1.1864	0.0147
9M	-0.1790	--	6M	1.4152	0.0161
12M	-0.1290	--	12M	1.7229	0.0183

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.21 (+0.03)	1.27 (--)	-0.69 (+0.01)	-0.45 (+0.01)	-0.26 (--)
5Y	1.59 (+0.05)	1.78 (+0.01)	-0.35 (+0.02)	-0.12 (+0.01)	0.84 (--)
10Y	2.10 (+0.05)	2.23 (+0.01)	0.37 (+0.02)	0.80 (+0.01)	2.13 (-0.01)
15Y	2.26 (+0.05)	--	0.61 (+0.03)	1.17 (+0.01)	2.66 (-0.01)
20Y	2.36 (+0.04)	--	0.91 (+0.03)	1.49 (--)	2.78 (--)
30Y	2.44 (+0.04)	2.90 (--)	1.20 (+0.03)	1.79 (--)	3.25 (--)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	97.5%	0.0%	97.5%	0.0%	0.0%
26/07/2017	90.2%	0.2%	90.2%	0.0%	0.0%
20/09/2017	93.5%	0.1%	62.8%	30.7%	0.0%
13/12/2017	94.8%	0.1%	50.8%	37.1%	6.8%
31/01/2018	95.0%	0.1%	48.9%	37.6%	8.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	50.33	1.99%	Copper (per mt)	5,674.7	1.88%
Brent (per barrel)	53.61	2.09%	Nickel (per mt)	9,332.0	2.06%
Heating Oil (per gallon)	1.5827	2.42%	Aluminium (per mt)	1,938.8	1.11%
Gasoline (per gallon)	1.6523	2.86%			
Natural Gas (per MMBtu)	3.2560	2.33%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,885.0	0.49%
			Rubber (JPY/KG)	309.5	1.41%
Precious Metals	Futures	% chg			
Gold (per oz)	1,253.6	0.06%			
Silver (per oz)	16.750	0.78%			

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

Equity and Commodity

Index	Value	Net change
DJIA	20,804.84	141.82
S&P	2,381.73	16.01
Nasdaq	6,083.70	28.57
Nikkei 225	19,590.76	36.90
STI	3,216.92	-4.74
KLCI	1,768.28	1.11
JCI	5,791.88	146.43
Baltic Dry	956.00	-1.00
VIX	12.04	-2.62

Financial Spread (bps)

	Value	Change
LIBOR-OIS	12.49	-1.87
EURIBOR-OIS	2.90	-0.11
TED	26.74	-0.66

Government CDS (USD)

	5Y	% Change
Germany	16.056	-2.77%
France	29.279	-2.05%
Italy	163.158	-1.17%

CFTC Commodities Futures and Options

For the week ended: 16 May 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	57,455	20,325	37,130	Gold	120,256	141,386	-21,130
Cotton	120,615	111,529	9,086	Wheat	-102,951	-89,812	-13,139
Lean Hogs	41,421	33,206	8,215	Silver	43,075	54,061	-10,986
Corn	-131,826	-139,057	7,231	Nymex Crude	381,437	387,606	-6,169
Cocoa	-29,777	-34,176	4,399	Sugar	34,904	40,556	-5,652
RBOB Gasoline	32,340	29,519	2,821	Coffee	-5,038	-2,639	-2,399
Heating Oil	13,135	10,352	2,783	Palladium	19,897	20,540	-643
Platinum	11,719	9,212	2,507	Copper	8,775	8,257	518
Live Cattle	156,532	155,190	1,342	Soybean	-21,841	-22,903	1,062

