

Highlights

Global	<p>US stocks edged lower yesterday after FOMC left interest rates static as widely expected. Note that the language in the recent FOMC statement was also roughly identical to the previous press release, in that the Fed expects that “economic conditions will evolve in a manner that will warrant further gradual increases in the federal funds rate”, while also stating that inflation is near its 2.0% goal. According to the implied probability for future rate hikes, market-watchers appear to be looking at a 100% chance for the Fed to initiate another hike in June. The statement also highlighted several positive economic trends, including the labour market which has continued to strengthen while job gains have been strong and unemployment stayed low. Elsewhere, note that the US Treasury Department reported its plan to boost the amount of long-term debt it sells to \$73 billion in the second quarter. US Treasury yield curve flattened once again with the 2y- yield falling 1.6bps to below 2.5%, while the 10y treasury yield was roughly flat at an increase of 0.2bps. The \$73 billion plan is sub-divided into three different issuances: (1) a 3-year note in the amount of \$31 billion ending 2021, (2) a 10-year note in the amount of \$25 billion ending 2028 and (3) a 30-year bond in the amount of \$17 billion ending 2048. Meanwhile, market watchers gear up as China and US officials meet today for trade talks, to which both parties have indicated lower expectations of a quick resolution to the dispute. At stake are tariffs on billions of dollars of US and Chinese goods, which if imposed, could dampen the global economic growth story.</p> <p>Data-wise, EU GDP print at 2.5% yoy came in line with market-expectations. EU unemployment rate remained unchanged at 8.5% (the lowest since '08). For today, the economic data for Asia remains light, though EU is reporting its CPI while US initial jobless claims, services PMI, trade balance and durable goods orders will likely be closely watched for tonight.</p>
PMIs	<p>Most Asian manufacturing PMIs remained in positive territories above its 50.0 mark, except for Korea (48.4), Malaysia (48.6) and Thailand (49.5). Regional PMIs also softened slightly for China (official: 51.4) and Taiwan (54.8). That said, there were a couple of other Asian economies like Philippines (52.7) and Vietnam (also 52.7) that clocked higher PMI prints in April.</p>
SG	<p>Manufacturing and electronics PMI dipped 0.1 and 0.2 points to 52.9 and 52.2 respectively in April, partly reflecting a small degree of caution that may have crept in recently, albeit the momentum remains intact. The marginal pullback in both manufacturing and electronics outlook was attributed to a slower growth in new orders and new exports, as well as output.</p>
CMD	<p>The dollar strengthening momentum for its fourth consecutive trading day did not wane dollar-denominated oil prices overnight. Note both WTI (+1.0%) and Brent (+0.3%) gained as market-watchers digested Saudi Arabia’s decision to tweak its selling price to Asia. Note that Saudi Arabia raised its benchmark crude price to Asia at its highest level since August 2014 at a premium of \$1.90/bbl, though China’s Unipecc (the trading unit of China’s largest refiner Sinopec) proposed importing 40% less crude in response for the price increase.</p>

