

Highlights

Global	<p>Wall Street and the USD retreated amid renewed market anxiety that the US-North Korean summit on 12 June may not materialise after US President Trump warned that “there’s a chance, a very substantial chance, it won’t work out”. Surprisingly, in a meeting with South Korean President Moon, Trump was asked if he was pleased about the China trade talks which he responded “not really” but “they’re a start”. Meanwhile, the UST yield curve steepened as longer-dated tenors continued to sell off despite a healthy 2-year bond auction which fetched a yield of 2.57% (highest since mid-2008) even as indirect bidding dropped to 39.3% (smallest since December 2016).</p> <p>With the weak overnight cues, Asian bourses may open softer and trade a more cautious path today. The economic calendar today comprises Malaysia, S’pore and UK’s CPI, US new home sales and manufacturing PMI. Key would be the 2 May FOMC minutes. Speakers include RBA’s Lowe and Fed’s Kashkari.</p>
US	<p>The Richmond Fed manufacturing index rebounded more than expected from -3 in Apr to +16 in May, as new order volume, shipments, capacity utilisation and order backlogs jumped. Separately, House lawmakers voted 258-159 to advance a bill that will rollback the Dodd-Frank Act.</p>
SG	<p>Headline and core inflation likely rose 0.3% yoy (-0.3% mom nsa) and 1.3% yoy in April, versus 0.2% yoy (-0.2% mom nsa) and 1.5% yoy in March. COE premium tender results are also due later today.</p>
MA	<p>Former Prime Minister Najib Razak spent four hours giving statements and verifying documents at the Malaysian Anti-Corruption Commission yesterday. The session will reportedly resume on Thursday 24th May 2018. Finance Minister Lim Guan Eng has claimed that the government has paid out RM6.98bn since April 2017 to cover debt accumulated by 1MDB. He also stated that the government debt exceeds more than RM1 trillion. Meanwhile, foreign stock inflows into Malaysia for 2018 have been wiped out as the number now turns to an outflow at \$21.2m for year to date as of 21st May 2018. Foreign reserves also slightly dropped to \$109.4bn as of 15th May 2018 (30th April 2018: \$109.5bn).</p>
TH	<p>The country’s trade environment remains supported, with exports growing by another double-digit pace by 12.3%. Exports of industry-related products including electronics (+14.9%), vehicles & parts (+17.0%), plastics (+24.7%), construction materials (+19.5%) and rubber products (+18.6%) led exports higher. Import growth surprised higher at +20.4%, the fastest since Jan 2018.</p>
CMD	<p>Brent closed at its highest since Nov 2014 at \$79.57.bbl, although WTI edged lower. To that end, market-watchers are likely cognizant over US’ decision to impose sanctions against Venezuela, exacerbating previous sanction-led concerns on Iran which has effectively rallied oil prices over the last few weeks. Note that data from the American Petroleum Institute showed that US oil inventories fell 1.33 million barrels from last week. In Asia, palm oil futures have rallied to its six-week high. While some of the rally could have been led by higher seasonal demand leading into the Ramadan period, the somewhat stalling of US-Sino trade talks and the relatively lack of progress seen in the lifting of US-China imposed tariffs could eventually lead palm demand higher as a substitute for China’s soybean demand.</p>

Major Market

- **US:** Equities took a breather on Tuesday after gains at the opening of the week, with renewed concerns over North Korea and Trump's downplaying of Sino-US trade progress weighing on investors' minds. Energy and industrial stocks were the main drag, while financials provided some support. Overall, the S&P 500 slipped 0.31%, while the Dow and Nasdaq Composite lost 0.72% and 0.21% respectively. VIX inched higher to 13.22 compared to 13.08 previously. Meanwhile, the UST curve was largely static, with the 2y benchmark added 1bp to 2.5680% and the 10y unchanged at 3.0597%. Expect the 10y yield to sustain above the 3.05% level pending further cues from the FOMC minutes release later today.
- **Singapore:** The STI slipped 0.14% to close at 3543.18 yesterday and may continue to consolidate between 3525-3555 today amid weak market cues and renewed North Korean antics. The SGS bond market may mimic the overnight steepening bias in the UST bond yield curve. We published our SGS bond strategy piece on the upcoming 5-year SGS re-opening yesterday which highlighted that the demand-supply dynamics do not favour the current re-opening of the July 2023 bond in the near-term and we could see further pressure for bond yields to move higher from here, albeit its bond yield has climbed by around 57bps for the year-to-date, so there may be some value emerging on an absolute basis - we think fair value for the re-opening of the July 2023 will be capped around 2.45%.
- **Indonesia:** According to Bloomberg, Finance Minister Sri Mulyani Indrawati has said that the central bank has room to raise its benchmark interest rate further. She was quoted as saying, "Bank Indonesia has previously decreased rates so it still has room". Reportedly, according to Bloomberg also, Indrawati said the government, Bank Indonesia and the Financial Services Authority would continue efforts to ensure the health of the financial sector and economic stability but she did say, "not at all costs".

