DAILY TREASURY OUTLOOK

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Highlights

Global	Global risk appetite may be somewhat muted at the start of this week. Wall Street closed flat despite strong corporate earnings, albeit VIX was a tad lower at 15.41, whilst the 10-year UST bond yield eased further to 2.96% which prompted some profit taking on USD longs. Market players also pared hopes for a May BOE rate hike after posting the worst quarterly growth since 2012. Asian bourses may range trade today amid the mixed market forces. Key to watch today are the US' pending home sales, core PCE deflator, personal income and spending and Chicago PMI, German CPI, Thai trade and industrial production, as well as S'pore's bank loans growth. A holiday-shortened week ahead (with Golden Week for Japan and Labour Day holidays), but packed full of US corporate earnings (with Apple, McDonalds, Tesla etc), RBA and FOMC policy meetings, ongoing geopolitical positioning (amid hopes that North Korean pledges for denuclearization head of the summit with US president Trump in May, but market players are still wary of US' decision regarding the Iran deal), as well as the key US' nonfarm payrolls and unemployment report on Fri (with market consensus forecasts standing at 194k and 4.0% respectively). RBA due tomorrow is likely static at 1.5% as well-telegraphed, but watch for the RBA monetary policy statement on Fri. The FOMC meeting ending on Wed will not have a press conference or updated forecasts, so the FOMC statement may refresh their economic view in light of the disappointing 1Q GDP growth (2.3% qoq annualised) and inflation expectations (given that the core PCE deflator is edging towards the 2% target).
JP	BOJ maintained policy settings but dropped the timeframe reference to achieving the 2% inflation around FY2019, suggesting downside inflation risk and less confidence going ahead given that the timing had already been delayed six times previously, although governor Kuroda opined "it's a simple matter of avoiding expressions that could invite misunderstanding in parts of the market…there is no deep meaning to it".
CH	China unveiled the revised version of asset management rules after seeking public opinion for about five months. As compared to the drafted rule, one of the notable changes of the revised version is that it gives the market a longer grace period. The new asset management will only take effect from end of 2020, delayed from previous July 2019. In addition, during the transition period, asset managers are still allowed to roll over some existing non-compliance products though the total outstanding non-compliance products will be reduced gradually.
CMD	Note the buying into defensive commodities over the weekend, with softs and grains rallying while growth-related commodities especially base metals took a dip. Gold also rallied despite a tame greenback as well, suggesting some safe haven buying as well. Crude oil prices were down over the weekend, as investors worry on another uptick in US oil rig counts (+5 rigs to 8255, the highest since Mar 2015) for the week ended to 27th April. Still, the uncertainty over Iran's nuclear deal could be a key driver supporting crude oil prices in the near-term, following UK, France and Germany's support for Trump's move to scrap the initial agreement. In Asia, note that estimates are pointing towards Indonesia's lowest palm oil inventories in six months in March on the back of strong palm oil export demand.

Major Market

- **US:** Equities plied a narrow range on Friday, eventually closing little changed compared to Thursday. As gains in the defensive sectors were offset by losses in energy stocks, the S&P 500 closed higher by 0.11%. The Dow and Nasdaq Composite were essentially unchanged from the previous close. The VIX stood at 15.41, sliding from 16.24 previously. Meanwhile, US Treasury yields continued to slip. Attention continues to be on the 10y yield, which retreated for the second straight session to 2.957%. The 2y yield was marginally firmer at 2.484%.
- This week, personal spending and core PCE inflation gauges will be on tap early in the week. Attention will then shift towards the FOMC meeting on Wednesday. Key earnings releases will include Apple, Berkshire Hathaway and Pfizer. However, market focus should still be on the 10y yield. Watch for any further decay towards the 2.90% levels and beyond.

- **Singapore:** The STI added 0.20% on Fri to close at 3577.21, but may meander in a 3555-3600 range today amid mixed market cues pre-holiday. With the UST bond yield curve flattening amid gains led by the longer dated tenors, SGS bonds could also follow suit today.

- **China:** The extension of the grace period is in line with the latest guideline that any tightening measures should not run the risk of trigger of systemic risk. To conclude, the new asset management rule will serve the purpose of containing financial risk and breaking the implicit guarantee. Nevertheless, the extension of grace period to end of 2020 under the revised rule is likely to ease market concerns about the negative impact on market. In the longer run, we think the move is positive for the development of direct financing including equity and bond financing.

- **Korea:** The North-South Korea Summit saw both leaders declaring the end of war, with North Korean leader Kim hailing the discussion as a “historic meeting” while both leaders “confirmed the common goal of realising, through complete denuclearisation, a nuclear-free Korean Peninsula”. Note that the both KRW and KOSPI opened stronger this morning, suggesting a positive risk-appetite environment. Elsewhere, more signs of growth moderation is seen from Korea’s latest industrial production growth print of -4.3% y/y (-2.5% m/msa). This is the second consecutive y/y contraction in the year, dragged primarily by the dip in manufacturing and automobile production.

