

Highlights

Global	<p>Risk sentiment consolidated despite the positive cues from the Trump-Kim summit yesterday as investors are eyeing for hints whether the Fed would move to four times rate hike. Trump commented that the deal made “worked out for both of us” and sees “a new future” for North Korea. Elsewhere, Kim had openly pledged to work towards a “complete denuclearization”. China themselves also chimed in saying that sanctions relief can be considered for North Korea. Market-watchers will likely stay cautious ahead of key decisions from central bank meetings, with the FOMC meeting tonight, ECB tomorrow, and BOJ on Friday. The market is pricing in another 25bps hike, but the focus will be on the Fed’s language including whether faster economic growth warrants ramping up the pace of rate hikes and if a fourth rate hike can materialise into year-end. Note that the May US CPI provide further evidence that inflation could overshoot the Fed’s target. CPI rose by 0.2% mom in line with market expectation. On year-on-year basis, CPI accelerated further to 2.8% from 2.5% in April, partly reflecting gains in fuel prices. The core CPI also accelerated to 2.2%. Market will monitor closely whether the Fed will change its tolerance for modest overshoot of inflation.</p>
CN	<p>China’s aggregate social financing unexpectedly fell to CNY760.8 billion in May although new Yuan loan is largely in line with market expectation increasing by CNY1.15 trillion. The fall suggests that China’s de-leverage is working as the funding demand continued to be shifted from off-balance sheet to on-balance sheet. Elsewhere, China relaxed the rules for qualified foreign institutional investors scheme to allow free flow of capital to support opening of its financial market. The new rule will remove the lock-up period as well as 20% monthly repatriation limit.</p>
SI	<p>Retail sales grew 0.4% y/y (-0.2% momsa) in April, versus market call of 2.1% y/y. Motor vehicle sales fell another 0.8% y/y, marking its fourth consecutive decline. Elsewhere, there is a 9.8% decline in sales of computer & telecoms equipment, followed by wearing apparel & footwear (-3.4%), super/hyper markets (-2.3%) and departmental stores (-1.7%).</p>
MA	<p>The Anti-Corruption Commission has submitted investigation papers on 1MDB to the Attorney General’s Chambers. The Attorney-General (AG) has formed two teams to address the 1MDB matter. The AG has also signed requests for mutual legal assistance from Switzerland, US, France and UAE.</p>
CMD	<p>Market-talk is revolving around speculations that the upcoming OPEC+ meeting will agree on raising production into 2H18, a scenario that we do not agree. We observe resistance from other producers, including Iran, Iraq and Venezuela, which argued that Saudi Arabia must not unilaterally increase production with consulting this decision with its other members. Still, note that the opposition may prove ineffectual, given that the substantial production capacity Saudi Arabia and Russia has, and their capability to raise production without consent from the rest of OPEC’s members. Brent staged another fall overnight following market-expectation for production to gain into 2H18 and thus narrowing the Brent-WTI premium to \$9.5/bbl.</p>

Major Market

- **Wall Street:** US equities were mixed overnight, with the Dow and Nasdaq declining 0.01% and 0.1%, respectively, while S&P500 rose 0.17%. VIX was flat at 12.34 (-0.01), as market-watchers likely moved on from the cordial Trump-Kim summit outcome and focus on the persistent uncertainty regarding US trade tensions against its allies. Note that the UST yields continue climb overnight, with the 2y- and 10y- at 2.539% (+1.8bp) and 2.961% (+0.9bps), respectively.
- **Singapore:** The STI declined 0.32% to close 3,430.69. Key gainers include Gold Agri (+1.6%), ST Engineering (+1.4%), Starhub (+1.1%), though losers such as Hutchison Port Holdings Trust (-4.8%) and City Developments exacerbated the losses. Expect market-watchers to stay cautious ahead of the FOMC tonight.
- **China:** The traditional off-balance sheet channels including entrusted loan, trust loan and banker's acceptance shrank by CNY421.5 billion in May due to de-leverage, largest decline in record. In addition, net bond financing also unexpectedly fell by CNY43.4 billion, first decline since June 2017. This is probably due to falling demand for credit bonds as a result of rising default risks.
- **Malaysia:** Meanwhile, Mahathir Mohamad has asked Japan to extend the country Yen credit. The purpose of the credit according to Mahathir is to perhaps "retire some of the high-cost borrowings that we have and replace them with the Yen credit". He mentioned that "the interest rate will be cheaper and we don't have to bear the interest for many, many years to come". Mahathir has also said that "Mr Abe, the prime minister, will study this request".