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 1.34% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 413bps. 10Y UST yields traded little changed at 3.06% yesterday.
- **New issues:** Mitsubishi UFG Financial Group Inc. has hired banks for its EUR 5-year floating rate and/or 10-year fixed rate senior unsecured bond.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.609	-0.07%	USD-SGD	1.3391	-0.07%
USD-JPY	110.900	-0.14%	EUR-SGD	1.5773	-0.18%
EUR-USD	1.1779	-0.10%	JPY-SGD	1.2075	0.07%
AUD-USD	0.7576	-0.08%	GBP-SGD	1.7986	-0.04%
GBP-USD	1.3432	0.04%	AUD-SGD	1.0144	-0.17%
USD-MYR	3.9675	-0.30%	NZD-SGD	0.9286	-0.25%
USD-CNY	6.3675	-0.25%	CHF-SGD	1.3486	0.36%
USD-IDR	14142	-0.34%	SGD-MYR	2.9646	0.20%
USD-VND	22770	0.04%	SGD-CNY	4.7567	0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.7060	--
2M	-0.3400	--	1M	1.9613	--
3M	-0.3250	--	2M	2.1068	--
6M	-0.2700	--	3M	2.3300	--
9M	-0.2170	--	6M	2.4988	--
12M	-0.1870	--	12M	2.7652	--

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%	70.0%	30.0%	0.0%	0.0%
08/01/2018	100.0%	67.1%	31.7%	1.2%	0.0%
09/26/2018	100.0%	16.2%	58.6%	24.3%	0.9%
11/08/2018	100.0%	14.9%	55.1%	27.1%	2.9%
12/19/2018	100.0%	7.5%	35.1%	41.0%	14.9%
01/30/2019	100.0%	6.7%	32.3%	40.4%	17.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	72.13	-0.15%	Copper (per mt)	6,904.9	1.08%
Brent (per barrel)	79.57	0.44%	Nickel (per mt)	14,737.0	0.74%
Heating Oil (per gallon)	2.2800	0.27%	Aluminium (per mt)	2,275.3	-0.68%
Gasoline (per gallon)	2.2702	0.61%			
Natural Gas (per MMBtu)	2.9080	3.49%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,477.0	1.27%
			Rubber (JPY/KG)	199.0	-0.50%
Precious Metals	Futures	% chg			
Gold (per oz)	1,297.4	0.08%			
Silver (per oz)	16.575	0.33%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,834.41	-178.88
S&P	2,724.44	-8.57
Nasdaq	7,378.46	-15.58
Nikkei 225	22,960.34	-42.03
STI	3,543.18	-5.05
KLCI	1,845.03	-8.55
JCI	5,751.12	17.26
Baltic Dry	1,239.00	--
VIX	13.22	0.14

