

Highlights

Global	<p>Global risk appetite may remain sidelined today, notwithstanding “fairly positive” US-China trade talks that have kicked off, as investors await the key US nonfarm payrolls, unemployment rate and average hourly earnings (with consensus eyeing 192k, 4.0% and 2.7% yoy respectively for Apr, versus 103k, 4.1% and 2.7% yoy in Mar). The massive sell-off in Argentina (prompting the central bank to hike its interest rates for a second time in a week to 33.25%) and the record low Turkish lira also reminded that not all is well with EM markets in Latam. While the S&P500 pared losses but still chalked up its second session of declines after testing its 200-day moving average and the 10-year UST bond yield touched an intra-day low of 2.93%. Meanwhile, oil prices continued to hover amid market concerns that US and Iran will not renegotiate the nuclear accord.</p> <p>Asian bourses may see a consolidative session today, with Japan closed for a holiday and investors likely to watch key technical levels for equity markets. Apart from the US’ labour market report, others watch for today are the RBA quarter monetary policy statement, services/composite PMIs across Asia including China’s Caixin, and Malaysia’s trade. Speakers include ECB’s Constancio and Weidmann.</p>
US	<p>Non-manufacturing ISM cooled to a 4-month low of 56.8 in Apr, marking its third straight decline, as business activity and the employment gauge slowed, albeit the new orders gauge was little changed. The US trade deficit also narrowed in Mar by the most in two years to US\$49b, down from US\$57.7b in Feb, while initial jobless claims rose 2k to 211k and productivity missed market expectations to rise 0.7% in 1Q (4Q17: 0.3%). Factory orders expanded 1.6% in Mar, the same as Feb, while excluding transportation orders accelerated from 0.2% to 0.3%.</p>
UK	<p>The BOE will delay its rate hike intentions from May to August after a poor start to 2018, according to a think-tank NIESR. We concur that the odds of a May rate hike has dropped significantly since the poor 1Q results, but the pressure is still on BOE to deliver a rate hike later this year.</p>
SG	<p>The STI slid 1.10% to close at 3575.68 yesterday, dragged down by profit-taking in bank shares. Given the soft overnight cues by Wall Street and morning declines in Kospi, the STI may see further consolidative pressure. STI support and resistance are tipped 3556 and 3600 respectively. With the UST bonds rallying overnight, SGS bonds may also see support today.</p>
CH	<p>China’s Ministry of Finance has submitted the income tax reform plan to the State Council to lower the personal income tax burden as part of China’s plan to boost aggregate demand. Education and critical illness expense may be used to offset the taxable income.</p>
CMD	<p>There were little fundamental reasons for higher oil prices overnight, market appetite will likely stay range-bound as US-Sino trade talks are underway, while investors essentially shrugged off higher US oil production and inventory levels and news that China’s Sinopec plans to cut Saudi crude oil import volume. In Asia, note that palm oil prices continue to weaken further as seasonally higher production from key Asian producers (Indonesia and Malaysia) are increasingly priced-in. As of last night, palm oil prices closed at MYR2,332/MT, the lowest since Aug 2016.</p>

