

Highlights

Global	<p>Global risk appetite was clearly on the backburner at the start of 2Q18 with the overnight tech sell-off in Wall Street, amid brewing headwinds over China's retaliatory moves against the US' steel and aluminium tariffs. Note Fed's Harker (non-voter) opined that "on the heels of a strengthening outlook, therefore, I see two additional rate hikes this year as appropriate" while Bostic (voter) also said "my forecast had three moves for this year". For today, the focus will be the RBA policy decision (likely unchanged at 1.5%), but Asian bourses are likely to take the cue from another ~2% slump in Wall Street (S&P posted its worst April start since 1929 to close below its 200-day moving average) amid president Trump's renewed criticism of Amazon.com. Today's economic data calendar is sparsely populated with only Eurozone, UK and India's manufacturing PMI, German retail sales and HK retail sales. Speakers include Fed's Kashkari and Brainard.</p>
US	<p>Manufacturing ISM softened from 60.88 to 59.3 in Mar, with the new orders (61.9 versus 64.2) and employment (57.3 versus 59.7) gauges retreating, but the prices paid component rising further and more than expected from 74.2 to 78.1. Even though the ISM prints remain healthy, nevertheless, 32% of survey respondents cited tariff-related concerns (namely "concern across the supply chain", "panic buying, driving the near-term prices higher" and "inventory shortages") even before the tariffs were implemented. Meanwhile, construction spending rose a smaller 0.1% mom in Feb, after a flat Jan. The Trump administration is pushing for a preliminary NAFTA deal to announce at the Summit of the Americas starting 13 Apr.</p>
PMIs	<p>Asian manufacturing PMIs had largely softened, except for Philippines (51.5 versus 50.8) and Myanmar (53.7 versus 52.6). In particular, manufacturing PMIs retreated for Taiwan (55.3 versus 56.0), Vietnam (51.6 versus 53.5), China (Caixin: 51.0 versus 51.6), Indonesia (50.7 versus 51.4). More importantly, South Korea's manufacturing PMI slipped back below the 50 handle to 49.1 versus 50.3 previously, while Thailand is also back below 50 handle to 49.1 versus 50.9), and Malaysia saw its second consecutive contraction at 49.5 versus 49.9), which clearly suggests some downside risk to regional manufacturing momentum in the months ahead.</p>
SG	<p>The manufacturing and electronics PMIs both improved by 0.3 points each to 53.0 and 52.4 respectively in March, marking the 19th and 20th straight month of expansion. The improvements were mostly broad-based across new orders, new export orders, output, inventory, imports and the order backlog gauges, with the exception of input process and employment.</p>
CMD	<p>Trade war concerns plagued both equities and growth-related commodity prices, especially energy. Crude oil prices tumbled overnight, with Brent unable to sustain its \$70/bbl handle (-3.7%) and WTI following suit. Production-wise, Russia reported its March oil production which rose to its 11-month high to 10.97 million barrels per day (bpd), while Iraq approved an increase in crude oil production to as much as 6.5 million bpd by 2022. Closer to Asia, palm oil futures gained on stronger export prints. Note Malaysia's shipments in March rose a strong 21.6% m/m (versus Feb's +19.4%), with exports to China (+83.5%) and India (+78.3%) supporting the trend.</p>

