

Highlights

Global	<p>Market risk aversion over the Italian political drama ebbed (as parties are said to be trying to find a compromise for the economy minister) and Italy sold EUR5.57b bonds (which is at the higher end of EUR3.75-6.0b). The 10-year Italian bond yield which hit a high of 3.16% the previous day retreated 24bps to 2.92%, while Italian equities also recovered 2.1% overnight. ECB officials also hinted that the central bank was not considering any action for Italy as it was a political crisis rather than bank stress. Over in the US, Wall Street rose overnight, but the 10-year UST bond yield did not fully unwind the previous day's rally with a 7bp rise to 2.85%. Meanwhile, IMF kept its 2018 growth forecast for China at 6.6% yoy, but warned risks from overly rapid credit growth and trade frictions. This came as China hardened its rhetoric against the US ahead of the planned visit by US Commerce Secretary Wilbur Ross. Elsewhere, BOC kept its policy rate static but shifted its language to say that "overall, developments since April further reinforce Governing Council's view that higher interest rates will be warranted to keep inflation near target", but will "take a gradual approach to policy adjustments, guided by incoming data". On the other hand, BI hiked rates for 25bps for a second time in two weeks to stem IDR weakness, with Governor Warjiyo opining that BI "will continue to calibrate global and domestic market developments to utilize room for further rate hikes in a measured way".</p> <p>Asian bourses may attempt to catch their breath today after yesterday's sell-off amid easing risk aversion. The economic calendar today comprises China's official manufacturing and non-manufacturing PMIs, US' personal income and spending, core PCE deflator, initial jobless claims and pending home sales, India's 1Q18 GDP growth, Eurozone's unemployment rate and CPI, and Thai trade data. Fed's Bullard is also speaking.</p>
US	<p>US' 1Q18 GDP growth was revised slightly lower to 2.2% yoy, amid softer consumer spending, whilst the core PCE price index was also shaded lower to 2.3% qoq annualised. Meanwhile, wholesale inventories was unexpectedly flat mom in April, after expanding 0.2% in March, and ADP employment rose 178k in May while the April data was revised down from 204k to 163k. The Fed's Beige Book suggested that "economic activity expanded moderately", as "manufacturing shifted into higher gear" but "non-auto retail sales growth moderated somewhat", "labor market conditions remained tight across the country" and "contacts noted some concern about the uncertainty of international trade policy".</p>
CN	<p>The State Council said it will reduce the import tariff for consumer goods effective from 1 July. In addition, China will also complete its negative list for foreign investment and streamline the application process for foreign investment.</p>
CMD	<p>Oil bulls lifted crude oil prices higher likely on short-covering after the previous day's plunge. WTI and Brent rose over 2% to close higher. Still, note that further downside risk into today could persist given expectations for US oil inventories to rise into the week ended 25th May. Moreover, recent data from the American Petroleum Institute highlighted that crude oil inventories rose by 1 million barrels over the same period.</p>