- **Malaysia:** Nomination day for the upcoming elections was held on Saturday. Following this, there will now be an 11-day campaigning period building up to the May 9th polling day. The ruling Barisan Nasional lead by Najib Razak will battle it out with the main opposition Pakatan Harapan led by former Prime Minister Dr Mahathir Mohamad and another splinter opposition Islamic party, PAS.

- **Indonesia:** The central has asked state-owned companies not to buy dollars in large quantities in the spot market. In its own words, the central bank said, "We, along with the government have asked state-owned companies not to meet all of their dollar needs from the spot market". The IDR is under increased pressure ending Friday at 13,892 against the USD. Meanwhile, BI has appointed Aida S. Budiman as head of economic and monetary policy department and Nanang Hendarsyah to head the monetary management department.

- **Macau:** Unemployment rate remained unchanged at 1.9% in 1Q 2018. The total employed population increased from 378300 to 380500 while the labour force participation rate improved for the third consecutive three-month period to 70.6%. This indicates that the slack in labour market has been shrinking. By industry, the employment of hotel, restaurants and similar activities and that of retail sector climbed by 1.99% mom and 1.4% mom respectively. This is mainly supported by the higher labour demands associated with the opening of new mega projects and the improved tourism. In contrast, the employment of gaming sector declined by 0.3%. Tighter regulations on the gaming sector might have harmed the sector’s hiring sentiment. Moving forward, we expect the labour market will remain steady. A weaker MOP and the persistent improvement in Macau’s tourism may lend further supports to the employment of retail and tourism-related sectors. Given a tight labour market, median monthly employment earnings rose for the second straight quarter by 6.67% yoy to MOP16,000 and may regain traction gradually. This will in turn underpin domestic consumption and housing demand.

Bond Market Updates

- **Market Commentary:** The SGD swap curve broadly flattened, with the swap rates for the 5-12 year tenors trading 1-2bps lower and the longer end trading 4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 1.30% while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 380bps. 10Y UST yield fell 2bps to 2.96%, as a result of the month-end demand for longer-dated Treasuries.

- **New issues:** Industrial & Commercial Bank of China Ltd/Sydney has priced a SGD20mn 1-year bond at 1.9%. Ease Trade Global Ltd has priced a USD150mn re-tap of its POLHON 5.2%’21 (guaranteed by (Poly Property Group Co Ltd, keepwell deed provided by China Poly Group) at 99.996. Hong Seng Ltd has priced a USD250mn 363-day note (guaranteed by Hong Yang Group Co Ltd) at 8.5%, tightening from its initial price guidance of 8.75%. Central American Bank for Economic Integration (CABEI) has priced a CNH2bn 5-year bond at 4.85%, in line with its initial price guidance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.542	-0.02%	**USD-SGD**	1.3236	-0.29%
USD-JPY	109.050	-0.23%	**EUR-SGD**	1.6056	-0.07%
EUR-USD	1.2130	0.22%	**JPY-SGD**	1.2134	-0.09%
AUD-USD	0.7581	0.36%	**GBP-SGD**	1.8241	-1.27%
GBP-USD	1.3781	-0.99%	**AUD-SGD**	1.0039	0.10%
USD-MYR	3.9195	0.05%	**NZD-SGD**	0.9377	0.03%
USD-CNY	6.3322	-0.07%	**CHF-SGD**	1.3392	-0.22%
USD-IDR	13893	0.01%	**SGD-MYR**	2.9514	-0.01%
USD-VND	22760	-0.04%	**SGD-CNY**	4.7803	0.18%

Equity and Commodity

Index	Value	Net change
DJIA	24,311.19	-11.15
S&P	2,669.91	2.97
Nasdaq	7,119.80	1.12
Nikkei 225	22,467.87	148.26
STI	3,577.21	7.19
KLCI	1,863.47	11.20
JCI	5,919.24	10.04
Baltic Dry	1,361.00	-14.00
VIX	15.41	-0.83

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	**O/N**	1.7044	0.0012
2M	-0.3410	--	**1M**	1.9070	0.0063
3M	-0.3290	-0.0010	**2M**	2.0611	0.0053
6M	-0.2690	--	**3M**	2.3581	-0.0007
9M	-0.2190	0.0010	**6M**	2.5196	-0.0022
12M	-0.1890	--	**12M**	2.7803	0.0104

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-0.01)	2.48 (--)
5Y	2.19 (-0.01)	2.80 (-0.01)
10Y	2.54 (-0.02)	2.96 (-0.02)
15Y	2.80 (-0.02)	--
20Y	2.81 (-0.02)	--
30Y	2.92 (-0.01)	3.12 (-0.04)