Major Market

- **US:** Equities slumped at the start of this week, led once again by the tech and consumer sectors. The broad-based decline saw all 11 industry sectors in the red. The start of Chinese tariffs on US imports also set a negative tone for the markets. Overall, the S&P 500 fell 2.23%, while the Dow and Nasdaq were lower by 1.90% and 2.74% respectively. Equities appear heavily pressured on the downside, investors may have to look to improving earnings to arrest the slide. VIX spiked again to 23.62, compared to 19.97 previously. Meanwhile, the 10y US Treasury yield slipped to 2.730%, the lowest since early February. The 2y benchmark also slipped to 2.246%. Treasuries look to benefit from the equity turmoil.
- **Singapore:** The optimism regarding the PMIs could probably be attributable to the very strong outperformance of the industrial production data in the first two months of 2018. However, this domestic PMI improvement also bucked the trend in Asia. Our 1Q18 GDP growth forecast is 5.1% yoy (4.3% qoq saar), which already incorporates the stronger performance in the first two months of this year. However, we remain reluctant to upgrade our full year 2018 GDP growth forecast which remains at 3-4% yoy for now, given the escalating US-China trade tensions which could weigh on business confidence and market sentiments in the near-term.
- Meanwhile, the STI was nearly flat (0.08%) to close at 3430.76 yesterday, but is likely to gap down this morning given the overnight tech sell-off in Wall Street. STI support is initially at 3400, with resistance at 3430. With UST bonds trading in a narrow range and yields reluctant to decline more than 2bps, SGS bonds should trade a more supportive range today amid the risk-off market mood. MAS will increase the monthly issuance size of the Singapore Savings Bond (SSB) programme from \$150m to \$200m to meet rising demand.
- **China:** In its first meeting, China Central Financial and Economic Affairs Commission reiterated China's three key tasks including containing financial risk, targeted poverty reduction and environmental protection. In terms of containing financial risk, de-leverage in SOE will be the top priority.
- **Korea:** Inflation decelerated to 1.3% (vs market estimate of 1.4%) in March, although core inflation rose from previous month to 1.3% as well. Note that food, restaurant/hotels, alcoholic beverages, transport and recreation prices fell on a month-on-month basis.
- **Thailand:** CPI disappointed again in March, printing its second consecutive negative m/m print (-0.09%). Across products, energy, vegetables rose but poultry, pork and fruits fell. Note that Thailand's Commerce Ministry expects inflation to be at 1.06% in 2Q18, up from 1Q's average of 0.63%. Elsewhere, household debt continues to rise (+4.3% y/y) to THB11.98tn (77.5% of GDP) in 4Q17, suggesting that the low interest rates continue to spur domestic consumption, although likely from amounting more debt in the previous year.
- **Malaysia:** Parliament has passed an anti-fake news bill which carries a punishment of up to 6 years imprisonment and a maximum fine of RM500,000. With both the re-delineation and anti-fake news bill now passed, the way looks set for the government to call for elections. The ruling Barisan Nasional (BN) party will be releasing its manifesto this Saturday and traditionally, BN would dissolve parliament before the release of its manifesto. Hence, watch closely this week for a potential dissolution. Interestingly,

markets do not appear to have negatively factored the elections and therefore, the major risk now will be magnified losses coming from surprise results.