Major Market

- **US:** Equities retreated on Wednesday, as investors judged that the Fed will largely maintain its current rate hike path after the latest FOMC meeting. Investors appeared concerned that inflation may be left to run hot for a period of time. Overall, the S&P 500 lost 0.72%, while the Dow and Nasdaq shed another 0.72% and 0.42% respectively. VIX picked up to 15.97, compared to 15.49 previously. Response to the FOMC in the US Treasury market was somewhat muted, with the 2y yield fading marginally to 2.488%. Long end yields, from the 10y and out, were firmer by up to 2 bps.
- **Singapore:** Note the April PMI prints still remained near year-to-date highs of 53.1 and 52.9 for headline manufacturing and electronics seen in January 2018, which suggests that manufacturing momentum is not facing a sharp moderation.
- To recap, the recently released domestic Business Expectations Survey also revealed that business sentiments remained upbeat - a weighted 13% of manufacturers anticipate better business prospects for April-September 2018, up from 1% three months ago. Notably, all the manufacturing clusters were generally upbeat, led by precision engineering cluster (+39% versus +36% a quarter ago) amid sustained demand for semiconductor-related equipment, and followed by the electronics cluster (+14% versus -10% a quarter ago) on the back of sustained global chip demand and the expected pick up in export demand for other electronic modules & components. In addition, the manufacturers' output expectations for 2Q18 jumped to +24, up from +10% a quarter ago, and a weighted 77% of manufacturers reported no limiting factors for export orders in 2Q18, with only 19% that faced export constraints citing price competition from overseas competitors and the economic and political conditions abroad as most important factors.
- Looking forward, we anticipate that the manufacturing and GDP growth pace will ease to around 6.3% yoy and 3.8% yoy respectively in 2Q18, after a strong start in 1Q18 where they expanded around 10.1% and 4.3% yoy based on flash estimates. For the full-year 2018, we are looking for manufacturing growth momentum to be around 4.5% yoy, with GDP growth anchored around the 3.0% handle. In his May Day speech, PM Lee said "if all goes well, we should do better than 2.5 percent", which is consistent with the MTI-MAS view that growth should come in slightly above the middle of the forecast range of 1.5-3.5%. The recent MAS Macroeconomic Review also warned that the rise of trade protectionism presents a downside risk to Singapore's GDP growth outlook, through both direct and indirect exposure and given strong industrial linkages between Singapore and China, albeit the overall impact is assessed to be contained barring an intensification of trade disputes that have spillovers to the Singapore economy. With US Treasury Secretary Mnuchin, Commerce Secretary Ross, Trade Representative Lighthizer and White House advisors Kudlow and Navarro headed to China for talks this week, market players are closely watching developments to wait-and-see see if trade tensions will notch lower.
- Meanwhile, the STI added 0.04% to close up at 3,615.28, its highest since Nov '07. The STI may trade cautiously today following overnight losses on Wall Street and mixed cues from Kospi and Nikkei. The index was supported by gains clocked in by Yangzijiang Shipbuilding Holdings Ltd (5.13%), Hutchison Port Holdings Trust (+2.99%) and Golden Agri-Resources Ltd (+2.90%). On the other hand, Venture Corp Ltd (-7.30%) and UOL Group Ltd (-1.59%) saw losses.
- **China:** The Caixin PMI improved slightly to 51.1 in April from 51 in March, showing divergent trend with the deceleration of the official PMI. Nevertheless, the breakdown of official PMI shows that PMI for small and medium enterprises improved despite the

decline of the headline reading. The Caixin PMI together with the breakdown of official PMI shows that manufacturing activities in China's SMEs improved. This is probably thanks to recent tax cut to support SMEs.

- **Indonesia:** Headline inflation increased slightly to 3.41% yoy (March 2018: 3.40% yoy) driven by higher food prices, which rose by 5.15% yoy. However, food prices were 0.26% lower in April compared to the previous month. Inflation though still remains well within the BI target of 2.5% - 4.5%. Meanwhile, Nanang Hendarsah, executive director for monetary management has said that the central bank will buy bonds from the secondary market if fresh selling pressure emerges.
- **Hong Kong:** One-month HIBOR retreated 6bps to 1.246% after month-end and Ping An Good Doctor's IPO. With liquidity condition improving, carry trade is back to the market and brings USD/HKD up to as high as 7.8498. We expect the pair to touch 7.85 again and prompt renewed FX intervention of the HKMA. As such, further reduction in aggregate balance will add to month-end effect in May, quarter-end effect in June, dividend payment flows during June to August and large IPOs in pushing HIBOR higher. Therefore, we do not expect HKD to stay at 7.85 for a prolonged period. On the other hand, given mounting upside risks for the HIBOR, banks in HK successively raised HKD time deposit rates. The next step will highly likely be a prime rate hike. We expect banks to lift prime rate for the first time since 2006 by 25bps in June should Fed raise rates in June FOMC as widely expected.
- **Macau:** Gaming revenue advanced 27.6% yoy to MOP25.7 billion in April after gaining 22.2% yoy in the previous month. The robust growth beat market expectations. This is attributed to both recreational gamblers and high-rollers, which makes this round of gaming growth different from the past. Previously, gaming business relied largely on the VIP segment with VIP revenue accounting for roughly 70% of total revenue during 2005 to 2013. Now, mass-market's contribution to the gaming business expanded with its shares in total revenue increasing to about 40%. Moving forward, we will see a new wave of mega project opening and the completion of Hong Kong-Zhuhai-Macau Bridge. This together with a weaker MOP may provide more impetus for inbound tourism and in turn bring more casual gambles to the city. Therefore, mass-market's contribution to total gaming revenue will likely increase gradually. In contrast, VIP business may moderate amid policy risks. Given high base effect, we hold onto our view that gaming revenue growth will slow down in 2018.
- **Commodities:** In the US-space, note that supplies continue to climb even as prices rose overnight: US oil production rose further to 10.6 million barrels per day (bpd), while inventories soared 6.2 million barrels for the week ended 27th April 2018. Exports however fell 183 thousand bpd over the same period, thus also contributing to the upside in inventories as well.