Major Market

- **US:** Wall Street rebounded overnight as market edginess over the Italian political crisis and its potential contagion effects eased. Furthermore, the positive news flow surrounding the Fed's Beige Book's relatively positive cue that the manufacturing activity in the US economy is on an uptrend despite the ongoing trade woes likely gave equities the added support. In a nutshell, the Dow added 1.26% to close up at 24,667.78, recovering all its losses from Tuesday. Similarly, the S&P 500 and Nasdaq composite saw gains worth 1.27% and 0.89%, respectively. VIX fell to 14.94 vs 17.02 previously. On the US treasuries front, the 10y yield rose 7bps to push through the 2.85% handle, closing up at 2.855%. The 2y treasury yield also edged 9bps up to close firmer at 2.412%.
- **Singapore:** The STI declined 2.12% to close down at 3443.95, but may rebound today amid more positive overnight cues from Wall Street and firmer morning openings for Kospi. With risk aversion subsiding, STI may trade a firmer range of 3445-3.43496. UST bond yields recovered up to 10bps overnight which flattened the yield curve, and SGS bonds may unwind the 5bps rally from the previous day.
- **Korea:** Industrial production surprisingly printed a positive growth of 0.87% y/y in April, following two consecutive months of contraction in February and March. Across the industries, the Information and Communication Technology (ICT) industry saw a strong 12.2% y/y growth, the fastest since March 2017, while manufacturing also bucked its contraction trend and grew 0.7% y/y. Despite the encouraging surprise in industrial production performance, Korea's manufacturing confidence fell into June at a reading of 80.0 (vs May's 81). A reading below 100 indicates that pessimists outnumber optimists.
- **Malaysia:** The country will discontinue proceedings to contend the ICJ's decision on disputed islands of Pedra Branca. Meanwhile, the JB-Singapore RTS link is still on, according to new Malaysian Transport Minister Anthony Loke. Additionally, the government has announced that the MRT Line 3 project, a potential rapid transit circle line around Kuala Lumpur, will not be going ahead. Prime Minister Mahathir Mohamad has also mentioned that the Sales and Service Tax (SST) will be implemented starting from September onwards and the Chairman of the Council of Eminent Persons Daim Zainuddin said that a report on the SST will be submitted to the government in two weeks.
- **Indonesia:** Governor Perry Warjiyo continued to emphasize that the central bank will continue to be "pre-emptive, front-loaded and ahead of the curve". The statement from the Board of Governors also said a "number of steps are being prepared as a follow up, namely macroprudential policy easing and efforts on financial market deepening, especially in private financing for infrastructure".
- **Commodities:** Note further concrete cues over April-May's relatively poorer palm oil demand in key importing countries: Indonesia saw a surprise rise in palm oil inventories following poor export shipments in April out to India (-15% m/m), China (-38%) and the European Union (-17%). Note that Indonesia President Joko Widodo has reportedly called on Indian PM Modi to reduce India's import tariff for palm oil products from Indonesia, following India's move to raise import tax for CPO to 44%, up from 30%, in February this year. Moreover, Malaysia's palm oil exports in the first 25 days of May clocked -14.2% m/m, vs April's export contraction of 1.55% m/m.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened sharply, with swap rates for the shorter tenors trading 4-6bps lower while the longer tenors traded 6-8bps lower. This largely mirrored the moves seen in the UST curve. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 138bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 441bps. 10Y UST yield rose by 7bps to 2.86% on the reversal of safe haven flows as financial markets stabilized after Italy sought to end its political turmoil with a plan for a new government.
- **New issues:** Fuxiang Investment Management Ltd (PINGRE) has priced a USD250mn 363-day bond (guaranteed by Pingan Real Estate Capital Ltd, keepwell deed provider: Ping An Real Estate Co Ltd) at 5.1%, tightening from its initial price guidance of 5.5%. ChouZhou International Investment Ltd has scheduled for investor meetings on 1 June for its potential USD bond issuance (guaranteed by Yiwu State-owned Capital Operation Co Ltd). Kyobo Life Insurance Co Ltd has plans to sell up to USD1bn of hybrid bonds. New Development Bank BRICS has plans to issue USD bonds.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.069	-0.79%	USD-SGD	1.3392	-0.48%
USD-JPY	108.910	0.13%	EUR-SGD	1.5620	0.59%
EUR-USD	1.1665	1.08%	JPY-SGD	1.2297	-0.61%
AUD-USD	0.7575	0.93%	GBP-SGD	1.7795	-0.20%
GBP-USD	1.3286	0.28%	AUD-SGD	1.0144	0.44%
USD-MYR	3.9890	0.16%	NZD-SGD	0.9358	0.72%
USD-CNY	6.4190	0.02%	CHF-SGD	1.3541	-0.21%
USD-IDR	13993	-0.01%	SGD-MYR	2.9717	0.50%
USD-VND	22844	0.11%	SGD-CNY	4.7923	0.60%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.7085	--
2M	-0.3390	--	1M	1.9803	--
3M	-0.3210	--	2M	2.0972	--
6M	-0.2690	--	3M	2.3072	--
9M	-0.2140	--	6M	2.4700	--
12M	-0.1860	--	12M	2.7075	--

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%	90.0%	10.0%	0.0%	0.0%
08/01/2018	100.0%	88.1%	11.7%	0.2%	0.0%
09/26/2018	100.0%	38.8%	54.4%	6.6%	0.1%
11/08/2018	100.0%	35.7%	53.2%	10.5%	0.6%
12/19/2018	100.0%	22.9%	46.9%	25.8%	4.2%
01/30/2019	100.0%	21.5%	45.5%	27.1%	5.5%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	68.21	2.22%	Copper (per mt)	6,766.0	0.21%
Brent (per barrel)	77.50	2.80%	Nickel (per mt)	15,076.5	1.51%
Heating Oil (per gallon)	2.2317	2.10%	Aluminium (per mt)	2,274.5	-0.16%
Gasoline (per gallon)	2.1842	1.87%			
Natural Gas (per MMBtu)	2.8850	0.35%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,440.0	0.91%
			Rubber (JPY/KG)	192.0	-1.18%
Precious Metals	Futures	% chg			
Gold (per oz)	1,306.5	0.18%			
Silver (per oz)	16.544	1.04%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,667.78	306.33
S&P	2,724.01	34.15
Nasdaq	7,462.45	65.86
Nikkei 225	22,018.52	-339.91
STI	3,443.95	-74.53
KLCI	1,719.28	-56.56
JCI	6,011.06	-57.27
Baltic Dry	1,057.00	--
VIX	14.94	-2.08