- **Indonesia:** Headline CPI accelerated to 3.4% yoy for March (Feb 2018: 3.18% yoy) on top of higher food prices. Regardless, the number still remains well within BI's target of 3.5+1% and therefore, limiting the inflationary pressure of the need to raise rates immediately. Furthermore, the newly appointed governor Perry Warjiyo has made mention of trying to achieve growth above 6.0% for the country. With these items in mind, it really doesn't look in the government's favour to raise rates. However, we still believe that BI will come under pressure later this year to raise rates as other Asian central banks raise rates themselves due to inflationary pressures and strong growth.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower for the shorter tenors while the longer tenors traded 2-4bps lower (with the exception of 12-year traded 9bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 126bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 362bps. 10Y UST yield fell 1bps yesterday to 2.73% on safety buying as stocks slid and US manufacturing PMI data for March showed that US factory activity has slowed down.
- **New issues:** There are no new issues over 2 Apr 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	90.052	0.09%	USD-SGD	1.3124	0.07%
USD-JPY	105.890	-0.37%	EUR-SGD	1.6145	-0.12%
EUR-USD	1.2302	-0.18%	JPY-SGD	1.2393	0.43%
AUD-USD	0.7663	-0.21%	GBP-SGD	1.8431	0.27%
GBP-USD	1.4044	0.21%	AUD-SGD	1.0056	-0.17%
USD-MYR	3.8620	-0.04%	NZD-SGD	0.9467	-0.23%
USD-CNY	6.2804	0.08%	CHF-SGD	1.3741	-0.01%
USD-IDR	13753	0.18%	SGD-MYR	2.9490	-0.03%
USD-VND	22816	0.10%	SGD-CNY	4.7884	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.6969	--
2M	-0.3410	--	1M	1.8831	--
3M	-0.3280	--	2M	1.9994	--
6M	-0.2710	--	3M	2.3118	--
9M	-0.2200	--	6M	2.4524	--
12M	-0.1900	--	12M	2.6626	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	23.5%	23.5%	0.0%	0.0%	0.0%
06/13/2018	79.0%	61.9%	17.0%	0.0%	0.0%
08/01/2018	80.3%	59.4%	19.8%	1.1%	0.0%
09/26/2018	90.9%	38.1%	41.1%	11.2%	0.6%
11/08/2018	91.4%	36.5%	40.9%	12.8%	1.1%
12/19/2018	94.7%	25.7%	39.2%	23.6%	5.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.01	-2.97%	Copper (per mt)	6,724.1	0.81%
Brent (per barrel)	67.64	-3.74%	Nickel (per mt)	13,258.0	--
Heating Oil (per gallon)	1.9802	-2.38%	Aluminium (per mt)	1,990.8	--
Gasoline (per gallon)	1.9661	-2.57%			
Natural Gas (per MMBtu)	2.6830	-1.83%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,458.0	1.36%
			Rubber (JPY/KG)	181.6	-1.30%
Precious Metals	Futures	% chg			
Gold (per oz)	1,346.9	1.48%			
Silver (per oz)	16.672	2.48%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,644.19	-458.92
S&P	2,581.88	-58.99
Nasdaq	6,870.12	-193.33
Nikkei 225	21,388.58	-65.72
STI	3,430.76	2.79
KLCI	1,858.35	-5.11
JCI	6,240.57	51.58
Baltic Dry	1,055.00	--
VIX	23.62	3.65