Fed Rate Hike Probability

Meeting	Prob Hike	1.75-2	2-2.25	2.25-2.5	2.5-2.75
05/02/2018	34.2%	34.2%	0.0%	0.0%	0.0%
06/13/2018	93.3%	62.6%	30.7%	0.0%	0.0%
08/01/2018	93.6%	60.3%	32.0%	1.3%	0.0%
09/26/2018	98.1%	22.7%	51.8%	22.8%	0.9%
11/08/2018	98.2%	21.0%	49.4%	25.1%	2.7%
12/19/2018	99.0%	12.6%	36.9%	35.8%	12.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	53.06	-0.99
EURIBOR-OIS	3.33	0.04
TED	55.58	-0.30

Commodities Futures

Energy	**Futures**	**% chg**
WTI (per barrel)	68.10	-0.13%
Brent (per barrel)	74.64	-0.13%
Heating Oil (per gallon)	2.1509	-0.42%
Gasoline (per gallon)	2.1269	0.69%
Natural Gas (per MMBtu)	2.7710	-1.77%

Base Metals	**Futures**	**% chg**
Copper (per mt)	6,767.1	-2.18%
Nickel (per mt)	13,841.5	-2.47%
Aluminium (per mt)	2,227.0	-2.30%

Precious Metals	**Futures**	**% chg**
Gold (per oz)	1,323.4	0.42%
Silver (per oz)	16.497	-0.42%

Asian Commodities	**Futures**	**% chg**
Crude Palm Oil (MYR/MT)	2,382.0	-0.29%
Rubber (JPY/KG)	185.6	-0.80%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 24 Apr 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Silver	10,307	-2,353	12,660	Gold	141,913	173,917	-32,004
Coffee	-50,188	-61,659	11,471	Soybean	190,817	210,365	-19,548
Copper	40,918	30,251	10,667	Nymex Crude	755,241	769,743	-14,502
RBOB Gasoline	87,051	77,055	9,996	Natural Gas	-99,258	-90,965	-8,293
Cocoa	60,297	53,613	6,684	Wheat	-28,417	-21,147	-7,270
Cotton	99,224	94,418	4,806	Live Cattle	29,202	36,428	-7,226
Lean Hogs	5,772	4,157	1,615	Sugar	-111,945	-106,614	-5,331
Platinum	17,714	16,776	938	Corn	263,600	267,350	-3,750
Heating Oil	24,816	24,261	555	Palladium	11,178	10,917	261

