

**Highlights**

<b>Global</b>	<p>With China responding to US' tariff proposals with a tit-for-tat US\$50 billion of reciprocal tariffs (including airplanes, automobiles and soybeans), financial markets were clearly unnerved by the prospect of a trade war yesterday afternoon. Overnight, Wall Street opened lower but recovered after US White House National Economic Council Director Larry Kudlow attempted to do damage control by reassuring that "remember, none of the tariffs have been put in place yet. These are all proposals" and Chinese ambassador to the US Cui Tiankai also opined that "negotiations would still be our preference, but it takes two to tango". Note President Trump had also tweeted "we are not in a trade war with China, that war was lost many years ago by the foolish, or incompetent, people who represented the US" and "now we have a trade deficit of \$500 billion a year, with Intellectual Property theft of another \$300 billion. We cannot let this continue!" As risk appetite recovered from the initial shock from China's returning tariff shot, US Treasuries and the USD also fell. Asian bourses may attempt to recoup yesterday's declines but possibly tread water today awaiting further newsflow on the US-China trade tensions. While there is a full economic data calendar ahead, comprising US' initial jobless claims, trade deficit, Challenger job cuts, German factory orders, EZ/UK' service/composite PMIs and Malaysia's trade, the market focus may be squarely on the US-China trade spat as well as RBI's policy decision (likely static). Speakers include Fed's Bostic.</p>
<b>US</b>	<p>US' factory orders rose 1.2% in Feb, recovering from a revised 1.3% decline in Jan, but missing market expectations for 1.7%. Meanwhile, the non-manufacturing ISM fell from 59.5 in Feb to 58.8, but remained in expansionary territory. The ADP private payrolls rose 241k (beating expectations) after an upwardly revised 246k gain in Feb, which suggests that the labour market remains healthy.</p>
<b>SG</b>	<p>S'pore's whole economy PMI retreated from 55.3 in Feb to 53.7 in Mar, amid slower increase in output, new orders and employment and optimism dipped to a six-month low. Cost pressures also cooled amid the slowing momentum. COE premiums were mixed in the latest tender.</p>
<b>CH</b>	<p>The Commerce Department announced reciprocal measures within one day from the proposed list released by the USTR. The swift tit-for-tat move, which will target 106 US products worth about US\$50 billion, has exceeded our expectation as China has clearly shown its hand via announcing a tax on top US exports to China such as soybean, vehicles and small aeroplanes. Nevertheless, as China's tariff has not taken effect, the "war that will end war" strategy may force both sides back to the negotiating table.</p>
<b>CMD</b>	<p>The threat of further escalation in trade tensions left growth-related commodities in the doldrums. Crude oil prices did attempt to retrace back from its losses as market-watchers digested the unexpected decline in US crude oil stocks (-4.6 million barrels), but remained lower vs previous close. As mentioned in our previous writings, watch out for higher refinery utilisation rates into the weeks ahead as the US refining season picks up into April following the end of maintenance. Gold rose to \$1,340/oz as part of safe haven buying and may continue to stay supported given the recent escalation of tensions.</p>