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.80 (-)	2.25 (-0.02)
5Y	2.05 (-)	2.55 (-0.02)
10Y	2.31 (+0.01)	2.73 (-0.01)
15Y	2.57 (+0.01)	--
20Y	2.61 (+0.01)	--
30Y	2.77 (-)	2.96 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	59.08	--
EURIBOR-OIS	3.30	-0.05
TED	61.17	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
04/02/2018 07:50	JN Tankan Large Mfg Index	1Q 25	24	25	26
04/02/2018 07:50	JN Tankan Large Mfg Outlook	1Q 22	20	19	21
04/02/2018 07:50	JN Tankan Large Non-Mfg Index	1Q 24	23	23	25
04/02/2018 07:50	JN Tankan Large Non-Mfg Outlook	1Q 21	20	20	--
04/02/2018 07:50	JN Tankan Large All Industry Capex	1Q 1.00%	2.30%	7.40%	6.40%
04/02/2018 08:30	JN Nikkei Japan PMI Mfg	Mar F --	53.1	53.2	--
04/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Mar --	49.1	50.3	--
04/02/2018 08:30	TA Nikkei Taiwan PMI Mfg	Mar --	55.3	56	--
04/02/2018 08:30	VN Nikkei Vietnam PMI Mfg	Mar --	51.6	53.5	--
04/02/2018 08:30	MA Nikkei Malaysia PMI	Mar --	49.5	49.9	--
04/02/2018 08:30	ID Nikkei Indonesia PMI Mfg	Mar --	50.7	51.4	--
04/02/2018 08:30	TH Nikkei Thailand PMI Mfg	Mar --	49.1	50.9	--
04/02/2018 08:30	PH Nikkei Philippines PMI Mfg	Mar --	51.5	50.8	--
04/02/2018 09:00	AU Melbourne Institute Inflation MoM	Mar --	0.10%	-0.10%	--
04/02/2018 09:45	CH Caixin China PMI Mfg	Mar 51.7	51	51.6	--
04/02/2018 10:00	TH CPI YoY	Mar 0.97%	0.79%	0.42%	--
04/02/2018 10:00	TH CPI Core YoY	Mar 0.64%	0.63%	0.63%	--
04/02/2018 12:00	ID CPI Core YoY	Mar 2.69%	2.67%	2.58%	--
04/02/2018 12:00	ID CPI YoY	Mar 3.35%	3.40%	3.18%	--
04/02/2018 13:00	JN Vehicle Sales YoY	Mar --	-4.90%	-4.90%	--
04/02/2018 15:30	TH Business Sentiment Index	Mar --	53.3	51.4	--
04/02/2018 21:00	SI Electronics Sector Index	Mar --	52.4	52.1	--
04/02/2018 21:00	SI Purchasing Managers Index	Mar 52.8	53	52.7	--
04/02/2018 21:30	CA Markit Canada Manufacturing PMI	Mar --	55.7	55.6	--
04/02/2018 21:45	US Markit US Manufacturing PMI	Mar F 55.7	55.6	55.7	--
04/02/2018 22:00	US Construction Spending MoM	Feb 0.40%	0.10%	0.00%	--
04/02/2018 22:00	US ISM Manufacturing	Mar 59.6	59.3	60.8	--
04/02/2018 22:00	US ISM Employment	Mar --	57.3	59.7	--
04/02/2018 22:00	US ISM Prices Paid	Mar 72.5	78.1	74.2	--
04/02/2018 22:00	US ISM New Orders	Mar --	61.9	64.2	--
04/03/2018 06:30	AU AiG Perf of Mfg Index	Mar --	63.1	57.5	--
04/03/2018 07:00	AU CBA Australia PMI Mfg	Mar --	54.3	55.6	--
04/03/2018 07:00	SK CPI YoY	Mar 1.40%	1.30%	1.40%	--
04/03/2018 07:00	SK CPI Core YoY	Mar --	1.30%	1.20%	--
04/03/2018 07:50	JN Monetary Base YoY	Mar --	--	9.40%	--
04/03/2018 08:00	AU CoreLogic House Px MoM	Mar --	--	-0.30%	--
04/03/2018 09:30	AU ANZ Job Advertisements MoM	Mar --	--	-0.30%	--
04/03/2018 12:30	AU RBA Cash Rate Target	Apr-03 1.50%	--	1.50%	--
04/03/2018 13:00	IN Nikkei India PMI Mfg	Mar --	--	52.1	--
04/03/2018 14:00	GE Retail Sales MoM	Feb 0.70%	--	-0.70%	-1.00%
04/03/2018 14:30	AU Commodity Index SDR YoY	Mar --	--	-1.00%	--
04/03/2018 14:30	AU Commodity Index AUD	Mar --	--	139.8	--
04/03/2018 15:45	IT Markit Italy Manufacturing PMI	Mar 55.5	--	56.8	--
04/03/2018 15:50	FR Markit France Manufacturing PMI	Mar F 53.6	--	53.6	--
04/03/2018 15:55	GE Markit Germany Manufacturing PMI	Mar F 58.4	--	58.4	--
04/03/2018 16:00	EC Markit Eurozone Manufacturing PMI	Mar F 56.6	--	56.6	--
04/03/2018 16:20	TA Foreign Reserves	Mar --	--	\$456.72b	--
04/03/2018 16:30	UK Markit UK PMI Manufacturing SA	Mar 54.7	--	55.2	--
04/03/2018 16:30	HK Retail Sales Value YoY	Feb --	--	4.10%	--
04/03/2018 16:30	HK Retail Sales Volume YoY	Feb --	--	2.20%	--
04/03/2018	IT Budget Balance	Mar --	--	-6.3b	--
04/03/2018 04/04	US Wards Domestic Vehicle Sales	Mar 13.10m	--	12.94m	--
04/03/2018 04/04	US Wards Total Vehicle Sales	Mar 16.90m	--	16.96m	--

Source: Bloomberg

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