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
04/27/2018 05:00	SK	Business Survey Manufacturing	May	--	81	78	--
04/27/2018 06:45	**NZ**	**Trade Balance NZD**	**Mar**	**275m**	**-86m**	**217m**	**172m**
04/27/2018 07:01	UK	GfK Consumer Confidence	Apr	-7	-9	-7	--
04/27/2018 07:30	**JN**	**Job-To-Applicant Ratio**	**Mar**	**1.59**	**1.59**	**1.58**	**--**
04/27/2018 07:30	**JN**	**Jobless Rate**	**Mar**	**2.50%**	**2.50%**	**2.50%**	**--**
04/27/2018 07:30	JN	Tokyo CPI YoY	Apr	0.80%	0.50%	1.00%	--
04/27/2018 07:30	**JN**	**Tokyo CPI Ex-Fresh Food YoY**	**Apr**	**0.80%**	**0.60%**	**0.80%**	**--**
04/27/2018 07:50	JN	Retail Trade YoY	Mar	1.50%	1.00%	1.60%	1.70%
04/27/2018 07:50	**JN**	**Industrial Production MoM**	**Mar P**	**0.50%**	**1.20%**	**2.00%**	**--**
04/27/2018 09:30	AU	PPI QoQ	1Q	--	0.50%	0.60%	--
04/27/2018 10:30	SI	Unemployment rate SA	1Q	2.10%	2.00%	2.10%	--
04/27/2018 10:36	**MU**	**Unemployment Rate**	**Mar**	**--**	**1.90%**	**1.90%**	**--**
04/27/2018 11:03	JN	BOJ Policy Balance Rate	Apr-27	-0.10%	-0.10%	-0.10%	--
04/27/2018 13:30	**FR**	**GDP QoQ**	**1Q A**	**0.40%**	**0.30%**	**0.70%**	**--**
04/27/2018 14:00	**UK**	**Nationwide House PX MoM**	**Apr**	**0.20%**	**0.20%**	**-0.20%**	**--**
04/27/2018 14:45	**FR**	**CPI EU Harmonized YoY**	**Apr P**	**1.70%**	**1.80%**	**1.70%**	**--**
04/27/2018 14:45	**FR**	**CPI YoY**	**Apr P**	**1.60%**	**1.60%**	**1.60%**	**--**
04/27/2018 15:30	**TH**	**Foreign Reserves**	**Apr-20**	**--**	**$216.6b**	**$216.6b**	**--**
04/27/2018 15:55	**GE**	**Unemployment Change (000's)**	**Apr**	**-15k**	**-7k**	**-19k**	**-18k**
04/27/2018 16:00	**TA**	**GDP YoY**	**1Q P**	**3.20%**	**3.04%**	**3.28%**	**--**
04/27/2018 16:00	IT	PPI MoM	Mar	--	0.40%	0.30%	--
04/27/2018 16:30	**UK**	**GDP QoQ**	**1Q A**	**0.30%**	**0.10%**	**0.40%**	**--**
04/27/2018 17:00	EC	Economic Confidence	Apr	112	112.7	112.6	112.7
04/27/2018 17:00	**EC**	**Consumer Confidence**	**Apr F**	**0.4**	**0.4**	**0.4**	**--**
04/27/2018 20:30	**US**	**Employment Cost Index**	**1Q**	**0.70%**	**0.80%**	**0.60%**	**--**
04/27/2018 20:30	**US**	**GDP Annualized QoQ**	**1Q A**	**2.00%**	**2.30%**	**2.90%**	**--**
04/27/2018 20:30	US	Personal Consumption	1Q A	1.10%	1.10%	4.00%	--
04/27/2018 20:30	**US**	**GDP Price Index**	**1Q A**	**2.20%**	**2.00%**	**2.30%**	**--**
04/27/2018 20:30	US	Core PCE QoQ	1Q A	2.50%	2.50%	1.90%	--
04/27/2018 22:00	**US**	**U. of Mich. Sentiment**	**Apr F**	**98**	**98.8**	**97.8**	**--**
04/29/2018 09:42	**VN**	**CPI YoY**	**Apr**	**3.20%**	**2.75%**	**2.66%**	**--**
04/30/2018 07:00	**SK**	**Industrial Production YoY**	**Mar**	**-1.60%**	**-4.30%**	**-6.40%**	**-6.80%**
04/30/2018 09:00	**AU**	**Melbourne Institute Inflation MoM**	**Apr**	**--**	**--**	**0.10%**	**--**
04/30/2018 09:00	**NZ**	**ANZ Business Confidence**	**Apr**	**--**	**--**	**-20**	**--**
04/30/2018 09:00	CH	Non-manufacturing PMI	Apr	54.5	--	54.6	--
04/30/2018 09:00	**CH**	**Manufacturing PMI**	**Apr**	**51.3**	**--**	**51.5**	**--**
04/30/2018 09:30	AU	Private Sector Credit MoM	Mar	0.40%	--	0.40%	--
04/30/2018 14:00	GE	Retail Sales MoM	Mar	0.80%	--	-0.70%	-0.50%
04/30/2018 15:30	TH	Exports YoY	Mar	--	--	7.70%	--
04/30/2018 15:30	TH	Trade Balance	Mar	--	--	$2289m	--
04/30/2018 15:30	**TH**	**BoP Current Account Balance**	**Mar**	**$4400m**	**--**	**$6157m**	**--**
04/30/2018 16:00	**EC**	**M3 Money Supply YoY**	**Mar**	**4.10%**	**--**	**4.20%**	**--**
04/30/2018 17:00	IT	CPI NIC incl. tobacco MoM	Apr P	0.20%	--	0.40%	0.30%
04/30/2018 20:00	**GE**	**CPI YoY**	**Apr P**	**1.50%**	**--**	**1.60%**	**--**
04/30/2018 20:30	CA	Industrial Product Price MoM	Mar	0.70%	--	0.10%	--
04/30/2018 20:30	CA	Raw Materials Price Index MoM	Mar	--	--	-0.30%	--
04/30/2018 20:30	**US**	**Personal Income**	**Mar**	**0.40%**	**--**	**0.40%**	**--**
04/30/2018 20:30	**US**	**Personal Spending**	**Mar**	**0.40%**	**--**	**0.20%**	**--**
04/30/2018 20:30	US	PCE Core MoM	Mar	0.20%	--	0.20%	--
04/30/2018 21:45	**US**	**Chicago Purchasing Manager**	**Apr**	**58**	**--**	**57.4**	**--**
04/30/2018 22:00	**US**	**Pending Home Sales MoM**	**Mar**	**0.50%**	**--**	**3.10%**	**--**
04/30/2018 22:30	US	Dallas Fed Manf. Activity	Apr	25	--	21.4	--
04/30/2018	PH	Bank Lending YoY	Mar	--	--	17.60%	--
04/30/2018	MU	Hotel Occupancy Rate	Mar	--	--	89.2	--

Source: Bloomberg

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