

Highlights

Global	<p>The 2 May FOMC minutes signalled that “it would likely soon be appropriate” to hike the policy rate, but expressed “a range of views on the amount of further policy firming that would likely be required”. This left sufficient ambiguity on whether there is another one or two hikes for the rest of 2018 after the widely anticipated June hike to come. On inflation, the conviction levels were also mixed as “it was premature to conclude that inflation would remain at levels around 2 percent, especially after several years in which inflation had persistently run below the committee’s 2 percent objective”. More importantly, Fed members opined that transitory inflation being “modestly above 2 percent would be consistent with the committee’s symmetric inflation objective and could be helpful in anchoring longer-run inflation expectations”, which suggested no urgency to be more hawkish. This is in line with our house expectations that 3 hikes will suffice this year. Meanwhile, US President Trump has instructed Commerce Secretary Ross to “consider initiating a Section 232 investigation into imports of automobiles, including trucks, and automotive parts to determine their effects on American’s national security”. Given mixed market cues, Asian bourses may range trade today as investors digest a less hawkish FOMC minutes but a more antagonistic US on auto imports and ongoing North Korean geopolitical drama. Apart from the BOK policy meeting which may keep its 7-day repo rate unchanged at 1.5%, the economic calendar also comprises US’ existing homes sales and initial jobless claims, UK’ retail sales, German final 1Q18 GDP growth. Speakers include Fed’s Dudley, Bostic and Harker, BOE’s Carney and ECB’s Praet.</p>
US	<p>New home sales declined less than expected by 1.5% mom, while the manufacturing PMI improved marginally to 56.6 in May with the services PMI surging from 54.6 to 55.7, which pointed to sustained momentum.</p>
SG	<p>1Q18 GDP growth was revised up to 4.4 yoy (1.7% qoq saar), higher than the flash estimates of 4.3% yoy (1.4% qoq saar) and compared to 3.6% yoy (2.1% qoq saar) in 4Q17. The main drivers of growth remained to be manufacturing (9.8% yoy), aided by electronics, precision engineering and chemicals clusters that grew by double-digit growth, and services (4.1% yoy) on the back of stronger activity in finance & insurance, infocomms, and wholesale & retail trade sectors, whereas construction lagged at -5.0% yoy on continued weakness in public and private construction activities. MTI tips 2018 growth to be 2.5-3.5% for the full year, up from its earlier forecast of 1.5-3.5% previously, citing that the pace of growth is expected to remain firm and supported by outward-oriented sectors with a broadening to domestically-oriented services like retail and food services over the course of the year. Our 2018 growth forecast remains at 3.0 yoy%.</p>
CMD	<p>Energy prices were largely unchanged overnight, though copper declined almost 2.0% as risk sentiment waned on events surrounding North Korea and Turkey. Note that US democrats reportedly asked president Trump to “stand up to OPEC” and their practice of limiting production in hopes for higher oil prices. The greenback continued to strengthen, even as the FOMC minutes signalled “soon be appropriate” to hike should outlook remain intact. The precious metal complex fell across the board seen in gold, silver, platinum and palladium.</p>