Major Market

- **US:** Equities continued to fade on Thursday, although a reversal of deeper losses from early trading provided some reprieve. Financials and healthcare led declines, as AIG and Gilead Sciences put in weaker than expected earnings results. Overall, the S&P 500 still looks pressured in the near term from a technical perspective, as it struggles near its 200-DMA levels. The S&P 500 and Nasdaq Composite lost 0.23% and 0.18% respectively, while the Dow is marginally firmer. VIX slipped to 15.90, compared to 15.97 previously.
- Meanwhile, US Treasury yields faded after markets traded on a mildly risk off tone. The 10y benchmark yield slipped below the 2.95% level, hitting 2.946%. The 2y yield also fell 1 bps to 2.476%.
- **Hong Kong:** Retail sales registered double-digit annual growth for the second consecutive month and rose by 11.4% yoy in March due to strong external and internal demands. By retail outlets, the growth was broad-based. For example, sales of luxurious goods increased significantly by 23.1% yoy after marking double-digit annual growth over the past two months. Sales of clothing, footwear and allied products also advanced strongly by 11.6% yoy after gaining 42.2% yoy in the previous month. This is attributed to sanguine buoyant tourism and local consumer sentiment. On the one hand, total visitor arrivals increased by 8.9% yoy in March on the back of Asia's burgeoning growth. Also, a weaker HKD has buoyed inbound tourism and tourist spending. The HKD depreciated 0.9% yoy against the USD while the broad dollar fell 7.28% yoy in April. On the other hand, strong domestic economic growth combined with tight labour market may translate into faster wage growth. Therefore, positive earnings prospects have underpinned consumer sentiment. We hold onto our view that retail sales will grow by 5% to 8% this year.
- **Indonesia:** According to Bloomberg, a Finance Ministry official has said that the government is open to reviewing its scheduled borrowing this year. Luky Alfirman, Director-General for budget financing and risk management at the finance ministry has said, "We are not in any urgency to issue or sell these bonds at any price". The 10 Year Indonesian Government Bond yield hit 7.0% yesterday and it was at an 11 month high last Wednesday 25th April 2018 at 7.2%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded lower yesterday with the belly of the curve down by 1-3bps and the longer tenors down by 3-5bps. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 1.32% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 10bps to 395bps. 10Y UST yields fell 2bps to 2.95% as an afternoon recovery in risk sentiment on 'fairly positive' US-China trade talks was not enough to compensate for morning gains from a selloff in equities.
- **New issues:** Yuzhou Properties Co Ltd has priced a USD200mn 3NC2 bond (guaranteed by all of the issuers non-PRC restricted subsidiaries) at 7.9%, tightening from initial guidance of 7.95%. China Huadian Corp. has hired banks for a potential USD bond issue.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.414	-0.11%	USD-SGD	1.3308	-0.42%
USD-JPY	109.190	-0.59%	EUR-SGD	1.5955	-0.11%
EUR-USD	1.1988	0.31%	JPY-SGD	1.2191	0.20%
AUD-USD	0.7532	0.52%	GBP-SGD	1.8065	-0.43%
GBP-USD	1.3575	-0.01%	AUD-SGD	1.0023	0.09%
USD-MYR	3.9330	-0.04%	NZD-SGD	0.9373	0.27%
USD-CNY	6.3537	-0.14%	CHF-SGD	1.3339	-0.36%
USD-IDR	13939	-0.06%	SGD-MYR	2.9576	0.50%
USD-VND	22753	-0.01%	SGD-CNY	4.7649	0.05%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7044	--
2M	-0.3410	--	1M	1.9171	--
3M	-0.3290	--	2M	2.0826	--
6M	-0.2690	--	3M	2.3629	--
9M	-0.2190	--	6M	2.5127	--
12M	-0.1890	--	12M	2.7769	--

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%	78.0%	22.0%	0.0%	0.0%
08/01/2018	100.0%	73.2%	25.5%	1.4%	0.0%
09/26/2018	100.0%	25.0%	56.9%	17.2%	0.9%
11/08/2018	100.0%	23.0%	54.2%	20.5%	2.2%
12/19/2018	100.0%	12.4%	39.9%	35.9%	10.6%
01/30/2019	100.0%	11.5%	37.7%	36.3%	12.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.43	0.74%	Copper (per mt)	6,791.3	0.39%
Brent (per barrel)	73.62	0.35%	Nickel (per mt)	13,723.0	-1.50%
Heating Oil (per gallon)	2.1127	-0.41%	Aluminium (per mt)	2,275.0	-2.49%
Gasoline (per gallon)	2.0875	0.37%			
Natural Gas (per MMBtu)	2.7260	-1.02%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,332.0	-1.31%
			Rubber (JPY/KG)	191.9	-0.05%
Precious Metals	Futures	% chg			
Gold (per oz)	1,312.7	0.54%			
Silver (per oz)	16.447	0.44%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	23,930.15	5.17
S&P	2,629.73	-5.94
Nasdaq	7,088.15	-12.74
Nikkei 225	22,472.78	--
STI	3,575.68	-39.60
KLCI	1,851.80	-0.23
JCI	5,858.73	-153.51
Baltic Dry	1,346.00	--
VIX	15.90	-0.07