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday with rates trading within 1bps of yesterday's curve. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 450bps. In the earlier part of the trading session, 10Y UST yields rose by 2bps to 2.98%, ahead of a widely expected hike in interest rates by the Federal Reserve on Wednesday. However, yields reversed to close at 2.96% after the Consumer Price Index (CPI) increased 0.2%, as expected.
- **New Issues:** New Metro Global Ltd has priced a USD200mn 3.75-year bond (guaranteed by Future Land Holdings Co Ltd) at 8%, in line with its initial price guidance. Mapletree Treasury Services Ltd has priced a SGD200mn 3-year bond (guaranteed by Mapletree Investments Pte Ltd) at 2.888%, in line with its initial price guidance. Greenland Hong Kong Holdings Ltd has hired banks for its potential USD bond issuance. Industrial Bank of Korea has scheduled for investor meetings from 18 Jun for its potential USD social bond issuance. Wuhan Real Estate Development Investor Group Co Ltd has scheduled for investor meetings from 13 Jun for its potential USD bond issuance. Industrial & Commercial Bank of China Ltd has scheduled for investor meetings from 12 Jun for its potential USD/HKD green bond issuance. Korea Electric Power Corp has hired banks for its potential USD green bond issuance. Kyobo Life Insurance Co Ltd has hired banks for its potential USD hybrid bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.818	0.22%	USD-SGD	1.3368	0.14%
USD-JPY	110.370	0.31%	EUR-SGD	1.5701	-0.19%
EUR-USD	1.1745	-0.33%	JPY-SGD	1.2112	-0.18%
AUD-USD	0.7573	-0.47%	GBP-SGD	1.7876	0.11%
GBP-USD	1.3372	-0.05%	AUD-SGD	1.0123	-0.32%
USD-MYR	3.9903	0.07%	NZD-SGD	#N/A	#N/A
USD-CNY	6.4028	0.02%	CHF-SGD	1.3546	--
USD-IDR	13966	0.24%	SGD-MYR	2.9934	0.21%
USD-VND	22811	0.04%	SGD-CNY	4.7969	-0.03%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.7146	--
2M	-0.3380	--	1M	2.0474	--
3M	-0.3210	--	2M	#N/A	#N/A
6M	-0.2670	--	3M	2.3326	--
9M	-0.2120	--	6M	2.4931	--
12M	-0.1810	--	12M	2.7579	--