Major Market

- **US:** Equities firmed on Wednesday after the FOMC minutes came across as neutral to slightly dovish, with no signs of a preference for accelerating the rate hike pace for four hikes in 2018. Preliminary PMI data-prints that came in better-than-expected also supported equities. Overall, the S&P 500 added 0.33%, while the Dow and Nasdaq Composite gained 0.21% and 0.64% respectively. VIX slipped to 12.58, compared to 13.22 previously. US Treasury yields softened across the board, with the 2y yield fading 4 bps to 2.5282%, while the 10y benchmark fell 6 bps to 2.9935%.
- **Singapore:** The STI slumped 1.32% to slip below the 3500 handle close at 3496.27 yesterday and may vacillate between 3480-3510 today amid mixed market cues. While the full-year 2018 official growth forecast was narrowed to the upper half of its 1.5-3.5% yoy range, nevertheless, weak morning cues from Nikkei may weigh. With the slight risk-off tone, UST bonds had rallied overnight and the SGS bond market may follow suit today.
- **Korea:** The Bank of Korea is slated to give further colour on its outlook on growth, inflation and rates in today's MPC meeting. We expect policy-makers to stand pat on its interest rate at 1.50%.
- **Thailand:** DPM Somkid commented that rising oil prices seen to-date is unlikely to hinder Thailand's economic growth, though highlighting the government's need to ease the potential price impact especially on low income earners. DPM Somkid's comments came just as the Energy Ministry announced its intent to cap diesel prices at not more than THB30/litre, as well as subsidising 50% of any price increase in crude oil. This signals the return of energy subsidies in Thailand, after it was lifted post 2014 after the junta took over the government. However, Thailand's National Economic and Social Development Board (NESDB) highlighted that higher prices can present a challenge to growth, noting that key raw materials such as rubber and plastics will grow invariably, and underlined that the department's growth outlook is "based on the oil price averaging \$60 - \$70 per barrel".
- **Macau:** Inflation accelerated from 2.66% to 2.88% in April. Firstly, as the charges for parking meter rates and bus services have increased, the transportation inflation picked up to 5.06% from 3.63% previously. Secondly, driven by the higher prices for out-patient services, the price growth of health increased by 5.17% yoy. Thirdly, with the raising of rentals for dwellings and energy prices, the housing and fuels inflation climbed to 1.84%, the highest since Apr'16. In contrast, in terms of the most heavily-weighted section, dearer charges for eating out might be offset by lower food prices, therefore, the food inflation slowed down from 3.03% to 2.86%. Moving forward, amid the muted inflationary pressure across other major economies, Macau's CPI is likely to remain moderated in the near-term. However, affected by higher commodity prices and a weaker MOP, we will keep monitoring whether these factors could translate into imported inflationary pressure to Macau.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates for the shorter tenor trading 1-3bps lower while the longer tenor trading 3-5bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS inched 1bps higher at 1.34% while the Bloomberg Barclays Asia USD HY Bond Index average OAS similarly

widened 1bps to 414bps. The Fed's May meeting reflected that though "it would likely soon be appropriate" to hike rates, mixed levels of conviction regarding inflation had the market interpreting the minutes as being less hawkish than expected, causing the UST curve to bull steepen. 10Y UST yields fell 7bps to close below the 3% handle at 2.99%.

- **New issues:** Export-Import Bank of Korea (EIBKOR) has priced a USD1.5bn deal across two-tranches with the USD800mn 3-year FRN at 3mL+57.5bps, tightening from its initial price guidance of 3mL+80bps area and the USD700mn 5-year FRN at 3mL+77.5bps, tightening from its initial price guidance of 3mL+100bps area. China Merchants Bank Co Ltd/Hong Kong (CHINAM) has priced a USD500mn 3-year FRN at 3mL+77.5bps, tightening from its initial price guidance of 3mL+105bps area. FPC Capital Ltd has priced a USD175mn 7NC4 at 5.75%, in line with its initial price guidance. Logan Property Holdings Co Ltd has priced a USD100mn re-tap of its LOGPH 6.875%'21 (guaranteed by certain offshore subsidiaries of issuer) at 7.5%, in line with initial price guidance. QNB Finance Ltd has priced a CNH600mn 3-year bond (guaranteed by Qatar national Bank QPSC) at 5.2%, in line with its initial price guidance. Fuxiang Investment Management Ltd has scheduled for investor meetings from 25 May for its potential USD bond issuance (guaranteed by Ping An Real Estate Capital Ltd, keepwell deed provider: Ping An Real Estate Co Ltd). Astrea IV Pte Ltd has scheduled for investor meetings from 25 May for its potential SGD and USD bond issuance (sponsor: Astrea Capital IV Pte Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.003	0.42%	USD-SGD	1.3433	0.31%
USD-JPY	110.080	-0.74%	EUR-SGD	1.5712	-0.39%
EUR-USD	1.1697	-0.70%	JPY-SGD	1.2202	1.05%
AUD-USD	0.7560	-0.21%	GBP-SGD	1.7929	-0.32%
GBP-USD	1.3347	-0.63%	AUD-SGD	1.0156	0.12%
USD-MYR	3.9825	0.38%	NZD-SGD	0.9290	0.04%
USD-CNY	6.3886	0.33%	CHF-SGD	1.3490	0.03%
USD-IDR	14209	0.47%	SGD-MYR	2.9605	-0.14%
USD-VND	22770	--	SGD-CNY	4.7501	-0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	0/N	1.7085	--
2M	-0.3410	--	1M	1.9654	--
3M	-0.3240	--	2M	2.1075	--
6M	-0.2710	--	3M	2.3300	--
9M	-0.2170	--	6M	2.4994	--
12M	-0.1890	--	12M	2.7640	--