Date	Time	Event		Survey	Actual	Prior	Revised
05/19/2017	06:45	NZ Net Migration SA	Apr	--	5780	6100	6130
05/19/2017	11:00	NZ Credit Card Spending MoM	Apr	--	0.90%	0.80%	0.90%
05/19/2017	11:00	NZ Credit Card Spending YoY	Apr	--	6.40%	7.10%	7.20%
05/19/2017 12:00	MA	GDP YoY	1Q	4.80%	5.60%	4.50%	--
05/19/2017	12:00	MA GDP SA QoQ	1Q	1.20%	1.80%	1.40%	1.30%
05/19/2017	12:00	MA BoP Current Account Bal MYR	1Q	6.6b	5.3b	12.2b	12.5b
05/19/2017	13:47	PH BoP Overall	Apr	--	\$917m	-\$550m	--
05/19/2017	14:00	GE PPI MoM	Apr	0.20%	0.40%	0.00%	--
05/19/2017	14:00	GE PPI YoY	Apr	3.20%	3.40%	3.10%	--
05/19/2017 15:30	TH	Foreign Reserves	May-12	--	\$183.6b	\$183.7b	--
05/19/2017	15:30	TH Forward Contracts	May-12	--	\$27.9b	\$28.1b	--
05/19/2017	16:00	EC ECB Current Account SA	Mar	--	34.1b	37.9b	37.8b
05/19/2017	16:00	EC Current Account NSA	Mar	--	44.8b	27.9b	27.8b
05/19/2017	16:00	IT Current Account Balance	Mar	--	3121m	1193m	--
05/19/2017	16:20	TA BoP Current Account Balance	1Q	--	\$16392m	\$18300m	\$19452m
05/19/2017 16:30	HK	Unemployment Rate SA	Apr	3.20%	3.20%	3.20%	--
05/19/2017	18:00	UK CBI Trends Total Orders	May	4	9	4	--
05/19/2017	18:00	UK CBI Trends Selling Prices	May	29	23	29	--
05/19/2017 20:30	CA	CPI NSA MoM	Apr	0.50%	0.40%	0.20%	--
05/19/2017 20:30	CA	CPI YoY	Apr	1.70%	1.60%	1.60%	--
05/19/2017	20:30	CA Consumer Price Index	Apr	--	130.4	129.9	--
05/19/2017	20:30	CA CPI Core- Common YoY%	Apr	1.40%	1.30%	1.30%	--
05/19/2017	20:30	CA CPI Core- Trim YoY%	Apr	--	1.30%	1.40%	--
05/19/2017	20:30	CA CPI Core- Median YoY%	Apr	--	1.60%	1.70%	--
05/19/2017 20:30	CA	Retail Sales MoM	Mar	0.30%	0.70%	-0.60%	-0.40%
05/19/2017	20:30	CA Retail Sales Ex Auto MoM	Mar	0.20%	-0.20%	-0.10%	0.00%
05/19/2017 22:00	EC	Consumer Confidence	May A	-3	-3.3	-3.6	--
05/21/2017	08:00	SK Exports 20 Days YoY	May	--	3.40%	28.40%	--
05/21/2017	08:00	SK Imports 20 Days YoY	May	--	11.70%	16.40%	--
05/22/2017	05:00	SK PPI YoY	Apr	--	4.00%	4.20%	4.30%
05/22/2017	07:01	UK Rightmove House Prices MoM	May	--	1.20%	1.10%	--
05/22/2017	07:01	UK Rightmove House Prices YoY	May	2.00%	3.00%	2.20%	--
05/22/2017	07:50	JN Trade Balance	Apr	¥520.7b	--	¥614.7b	¥614.0b
05/22/2017	07:50	JN Trade Balance Adjusted	Apr	¥259.6b	--	¥172.2b	--
05/22/2017	07:50	JN Exports YoY	Apr	8.00%	--	12.00%	--
05/22/2017	07:50	JN Imports YoY	Apr	14.80%	--	15.80%	--
05/22/2017	08:30	TA Unemployment Rate	Apr	--	--	3.84%	--
05/22/2017	13:00	JN Leading Index CI	Mar F	--	--	105.5	--
05/22/2017	13:00	JN Coincident Index	Mar F	--	--	114.6	--
05/22/2017	15:00	MA Foreign Reserves	May-15	--	--	\$96.1b	--
05/22/2017	15:00	JN Convenience Store Sales YoY	Apr	--	--	0.00%	--
05/22/2017 16:00	TA	Export Orders YoY	Apr	--	--	12.30%	--
05/22/2017	16:00	IT Istat 2017 Economic Forecasts					
05/22/2017	20:30	US Chicago Fed Nat Activity Index	Apr	0.1	--	0.08	--
05/22/2017	21:00	CH Conf Board Apr Leading Eco Index					

Source: Bloomberg

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