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-0.01)	2.57 (-)
5Y	2.27 (-)	2.90 (-)
10Y	2.67 (-)	3.06 (-)
15Y	2.92 (-)	--
20Y	2.90 (+0.01)	--
30Y	3.01 (-0.01)	3.20 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	43.16	-0.58
EURIBOR-OIS	3.68	0.12
TED	40.95	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/22/2018 11:30	TH Customs Trade Balance	Apr	-\$334m	-\$1283m	\$1268m	--
05/22/2018 11:30	TH Customs Exports YoY	Apr	12.68%	12.34%	7.06%	--
05/22/2018 11:30	TH Customs Imports YoY	Apr	14.00%	20.36%	9.47%	--
05/22/2018 13:00	JN Supermarket Sales YoY	Apr	--	-1.20%	-0.10%	--
05/22/2018 15:00	MA Foreign Reserves	May-15	--	\$109.4b	\$109.5b	--
05/22/2018 16:00	TA Unemployment Rate	Apr	3.69%	3.69%	3.67%	--
05/22/2018 16:30	UK Public Finances (PSNCR)	Apr	--	-9.7b	0.5b	1.3b
05/22/2018 16:30	UK Public Sector Net Borrowing	Apr	7.1b	6.2b	-0.3b	-0.8b
05/22/2018 16:30	UK PSNB ex Banking Groups	Apr	8.5b	7.8b	1.3b	0.8b
05/22/2018 20:30	CA Wholesale Trade Sales MoM	Mar	0.90%	1.10%	-0.80%	-0.40%
05/22/2018 22:00	US Richmond Fed Manufact. Index	May	10	16	-3	--
05/23/2018 08:30	JN Nikkei Japan PMI Mfg	May P	--	--	53.8	--
05/23/2018 08:30	AU Westpac Leading Index MoM	Apr	--	--	-0.22%	--
05/23/2018 09:30	AU Construction Work Done	1Q	1.30%	--	-19.40%	--
05/23/2018 12:00	MA CPI YoY	Apr	1.60%	--	1.30%	--
05/23/2018 12:30	JN All Industry Activity Index MoM	Mar	0.10%	--	0.40%	--
05/23/2018 13:00	SI CPI YoY	Apr	0.50%	--	0.20%	--
05/23/2018 13:00	SI CPI NSA MoM	Apr	-0.10%	--	-0.20%	--
05/23/2018 13:30	FR ILO Unemployment Rate	1Q	8.80%	--	8.90%	--
05/23/2018 13:30	JN Nationwide Dept Sales YoY	Apr	--	--	0.10%	--
05/23/2018 13:30	JN Tokyo Dept Store Sales YoY	Apr	--	--	0.10%	--
05/23/2018 14:00	JN Machine Tool Orders YoY	Apr F	--	--	22.00%	--
05/23/2018 15:00	FR Markit France Manufacturing PMI	May P	53.7	--	53.8	--
05/23/2018 15:00	FR Markit France Services PMI	May P	57.2	--	57.4	--
05/23/2018 15:00	FR Markit France Composite PMI	May P	56.8	--	56.9	--
05/23/2018 15:30	GE Markit Germany Manufacturing PMI	May P	57.9	--	58.1	--
05/23/2018 15:30	GE Markit Germany Services PMI	May P	53	--	53	--
05/23/2018 15:30	GE Markit Germany Composite PMI	May P	54.6	--	54.6	--
05/23/2018 16:00	EC Markit Eurozone Manufacturing PMI	May P	56.1	--	56.2	--
05/23/2018 16:00	TA Industrial Production YoY	Apr	6.25%	--	3.09%	--
05/23/2018 16:00	SI Automobile COE Open Bid Cat A	May-23	--	--	38941	--
05/23/2018 16:00	SI Automobile COE Open Bid Cat B	May-23	--	--	38501	--
05/23/2018 16:00	SI Automobile COE Open Bid Cat E	May-23	--	--	38600	--
05/23/2018 16:00	EC Markit Eurozone Services PMI	May P	54.7	--	54.7	--
05/23/2018 16:00	EC Markit Eurozone Composite PMI	May P	55.1	--	55.1	--
05/23/2018 16:30	UK CPI YoY	Apr	2.50%	--	2.50%	--
05/23/2018 16:30	UK CPI Core YoY	Apr	2.20%	--	2.30%	--
05/23/2018 16:30	UK Retail Price Index	Apr	279.8	--	278.3	--
05/23/2018 16:30	UK RPI MoM	Apr	0.50%	--	0.10%	--
05/23/2018 16:30	UK RPI Ex Mort Int. Payments (YoY)	Apr	3.30%	--	3.40%	--
05/23/2018 16:30	UK PPI Input NSA YoY	Apr	5.80%	--	4.20%	--
05/23/2018 16:30	UK PPI Output NSA MoM	Apr	0.20%	--	0.20%	--
05/23/2018 16:30	UK PPI Output Core NSA YoY	Apr	2.10%	--	2.20%	--
05/23/2018 19:00	US MBA Mortgage Applications	May-18	--	--	-2.70%	--
05/23/2018 21:45	US Markit US Manufacturing PMI	May P	56.5	--	56.5	--
05/23/2018 21:45	US Markit US Services PMI	May P	55	--	54.6	--
05/23/2018 21:45	US Markit US Composite PMI	May P	--	--	54.9	--
05/23/2018 22:00	US New Home Sales	Apr	680k	--	694k	--
05/23/2018 22:00	EC Consumer Confidence	May A	0.5	--	0.4	--
05/23/2018	PH Budget Balance PHP	Apr	--	--	-110.7b	--
05/23/2018	MU Visitor Arrivals	Apr	--	--	2733t	--
05/23/2018	MU CPI Composite YoY	Apr	--	--	2.66%	--

Source: Bloomberg

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