## Major Market

- **US:** Equities recovered early losses and inched higher as investors digested the aftermath of China's imposing of 25% of tariffs on \$50bn worth of US imports. In the latest trade tension developments, investors are positing that the swift tit-for-tat moves are merely posturing by both parties – keeping in mind that the tariffs are not effective yet. The Dow, Nasdaq and S&P500 all registered gains to rise 0.96%, 1.45% and 1.16%, respectively. VIX fell to 20.06, compared with 21.20 on Tuesday. Meanwhile, the 2y and 10y benchmark yields for US Treasuries rose to 2.292% and 2.803, respectively.
- The services and composite PMIs prints for Mar were revised marginally lower to 54.0 and 54.2 respectively, while the final Feb durables goods orders were revised to 3.0%.
- Fed's Bullard warned that the escalating US-China trade dispute "increases the uncertainty around the forecast" and "present some downside risk, but generally speaking it is too early to tell what the actual impact will be on the US economy". Meanwhile, the Trump administration is said to have softened a key NAFTA demand for more North American content in car manufacturing, with five categories, that could be a concession to the NAFTA talks.
- **Singapore:** The STI slumped 2.12% to close at 3339.7 yesterday, joining the sea of red ink across Asian bourses amid a kneejerk reaction to China's return shot on tariffs to the US. Given market hopes for US-China negotiations to head off a potential trade war, the overnight recovery in Wall Street has prompted Nikkei and Kospi to open further this morning and STI may follow suit. STI may trade in a 3340-3380 range today. With UST bond yields higher by up to 3bps overnight, led by the longer tenors, SGS bonds are likely to trade lower today as risk appetite stabilises.
- **Indonesia:** The DRI consumer confidence index rebounded to increase to 100.8 in March (Feb 2018: 97.3) as consumers gave more positive assessments on current economic conditions and job market. Concern about high foodstuff prices had also fallen to 74.4 (Feb 2018: 78.2). Consumer confidence in regard to the government's ability to carry out its duties remained strong at 107.6 (Feb 2018: 103.5). Meanwhile, Senior Deputy Governor Mirza Adityaswara said that a rate hike is not needed at this stage as inflation remains low.
- **Thailand:** Watch out for consumer confidence and foreign reserve data later today.
- **Commodities:** In Asia, palm oil prices pointed north as investors likely view recent Chinese decision to impose tariffs on US soy to eventually boost Chinese demand for Asia's palm as a viable substitute.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with the swap rates for the shorter tenors trading 1bps lower while the longer tenors trading 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 125bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS narrowed 2bps to 354bps. 10Y UST yield ended 3bps higher at 2.80%, after initially trading lower than 2.75% intraday on escalating trade war concerns, mirroring the rally seen in US equity markets in the latter part of the day.
- **New issues:** Megaworld Corp has priced a USD200mn Perp NC5 bond at 5.375%, tightening from its initial guidance of 6%. DBS Group Holdings Ltd has priced a EUR600mn 10NC5 Tier 2 bond at MS+120bps, tightening from its initial guidance of

MS+120/125bps. Societe Generale SA (SOGGEN) has priced a USD1.25bn AT1 NC10 at 6.75%, tightening from its initial price guidance of 6.875%. Bank Of China has also mandated various banks for a multi-currency (USD, EUR, GBP and/or AUD), multi tranche deal.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	90.142	-0.06%	<b>USD-SGD</b>	1.3122	0.05%
<b>USD-JPY</b>	106.780	0.16%	<b>EUR-SGD</b>	1.6110	0.11%
<b>EUR-USD</b>	1.2278	0.07%	<b>JPY-SGD</b>	1.2289	-0.11%
<b>AUD-USD</b>	0.7716	0.40%	<b>GBP-SGD</b>	1.8473	0.20%
<b>GBP-USD</b>	1.4079	0.16%	<b>AUD-SGD</b>	1.0125	0.46%
<b>USD-MYR</b>	3.8693	0.09%	<b>NZD-SGD</b>	0.9586	0.73%
<b>USD-CNY</b>	6.3033	0.21%	<b>CHF-SGD</b>	1.3656	-0.16%
<b>USD-IDR</b>	13766	0.01%	<b>SGD-MYR</b>	2.9450	-0.16%
<b>USD-VND</b>	22822	0.08%	<b>SGD-CNY</b>	4.8024	0.06%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3720	--	<b>O/N</b>	1.6994	--
<b>2M</b>	-0.3410	--	<b>1M</b>	1.8775	--
<b>3M</b>	-0.3280	--	<b>2M</b>	1.9979	--
<b>6M</b>	-0.2700	--	<b>3M</b>	2.3208	--
<b>9M</b>	-0.2200	--	<b>6M</b>	2.4599	--
<b>12M</b>	-0.1900	--	<b>12M</b>	2.6700	--

#### Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	27.8%	27.8%	0.0%	0.0%	0.0%
06/13/2018	79.9%	59.9%	20.1%	0.0%	0.0%
08/01/2018	80.8%	58.2%	21.7%	0.8%	0.0%
09/26/2018	91.9%	35.7%	42.8%	12.9%	0.5%
11/08/2018	92.6%	33.4%	42.3%	15.4%	1.5%
12/19/2018	95.2%	24.1%	39.1%	25.0%	6.5%

#### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	63.37	-0.22%	Copper (per mt)	6,637.0	-1.73%
Brent (per barrel)	68.02	-0.15%	Nickel (per mt)	13,101.5	-2.37%
Heating Oil (per gallon)	1.9773	-0.89%	Aluminium (per mt)	1,975.3	0.51%
Gasoline (per gallon)	1.9768	0.14%			
Natural Gas (per MMBtu)	2.7180	0.78%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,454.0	0.74%
			Rubber (JPY/KG)	179.6	-0.28%
Precious Metals	Futures	% chg			
Gold (per oz)	1,340.2	0.22%			
Silver (per oz)	16.254	-0.84%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	24,264.30	230.94
<b>S&amp;P</b>	2,644.69	30.24
<b>Nasdaq</b>	7,042.11	100.83
<b>Nikkei 225</b>	21,319.55	27.26
<b>STI</b>	3,339.70	-72.45
<b>KLCI</b>	1,815.94	-34.84
<b>JCI</b>	6,157.10	-71.92
<b>Baltic Dry</b>	1,016.00	--
<b>VIX</b>	20.06	-1.04

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.77 (-0.02)	2.29 (+0.01)
<b>5Y</b>	2.04 (-0.03)	2.62 (+0.02)
<b>10Y</b>	2.31 (-0.01)	2.80 (+0.03)
<b>15Y</b>	2.59 (-0.01)	--
<b>20Y</b>	2.64 (-)	--
<b>30Y</b>	2.78 (-0.02)	3.04 (+0.02)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	59.12	0.78
<b>EURIBOR-OIS</b>	3.23	0.13
<b>TED</b>	58.71	--