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%	84.0%	16.0%	0.0%	0.0%
08/01/2018	100.0%	80.5%	18.8%	0.7%	0.0%
09/26/2018	100.0%	21.0%	64.4%	14.1%	0.5%
11/08/2018	100.0%	18.7%	59.7%	19.6%	2.0%
12/19/2018	100.0%	9.2%	38.8%	40.1%	11.0%
01/30/2019	100.0%	8.1%	35.2%	39.9%	14.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	66.36	0.39%	Copper (per mt)	7,163.9	-0.23%
Brent (per barrel)	75.88	-0.76%	Nickel (per mt)	15,137.5	-0.56%
Heating Oil (per gallon)	2.1618	0.05%	Aluminium (per mt)	2,309.0	0.04%
Gasoline (per gallon)	2.0899	-0.71%			
Natural Gas (per MMBtu)	2.9390	-0.34%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,326.0	-1.44%
			Rubber (JPY/KG)	186.5	0.87%
Precious Metals	Futures	% chg			
Gold (per oz)	1,299.4	-0.29%			
Silver (per oz)	16.891	-0.36%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,320.73	-1.58
S&P	2,786.85	4.85
Nasdaq	7,703.79	43.87
Nikkei 225	22,878.35	74.31
STI	3,430.69	-11.00
KLCI	1,764.16	-11.64
JCI	5,993.63	--
Baltic Dry	1,387.00	--
VIX	12.34	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.98 (--)	2.54 (+0.02)
5Y	2.32 (-0.01)	2.81 (+0.01)
10Y	2.62 (--)	2.96 (+0.01)
15Y	2.89 (-0.01)	--
20Y	2.94 (-0.01)	--
30Y	3.01 (-0.02)	3.09 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.04	-0.10
EURIBOR-OIS	3.50	0.06
TED	40.69	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	Relevance	
06/12/2018 07:50	JN PPI YoY	May	2.10%	2.70%	2.00%	2.10%	92.2222
06/12/2018 08:01	CH Manpower Survey	3Q	--	10%	8%	--	35.1351
06/12/2018 09:30	AU NAB Business Conditions	May	--	15	21	--	69.0141
06/12/2018 09:30	AU NAB Business Confidence	May	--	6	10	11	74.6479
06/12/2018 09:30	AU Home Loans MoM	Apr	-1.80%	-1.40%	-2.20%	-2.30%	84.507
06/12/2018 09:30	AU Owner-Occupier Loan Value MoM	Apr	--	0.20%	-1.90%	-2.00%	56.338
06/12/2018 12:30	JN Tertiary Industry Index MoM	Apr	0.60%	1.00%	-0.30%	--	90
06/12/2018 13:00	SI Retail Sales SA MoM	Apr	--	-0.20%	2.30%	2.70%	55.1724
06/12/2018 13:00	SI Retail Sales YoY	Apr	2.10%	0.40%	-1.50%	-1.10%	82.7586
06/12/2018 16:00	IT Unemployment Rate Quarterly	1Q	11.10%	11.10%	11.00%	11.10%	52.6316
06/12/2018 16:30	UK Claimant Count Rate	May	--	2.50%	2.50%	--	81.1765
06/12/2018 16:30	UK Jobless Claims Change	May	--	-7.7k	31.2k	28.2k	92.9412
06/12/2018 16:30	UK Average Weekly Earnings 3M/YoY	Apr	2.50%	2.50%	2.60%	--	41.1765
06/12/2018 16:30	UK ILO Unemployment Rate 3Mths	Apr	4.20%	4.20%	4.20%	--	89.4118
06/12/2018 17:00	CH Money Supply M1 YoY	May	7.30%	6.00%	7.20%	--	43.2432
06/12/2018 17:00	GE ZEW Survey Current Situation	Jun	85	80.6	87.4	--	94.9153
06/12/2018 17:00	GE ZEW Survey Expectations	Jun	-14	-16.1	-8.2	--	96.6102
06/12/2018 17:00	EC ZEW Survey Expectations	Jun	--	-12.6	2.4	--	67.4419
06/12/2018 17:00	CH Money Supply M2 YoY	May	8.50%	8.30%	8.30%	--	83.7838
06/12/2018 17:00	CH Aggregate Financing CNY	May	1300.0b	760.8b	1560.0b	1560.5b	32.4324
06/12/2018 17:00	CH New Yuan Loans CNY	May	1200.0b	1150.0b	1180.0b	--	67.5676
06/12/2018 17:00	CH Money Supply M0 YoY	May	4.60%	3.60%	4.50%	--	40.5405
06/12/2018 18:00	US NFIB Small Business Optimism	May	105	107.8	104.8	--	62.5
06/12/2018 20:00	IN CPI YoY	May	4.90%	4.87%	4.58%	--	70
06/12/2018 20:00	IN Industrial Production YoY	Apr	5.70%	4.90%	4.40%	4.60%	90
06/12/2018 20:30	US CPI MoM	May	0.20%	0.20%	0.20%	--	96.0938
06/12/2018 20:30	US CPI Ex Food and Energy MoM	May	0.20%	0.20%	0.10%	--	76.875
06/12/2018 20:30	US CPI YoY	May	2.80%	2.80%	2.50%	--	69.5312
06/12/2018 20:30	US CPI Ex Food and Energy YoY	May	2.20%	2.20%	2.10%	--	55.4688
06/12/2018 20:30	US CPI Index NSA	May	251.611	251.588	250.546	--	37.5
06/12/2018 20:30	US CPI Core Index SA	May	256.884	256.889	256.45	--	42.9688
06/13/2018 02:00	US Monthly Budget Statement	May	-\$144.0b	-\$146.8b	-\$88.4b	--	76.5625
06/13/2018 06:45	NZ Food Prices MoM	May	--	0.00%	0.10%	--	87.234
06/13/2018 08:30	AU Westpac Consumer Conf SA MoM	Jun	--	--	-0.60%	--	83.0986
06/13/2018 16:30	UK CPI MoM	May	0.40%	--	0.40%	--	94.1176
06/13/2018 16:30	UK CPI YoY	May	2.40%	--	2.40%	--	95.2941
06/13/2018 16:30	UK CPI Core YoY	May	2.10%	--	2.10%	--	90.5882
06/13/2018 16:30	UK Retail Price Index	May	280.9	--	279.7	--	62.3529
06/13/2018 16:30	UK RPI MoM	May	0.40%	--	0.50%	--	67.0588
06/13/2018 16:30	UK RPI YoY	May	3.40%	--	3.40%	--	63.5294
06/13/2018 16:30	UK RPI Ex Mort Int. Payments (YoY)	May	3.40%	--	3.40%	--	45.8824
06/13/2018 16:30	UK PPI Input NSA YoY	May	7.60%	--	5.30%	--	44.7059
06/13/2018 16:30	UK PPI Output NSA MoM	May	0.30%	--	0.30%	--	84.7059
06/13/2018 16:30	UK PPI Output Core NSA YoY	May	2.50%	--	2.40%	--	43.5294
06/13/2018 17:00	EC Industrial Production SA MoM	Apr	-0.70%	--	0.50%	--	65.1163
06/13/2018 17:00	EC Industrial Production WDA YoY	Apr	2.50%	--	3.00%	--	60.4651
06/13/2018 19:00	US MBA Mortgage Applications	Jun-08	--	--	4.10%	--	92.3077
06/13/2018 20:30	US PPI Final Demand MoM	May	0.30%	--	0.10%	--	86.7188
06/13/2018 20:30	US PPI Ex Food and Energy MoM	May	0.20%	--	0.20%	--	67.1875
06/13/2018 20:30	US PPI Final Demand YoY	May	2.80%	--	2.60%	--	68.75
06/13/2018 20:30	US PPI Ex Food and Energy YoY	May	2.30%	--	2.30%	--	66.4062

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>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).