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%	82.3%	17.4%	0.3%	0.0%
09/26/2018	100.0%	21.4%	65.4%	13.0%	0.2%
11/08/2018	100.0%	19.7%	61.8%	17.2%	1.3%
12/19/2018	100.0%	10.7%	42.5%	37.6%	8.6%
01/30/2019	100.0%	9.8%	39.9%	38.0%	10.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	71.84	-0.40%	Copper (per mt)	6,769.3	-1.96%
Brent (per barrel)	79.80	0.29%	Nickel (per mt)	14,606.0	-0.89%
Heating Oil (per gallon)	2,2896	0.42%	Aluminium (per mt)	2,276.5	0.05%
Gasoline (per gallon)	2,2601	-0.44%			
Natural Gas (per MMBtu)	2,9140	0.21%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,473.0	-0.16%
			Rubber (JPY/KG)	196.5	-1.26%
Precious Metals	Futures	% chg			
Gold (per oz)	1,294.8	-0.20%			
Silver (per oz)	16.405	-1.03%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,886.81	52.40
S&P	2,733.29	8.85
Nasdaq	7,425.96	47.50
Nikkei 225	22,689.74	-270.60
STI	3,496.27	-46.91
KLCI	1,804.25	-40.78
JCI	5,792.00	40.88
Baltic Dry	1,199.00	--
VIX	12.58	-0.64