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
04/04/2018 05:00	SK Foreign Reserves	Mar	--	\$396.75b	\$394.80b	--
04/04/2018 08:30	JN Nikkei Japan PMI Services	Mar	--	50.9	51.7	--
04/04/2018 08:30	JN Nikkei Japan PMI Composite	Mar	--	51.3	52.2	--
<b>04/04/2018 09:30</b>	<b>AU Building Approvals MoM</b>	<b>Feb</b>	<b>-5.00%</b>	<b>-6.20%</b>	<b>17.10%</b>	<b>17.20%</b>
<b>04/04/2018 09:30</b>	<b>AU Retail Sales MoM</b>	<b>Feb</b>	<b>0.30%</b>	<b>0.60%</b>	<b>0.10%</b>	<b>0.20%</b>
04/04/2018 09:45	CH Caixin China PMI Composite	Mar	--	51.8	53.3	--
04/04/2018 09:45	CH Caixin China PMI Services	Mar	54.5	52.3	54.2	--
04/04/2018 16:00	SI Automobile COE Open Bid Cat A	Apr-04	--	37000	38000	--
04/04/2018 16:00	SI Automobile COE Open Bid Cat B	Apr-04	--	37605	37010	--
04/04/2018 16:30	UK Markit/CIPS UK Construction PMI	Mar	51	47	51.4	--
04/04/2018 17:00	EC Unemployment Rate	Feb	8.50%	8.50%	8.60%	--
04/04/2018 17:00	EC CPI Core YoY	Mar A	1.10%	1.00%	1.00%	--
04/04/2018 17:00	EC CPI Estimate YoY	Mar	1.40%	1.40%	1.20%	1.10%
<b>04/04/2018 19:00</b>	<b>US MBA Mortgage Applications</b>	<b>Mar-30</b>	<b>--</b>	<b>-3.30%</b>	<b>4.80%</b>	<b>--</b>
<b>04/04/2018 20:15</b>	<b>US ADP Employment Change</b>	<b>Mar</b>	<b>210k</b>	<b>241k</b>	<b>235k</b>	<b>246k</b>
04/04/2018 21:45	US Markit US Services PMI	Mar F	54.2	54	54.1	--
04/04/2018 21:45	US Markit US Composite PMI	Mar F	--	54.2	54.3	--
<b>04/04/2018 22:00</b>	<b>US ISM Non-Manf. Composite</b>	<b>Mar</b>	<b>59</b>	<b>58.8</b>	<b>59.5</b>	<b>--</b>
<b>04/04/2018 22:00</b>	<b>US Factory Orders</b>	<b>Feb</b>	<b>1.70%</b>	<b>1.20%</b>	<b>-1.40%</b>	<b>-1.30%</b>
<b>04/04/2018 22:00</b>	<b>US Durable Goods Orders</b>	<b>Feb F</b>	<b>--</b>	<b>3.00%</b>	<b>3.10%</b>	<b>--</b>
04/04/2018 22:00	US Durables Ex Transportation	Feb F	--	1.00%	1.20%	--
04/04/2018 22:00	US Cap Goods Orders Nondef Ex Air	Feb F	--	1.40%	1.80%	--
04/04/2018 22:00	US Cap Goods Ship Nondef Ex Air	Feb F	--	1.40%	1.40%	--
04/05/2018 01:00	NZ QV House Prices YoY	Mar	--	7.30%	6.50%	--
04/05/2018 07:00	SK BoP Current Account Balance	Feb	--	\$4027.3m	\$2680.4m	--
04/05/2018 07:50	JN Japan Buying Foreign Bonds	Mar-30	--	--	¥790.1b	--
04/05/2018 07:50	JN Foreign Buying Japan Bonds	Mar-30	--	--	¥2174.1b	--
04/05/2018 07:50	JN Foreign Buying Japan Stocks	Mar-30	--	--	¥2161.6b	--
04/05/2018 09:00	NZ ANZ Commodity Price	Mar	--	--	2.80%	--
<b>04/05/2018 09:30</b>	<b>AU Trade Balance</b>	<b>Feb</b>	<b>A\$725m</b>	<b>--</b>	<b>A\$1055m</b>	<b>--</b>
04/05/2018 12:00	MA Trade Balance MYR	Feb	8.50b	--	9.71b	--
04/05/2018 12:00	MA Exports YoY	Feb	8.00%	--	17.90%	--
04/05/2018 13:00	IN Nikkei India PMI Services	Mar	--	--	47.8	--
04/05/2018 13:00	IN Nikkei India PMI Composite	Mar	--	--	49.7	--
<b>04/05/2018 14:00</b>	<b>GE Factory Orders MoM</b>	<b>Feb</b>	<b>1.50%</b>	<b>--</b>	<b>-3.90%</b>	<b>--</b>
<b>04/05/2018 15:30</b>	<b>TH Foreign Reserves</b>	<b>Mar-30</b>	<b>--</b>	<b>--</b>	<b>\$215.4b</b>	<b>--</b>
04/05/2018 15:45	IT Markit/ADACI Italy Services PMI	Mar	53.9	--	55	--
04/05/2018 15:45	IT Markit/ADACI Italy Composite PMI	Mar	54.9	--	56	--
04/05/2018 15:50	FR Markit France Services PMI	Mar F	56.8	--	56.8	--
04/05/2018 15:50	FR Markit France Composite PMI	Mar F	56.2	--	56.2	--
04/05/2018 15:55	GE Markit Germany Services PMI	Mar F	54.2	--	54.2	--
04/05/2018 15:55	GE Markit/BME Germany Composite PMI	Mar F	55.4	--	55.4	--
04/05/2018 16:00	EC Markit Eurozone Services PMI	Mar F	55	--	55	--
04/05/2018 16:00	EC Markit Eurozone Composite PMI	Mar F	55.3	--	55.3	--
04/05/2018 16:30	UK Markit/CIPS UK Services PMI	Mar	54	--	54.5	--
04/05/2018 16:30	UK Markit/CIPS UK Composite PMI	Mar	54	--	54.5	--
04/05/2018 17:00	EC PPI MoM	Feb	0.00%	--	0.40%	--
04/05/2018 17:00	EC Retail Sales MoM	Feb	0.50%	--	-0.10%	--
<b>04/05/2018 17:00</b>	<b>IN RBI Repurchase Rate</b>	<b>Apr-05</b>	<b>6.00%</b>	<b>--</b>	<b>6.00%</b>	<b>--</b>
<b>04/05/2018 17:00</b>	<b>IN RBI Reverse Repo Rate</b>	<b>Apr-05</b>	<b>5.75%</b>	<b>--</b>	<b>5.75%</b>	<b>--</b>
04/05/2018 17:00	IN RBI Cash Reserve Ratio	Apr-05	4.00%	--	4.00%	--
04/05/2018 20:30	CA Int'l Merchandise Trade	Feb	-2.10b	--	-1.91b	--
<b>04/05/2018 20:30</b>	<b>US Initial Jobless Claims</b>	<b>Mar-31</b>	<b>225k</b>	<b>--</b>	<b>215k</b>	<b>--</b>
04/05/2018 20:30	US Continuing Claims	Mar-24	1843k	--	1871k	--
<b>04/05/2018 20:30</b>	<b>US Trade Balance</b>	<b>Feb</b>	<b>-\$56.8b</b>	<b>--</b>	<b>-\$56.6b</b>	<b>--</b>
04/05/2018 21:45	US Bloomberg Consumer Comfort	Apr-01	--	--	56.8	--

Source: Bloomberg

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