Bond Market Updates

- **Market Commentary:** The SGD swap curve rose by 2-4bps across the curve yesterday. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded relatively unchanged at 1.30% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3.9bps to 385bps. 10Y UST yields continued to trade around 2.96%-2.97% region, remaining below the 3.0% handle.

- **New issues:** China Aoyuan Property Group Ltd has priced a USD200mn 3NC2 bond (guaranteed by certain non-PRC subsidiaries of the issuer) at 7.5%, tightening from initial guidance of 7.8% area. PT Federal International Finance has priced a USD300mn 3yr bond at CT3+160bps (or 4.125% at 99.654 to yield 4.249%), tightening from initial guidance of CT3+175bps.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.512	0.07%	USD-SGD	1.3364	0.21%
USD-JPY	109.840	-0.02%	EUR-SGD	1.5973	-0.11%
EUR-USD	1.1951	-0.35%	JPY-SGD	1.2167	0.25%
AUD-USD	0.7493	0.04%	GBP-SGD	1.8143	-0.06%
GBP-USD	1.3576	-0.28%	AUD-SGD	1.0014	0.25%
USD-MYR	3.9345	0.28%	NZD-SGD	0.9348	0.07%
USD-CNY	6.3625	0.48%	CHF-SGD	1.3387	0.06%
USD-IDR	13948	0.25%	SGD-MYR	2.9428	-0.20%
USD-VND	22755	-0.02%	SGD-CNY	4.7624	0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	0/N	1.7044	--
2M	-0.3410	--	1M	1.9088	--
3M	-0.3290	--	2M	2.0796	--
6M	-0.2690	--	3M	2.3538	--
9M	-0.2200	--	6M	2.5143	--
12M	-0.1890	--	12M	2.7660	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
06/13/2018	100.0%	74.0%	26.0%	0.0%	0.0%
08/01/2018	100.0%	69.4%	29.0%	1.6%	0.0%
09/26/2018	100.0%	22.4%	56.4%	20.2%	1.1%
11/08/2018	100.0%	20.5%	53.6%	23.1%	2.7%
12/19/2018	100.0%	11.1%	38.4%	37.1%	12.0%
01/30/2019	100.0%	10.0%	35.7%	37.2%	14.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	67.93	1.01%	Copper (per mt)	6,764.9	1.02%
Brent (per barrel)	73.36	0.31%	Nickel (per mt)	13,932.5	2.43%
Heating Oil (per gallon)	2.1215	1.04%	Aluminium (per mt)	2,333.0	2.93%
Gasoline (per gallon)	2.0798	-0.37%			
Natural Gas (per MMBtu)	2.7540	-1.71%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,363.0	0.04%
			Rubber (JPY/KG)	192.0	-0.47%
Precious Metals	Futures	% chg			
Gold (per oz)	1,305.6	-0.09%			
Silver (per oz)	16.375	1.54%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,924.98	-174.07
S&P	2,635.67	-19.13
Nasdaq	7,100.90	-29.81
Nikkei 225	22,472.78	-35.25
STI	3,615.28	1.35
KLCI	1,852.03	-18.34
JCI	6,012.24	17.64
Baltic Dry	1,327.00	--
VIX	15.97	0.48