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-)	2.53 (-0.04)
5Y	2.25 (-0.02)	2.82 (-0.07)
10Y	2.63 (-0.04)	2.99 (-0.07)
15Y	2.88 (-0.04)	--
20Y	2.87 (-0.03)	--
30Y	2.98 (-0.03)	3.15 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	42.63	-0.53
EURIBOR-OIS	3.68	-0.10
TED	40.70	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/23/2018 08:30	JN Nikkei Japan PMI Mfg	May P	--	52.5	53.8	--
05/23/2018 08:30	AU Westpac Leading Index MoM	Apr	--	0.19%	-0.22%	-0.13%
05/23/2018 12:00	MA CPI YoY	Apr	1.60%	1.40%	1.30%	--
05/23/2018 12:30	JN All Industry Activity Index MoM	Mar	0.10%	0.00%	0.40%	--
05/23/2018 12:30	MU CPI Composite YoY	Apr	--	2.88%	2.66%	--
05/23/2018 13:00	SI CPI YoY	Apr	0.40%	0.10%	0.20%	--
05/23/2018 13:30	JN Nationwide Dept Sales YoY	Apr	--	0.70%	0.10%	--
05/23/2018 14:00	JN Machine Tool Orders YoY	Apr F	--	22.00%	22.00%	--
05/23/2018 15:00	FR Markit France Manufacturing PMI	May P	53.7	55.1	53.8	--
05/23/2018 15:00	FR Markit France Services PMI	May P	57.2	54.3	57.4	--
05/23/2018 15:00	FR Markit France Composite PMI	May P	56.8	54.5	56.9	--
05/23/2018 15:30	GE Markit Germany Manufacturing PMI	May P	57.9	56.8	58.1	--
05/23/2018 15:30	GE Markit Germany Services PMI	May P	53	52.1	53	--
05/23/2018 15:30	GE Markit Germany Composite PMI	May P	54.6	53.1	54.6	--
05/23/2018 16:00	EC Markit Eurozone Manufacturing PMI	May P	56.1	55.5	56.2	--
05/23/2018 16:00	TA Industrial Production YoY	Apr	6.25%	8.53%	3.09%	5.64%
05/23/2018 16:00	SI Automobile COE Open Bid Cat A	May-23	--	38001	38941	--
05/23/2018 16:00	SI Automobile COE Open Bid Cat B	May-23	--	37989	38501	--
05/23/2018 16:00	SI Automobile COE Open Bid Cat E	May-23	--	38700	38600	--
05/23/2018 16:00	EC Markit Eurozone Services PMI	May P	54.7	53.9	54.7	--
05/23/2018 16:00	EC Markit Eurozone Composite PMI	May P	55.1	54.1	55.1	--
05/23/2018 16:30	UK CPI YoY	Apr	2.50%	2.40%	2.50%	--
05/23/2018 16:30	UK CPI Core YoY	Apr	2.20%	2.10%	2.30%	--
05/23/2018 16:30	UK Retail Price Index	Apr	279.8	279.7	278.3	--
05/23/2018 16:30	UK RPI MoM	Apr	0.50%	0.50%	0.10%	--
05/23/2018 16:30	UK RPI Ex Mort Int. Payments (YoY)	Apr	3.30%	3.40%	3.40%	--
05/23/2018 16:30	UK PPI Output NSA MoM	Apr	0.20%	0.30%	0.20%	0.30%
05/23/2018 17:51	MU Visitor Arrivals	Apr	--	2961t	2733t	--
05/23/2018 19:00	US MBA Mortgage Applications	May-18	--	-2.60%	-2.70%	--
05/23/2018 21:45	US Markit US Manufacturing PMI	May P	56.5	56.6	56.5	--
05/23/2018 21:45	US Markit US Services PMI	May P	55	55.7	54.6	--
05/23/2018 21:45	US Markit US Composite PMI	May P	--	55.7	54.9	--
05/23/2018 22:00	US New Home Sales	Apr	680k	662k	694k	672k
05/23/2018 22:00	EC Consumer Confidence	May A	0.5	0.2	0.4	0.3
05/24/2018 05:44	PH Budget Balance PHP	Apr	--	46.3b	-110.7b	--
05/24/2018 06:45	NZ Trade Balance NZD	Apr	198m	263m	-86m	-156m
05/24/2018 06:45	NZ Exports NZD	Apr	4.85b	5.05b	4.85b	4.79b
05/24/2018 06:45	NZ Imports NZD	Apr	4.65b	4.79b	4.94b	4.95b
05/24/2018 07:50	JN Japan Buying Foreign Bonds	May-18	--	¥948.9b	¥827.0b	¥835.3b
05/24/2018 07:50	JN Foreign Buying Japan Bonds	May-18	--	-¥150.9b	¥238.5b	¥237.7b
05/24/2018 07:50	JN Foreign Buying Japan Stocks	May-18	--	¥99.1b	¥126.3b	¥126.5b
05/24/2018 08:00	SI GDP YoY	1Q F	4.40%	4.40%	4.30%	--
05/24/2018 08:00	SI GDP SAAR QoQ	1Q F	1.60%	1.70%	1.40%	--
05/24/2018 13:00	JN Leading Index CI	Mar F	--	--	105	--
05/24/2018 14:00	GE GDP SA QoQ	1Q F	0.30%	--	0.30%	--
05/24/2018 14:00	GE GDP NSA YoY	1Q F	1.60%	--	1.60%	--
05/24/2018 14:00	GE GfK Consumer Confidence	Jun	10.8	--	10.8	--
05/24/2018 14:45	FR Manufacturing Confidence	May	108	--	109	--
05/24/2018 16:30	UK Retail Sales Ex Auto Fuel MoM	Apr	0.50%	--	-0.50%	--
05/24/2018 16:30	UK Retail Sales Inc Auto Fuel MoM	Apr	0.90%	--	-1.20%	--
05/24/2018 20:30	US Initial Jobless Claims	May-19	220k	--	222k	--
05/24/2018 20:30	US Continuing Claims	May-12	1746k	--	1707k	--
05/24/2018 21:00	US FHFA House Price Index MoM	Mar	0.60%	--	0.60%	--
05/24/2018 21:45	US Bloomberg Consumer Comfort	May-20	--	--	54.6	--
05/24/2018 22:00	US Existing Home Sales	Apr	5.55m	--	5.60m	--
05/24/2018	SK BoK 7-Day Repo Rate	May-24	1.50%	--	1.50%	--

Source: Bloomberg

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