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (-0.01)	2.48 (-0.01)
5Y	2.20 (-0.01)	2.78 (-0.02)
10Y	2.61 (+0.04)	2.95 (-0.02)
15Y	2.82 (--)	--
20Y	2.84 (--)	--
30Y	2.94 (-0.01)	3.12 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	52.14	0.88
EURIBOR-OIS	3.19	-0.14
TED	53.98	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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	--	1.00%	1.20%	--
05/03/2018 09:30	AU Trade Balance	Mar	A\$865m	A\$1527m	A\$825m	A\$1349m
05/03/2018 09:30	AU Building Approvals MoM	Mar	1.00%	2.60%	-6.20%	-4.20%
05/03/2018 16:30	UK Official Reserves Changes	Apr	--	-\$17m	\$1493m	--
05/03/2018 16:30	UK Markit/CIPS UK Services PMI	Apr	53.5	52.8	51.7	--
05/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Apr	53.7	53.2	52.5	52.4
05/03/2018 16:30	HK Retail Sales Value YoY	Mar	10.90%	11.40%	29.80%	29.90%
05/03/2018 16:30	HK Retail Sales Volume YoY	Mar	8.60%	10.00%	28.20%	28.30%
05/03/2018 17:00	EC PPI MoM	Mar	0.10%	0.10%	0.10%	0.00%
05/03/2018 17:00	EC CPI Core YoY	Apr A	0.90%	0.70%	1.00%	--
05/03/2018 17:00	EC CPI Estimate YoY	Apr	1.30%	1.20%	1.30%	--
05/03/2018 19:30	US Challenger Job Cuts YoY	Apr	--	-1.40%	39.40%	--
05/03/2018 20:30	CA Int'l Merchandise Trade	Mar	-2.25b	-4.14b	-2.69b	-2.93b
05/03/2018 20:30	US Nonfarm Productivity	1Q P	0.90%	0.70%	0.00%	0.30%
05/03/2018 20:30	US Initial Jobless Claims	Apr-28	225k	211k	209k	--
05/03/2018 20:30	US Continuing Claims	Apr-21	1835k	1756k	1837k	1833k
05/03/2018 20:30	US Trade Balance	Mar	-\$50.0b	-\$49.0b	-\$57.6b	-\$57.7b
05/03/2018 21:45	US Bloomberg Consumer Comfort	Apr-29	--	56.5	57.5	--
05/03/2018 21:45	US Markit US Services PMI	Apr F	54.5	54.6	54.4	--
05/03/2018 21:45	US Markit US Composite PMI	Apr F	--	54.9	54.8	--
05/03/2018 22:00	US ISM Non-Manf. Composite	Apr	58	56.8	58.8	--
05/03/2018 22:00	US Factory Orders	Mar	1.40%	1.60%	1.20%	1.60%
05/03/2018 22:00	US Durable Goods Orders	Mar F	--	2.60%	2.60%	--
05/03/2018 22:00	US Durables Ex Transportation	Mar F	--	0.10%	0.00%	--
05/03/2018 22:00	US Cap Goods Orders Nondef Ex Air	Mar F	--	-0.40%	-0.10%	--
05/03/2018 22:00	US Cap Goods Ship Nondef Ex Air	Mar F	--	-0.80%	-0.70%	--
05/04/2018 05:00	SK Foreign Reserves	Apr	--	\$398.42b	\$396.75b	--
05/04/2018 07:00	SK BoP Current Account Balance	Mar	--	\$5180.4m	\$4027.3m	\$3964.5m
05/04/2018 07:00	SK BoP Goods Balance	Mar	--	\$9876m	\$5991m	\$5928m
05/04/2018 08:30	HK Nikkei Hong Kong PMI	Apr	--	--	50.6	--
05/04/2018 09:00	PH CPI YoY 2012=100	Apr	4.50%	--	4.30%	--
05/04/2018 09:45	CH Caixin China PMI Composite	Apr	--	--	51.8	--
05/04/2018 09:45	CH Caixin China PMI Services	Apr	52.3	--	52.3	--
05/04/2018 12:00	MA Trade Balance MYR	Mar	9.50b	--	9.02b	--
05/04/2018 12:00	MA Imports YoY	Mar	-3.20%	--	-2.80%	--
05/04/2018 12:00	MA Exports YoY	Mar	2.00%	--	-2.00%	--
05/04/2018 13:00	IN Nikkei India PMI Services	Apr	--	--	50.3	--
05/04/2018 13:00	IN Nikkei India PMI Composite	Apr	--	--	50.8	--
05/04/2018 14:45	FR Trade Balance	Mar	-5000m	--	-5186m	--
05/04/2018 15:30	TH Foreign Reserves	Apr-27	--	--	\$216.6b	--
05/04/2018 15:45	IT Markit/ADACI Italy Services PMI	Apr	53	--	52.6	--
05/04/2018 15:45	IT Markit/ADACI Italy Composite PMI	Apr	53.7	--	53.5	--
05/04/2018 15:50	FR Markit France Services PMI	Apr F	57.4	--	57.4	--
05/04/2018 15:50	FR Markit France Composite PMI	Apr F	56.9	--	56.9	--
05/04/2018 15:55	GE Markit Germany Services PMI	Apr F	54.1	--	54.1	--
05/04/2018 15:55	GE Markit/BME Germany Composite PMI	Apr F	55.3	--	55.3	--
05/04/2018 16:00	EC Markit Eurozone Services PMI	Apr F	55	--	55	--
05/04/2018 16:00	EC Markit Eurozone Composite PMI	Apr F	55.2	--	55.2	--
05/04/2018 16:20	TA Foreign Reserves	Apr	--	--	\$457.19b	--
05/04/2018 17:00	EC Retail Sales MoM	Mar	0.50%	--	0.10%	--
05/04/2018 20:30	US Change in Nonfarm Payrolls	Apr	192k	--	103k	--
05/04/2018 20:30	US Change in Private Payrolls	Apr	190k	--	102k	--
05/04/2018 20:30	US Change in Manufact. Payrolls	Apr	20k	--	22k	--
05/04/2018 20:30	US Unemployment Rate	Apr	4.00%	--	4.10%	--
05/04/2018 20:30	US Average Hourly Earnings YoY	Apr	2.70%	--	2.70%	--

Source: Bloomberg

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