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (+0.01)	2.49 (-0.02)
5Y	2.21 (+0.03)	2.80 (-0.02)
10Y	2.57 (+0.04)	2.97 (--)
15Y	2.83 (+0.04)	--
20Y	2.84 (+0.05)	--
30Y	2.96 (+0.04)	3.15 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	51.26	-1.52
EURIBOR-OIS	3.33	0.03
TED	53.57	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/02/2018 01:00	NZ QV House Prices YoY	Apr	--	7.60%	7.30%	--
05/02/2018 06:45	NZ Unemployment Rate	1Q	4.40%	4.40%	4.50%	--
05/02/2018 06:45	NZ Employment Change QoQ	1Q	0.60%	0.60%	0.50%	0.40%
05/02/2018 07:00	SK CPI YoY	Apr	1.50%	1.60%	1.30%	--
05/02/2018 07:50	JN Monetary Base YoY	Apr	--	7.80%	9.10%	--
05/02/2018 08:30	SK Nikkei South Korea PMI Mfg	Apr	--	48.4	49.1	--
05/02/2018 08:30	TA Nikkei Taiwan PMI Mfg	Apr	--	54.8	55.3	--
05/02/2018 08:30	VN Nikkei Vietnam PMI Mfg	Apr	--	52.7	51.6	--
05/02/2018 08:30	ID Nikkei Indonesia PMI Mfg	Apr	--	51.6	50.7	--
05/02/2018 08:30	JN Nikkei Japan PMI Services	Apr	--	52.5	50.9	--
05/02/2018 08:30	JN Nikkei Japan PMI Composite	Apr	--	53.1	51.3	--
05/02/2018 09:45	CH Caixin China PMI Mfg	Apr	50.9	51.1	51	--
05/02/2018 12:00	ID CPI Core YoY	Apr	2.77%	2.69%	2.67%	--
05/02/2018 12:00	ID CPI YoY	Apr	3.50%	3.41%	3.40%	--
05/02/2018 13:00	IN Nikkei India PMI Mfg	Apr	--	51.6	51	--
05/02/2018 15:45	IT Markit Italy Manufacturing PMI	Apr	54.5	53.5	55.1	--
05/02/2018 15:50	FR Markit France Manufacturing PMI	Apr F	53.4	53.8	53.4	--
05/02/2018 15:55	GE Markit Germany Manufacturing PMI	Apr F	58.1	58.1	58.1	--
05/02/2018 16:00	EC Markit Eurozone Manufacturing PMI	Apr F	56	56.2	56	--
05/02/2018 16:30	UK Markit/CIPS UK Construction PMI	Apr	50.5	52.5	47	--
05/02/2018 17:00	EC Unemployment Rate	Mar	8.50%	8.50%	8.50%	--
05/02/2018 17:00	EC GDP SA QoQ	1Q A	0.40%	0.40%	0.60%	0.70%
05/02/2018 17:00	IT GDP WDA QoQ	1Q P	0.30%	0.30%	0.30%	--
05/02/2018 19:00	US MBA Mortgage Applications	Apr-27	--	-2.50%	-0.20%	--
05/02/2018 20:15	US ADP Employment Change	Apr	198k	204k	241k	228k
05/02/2018 21:00	SI Purchasing Managers Index	Apr	52.8	52.9	53	--
05/03/2018 02:00	US FOMC Rate Decision (Upper Bound)	May-02	1.75%	1.75%	1.75%	--
05/03/2018 09:00	NZ ANZ Commodity Price	Apr	--	--	1.20%	--
05/03/2018 09:30	AU Trade Balance	Mar	A\$865m	--	A\$825m	--
05/03/2018 09:30	AU Building Approvals MoM	Mar	1.00%	--	-6.20%	--
05/03/2018 16:30	UK Markit/CIPS UK Services PMI	Apr	53.5	--	51.7	--
05/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Apr	53.7	--	52.5	--
05/03/2018 16:30	HK Retail Sales Value YoY	Mar	10.90%	--	29.80%	--
05/03/2018 16:30	HK Retail Sales Volume YoY	Mar	8.60%	--	28.20%	--
05/03/2018 17:00	EC PPI MoM	Mar	0.10%	--	0.10%	--
05/03/2018 17:00	EC CPI Core YoY	Apr A	0.90%	--	1.00%	--
05/03/2018 17:00	EC CPI Estimate YoY	Apr	1.30%	--	--	--
05/03/2018 20:30	CA Int'l Merchandise Trade	Mar	-2.25b	--	-2.69b	--
05/03/2018 20:30	US Initial Jobless Claims	Apr-28	225k	--	209k	--
05/03/2018 20:30	US Continuing Claims	Apr-21	1835k	--	1837k	--
05/03/2018 20:30	US Trade Balance	Mar	-\$50.0b	--	-\$57.6b	--
05/03/2018 21:45	US Bloomberg Consumer Comfort	Apr-29	--	--	57.5	--
05/03/2018 21:45	US Markit US Services PMI	Apr F	54.5	--	54.4	--
05/03/2018 21:45	US Markit US Composite PMI	Apr F	--	--	54.8	--
05/03/2018 22:00	US ISM Non-Manf. Composite	Apr	58	--	58.8	--
05/03/2018 22:00	US Durable Goods Orders	Mar F	--	--	2.60%	--
05/03/2018 22:00	US Durables Ex Transportation	Mar F	--	--	0.00%	--
05/03/2018 22:00	US Cap Goods Orders Nondef Ex Air	Mar F	--	--	-0.10%	--
05/03/2018 22:00	US Cap Goods Ship Nondef Ex Air	Mar F	--	--	-0.70%	--
05/03/2018 22:00	US Factory Orders	Mar	1.40%	--	1.20%	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Wong Liang Mian (Nick) NickWong@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).