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.94 (-0.02)	2.41 (+0.09)
5Y	2.30 (-0.05)	2.68 (+0.1)
10Y	2.58 (-0.04)	2.86 (+0.07)
15Y	2.84 (-0.05)	--
20Y	2.85 (-0.05)	--
30Y	2.93 (-0.05)	3.03 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	44.71	1.29
EURIBOR-OIS	4.30	0.79
TED	40.47	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
05/30/2018 06:45	NZ Building Permits MoM	Apr	--	-3.70%	13.00%
05/30/2018 07:50	JN Retail Trade YoY	Apr	1.00%	1.60%	1.00%
05/30/2018 09:30	AU Building Approvals MoM	Apr	-3.00%	-5.00%	2.60%
05/30/2018 12:40	MU Hotel Occupancy Rate	Apr	--	88.9	87
05/30/2018 14:00	GE Retail Sales MoM	Apr	0.50%	2.30%	-0.60%
05/30/2018 14:45	FR GDP QoQ	1Q P	0.30%	0.20%	0.30%
05/30/2018 15:17	ID Bank Indonesia 7D Reverse Repo	May-30	4.75%	4.75%	4.50%
05/30/2018 15:55	GE Unemployment Change (000's)	May	-10k	-11k	-7k
05/30/2018 17:00	EC Consumer Confidence	May F	0.2	0.2	0.2
05/30/2018 19:00	US MBA Mortgage Applications	May-25	--	-2.90%	-2.60%
05/30/2018 20:00	GE CPI YoY	May P	1.90%	2.20%	1.60%
05/30/2018 20:15	US ADP Employment Change	May	190k	178k	204k
05/30/2018 20:30	CA Industrial Product Price MoM	Apr	0.60%	0.50%	0.80%
05/30/2018 20:30	CA Raw Materials Price Index MoM	Apr	--	0.70%	2.10%
05/30/2018 20:30	US GDP Annualized QoQ	1Q S	2.30%	2.20%	2.30%
05/30/2018 20:30	US Personal Consumption	1Q S	1.20%	1.00%	1.10%
05/30/2018 20:30	US GDP Price Index	1Q S	2.00%	1.90%	2.00%
05/30/2018 20:30	US Core PCE QoQ	1Q S	2.50%	2.30%	2.50%
05/30/2018 20:30	US Wholesale Inventories MoM	Apr P	0.50%	0.00%	0.30%
05/30/2018 22:00	CA Bank of Canada Rate Decision	May-30	1.25%	1.25%	1.25%
05/31/2018 05:00	SK Business Survey Manufacturing	Jun	--	80	81
05/31/2018 07:00	SK Industrial Production YoY	Apr	-1.40%	0.90%	-4.30%
05/31/2018 07:50	JN Industrial Production MoM	Apr P	1.40%	--	1.40%
05/31/2018 07:50	JN Japan Buying Foreign Bonds	May-25	--	--	¥948.9b
05/31/2018 07:50	JN Foreign Buying Japan Stocks	May-25	--	--	¥99.1b
05/31/2018 09:00	NZ ANZ Business Confidence	May	--	--	-23.4
05/31/2018 09:00	CH Non-manufacturing PMI	May	54.8	--	54.8
05/31/2018 09:00	CH Manufacturing PMI	May	51.4	--	51.4
05/31/2018 09:30	AU Private Capital Expenditure	1Q	1.00%	--	-0.20%
05/31/2018 09:30	AU Private Sector Credit MoM	Apr	0.40%	--	0.50%
05/31/2018 09:30	AU Private Sector Credit YoY	Apr	5.00%	--	5.10%
05/31/2018 13:00	JN Housing Starts YoY	Apr	-8.90%	--	-8.30%
05/31/2018 14:00	UK Nationwide House PX MoM	May	0.20%	--	0.20%
05/31/2018 14:45	FR PPI YoY	Apr	--	--	2.50%
05/31/2018 14:45	FR CPI EU Harmonized YoY	May P	2.10%	--	1.80%
05/31/2018 14:45	FR CPI YoY	May P	1.90%	--	1.60%
05/31/2018 15:30	TH Exports YoY	Apr	--	--	6.30%
05/31/2018 15:30	TH Trade Balance	Apr	--	--	\$3015m
05/31/2018 15:30	TH BoP Current Account Balance	Apr	\$2755m	--	\$5751m
05/31/2018 16:30	UK Mortgage Approvals	Apr	63.5k	--	62.9k
05/31/2018 16:30	HK Retail Sales Value YoY	Apr	12.20%	--	11.40%
05/31/2018 16:30	HK Retail Sales Volume YoY	Apr	10.50%	--	10.00%
05/31/2018 17:00	EC Unemployment Rate	Apr	8.40%	--	8.50%
05/31/2018 17:00	EC CPI Estimate YoY	May	1.60%	--	1.20%
05/31/2018 17:00	IT CPI NIC incl. tobacco MoM	May P	0.20%	--	0.10%
05/31/2018 20:30	CA Quarterly GDP Annualized	1Q	1.80%	--	1.70%
05/31/2018 20:30	US Personal Income	Apr	0.30%	--	0.30%
05/31/2018 20:30	CA GDP MoM	Mar	0.20%	--	0.40%
05/31/2018 20:30	US Personal Spending	Apr	0.40%	--	0.40%
05/31/2018 20:30	US PCE Core MoM	Apr	0.10%	--	0.20%
05/31/2018 20:30	US Initial Jobless Claims	May-26	228k	--	234k
05/31/2018 20:30	US Continuing Claims	May-19	1733k	--	1741k
05/31/2018 21:45	US Chicago Purchasing Manager	May	58.3	--	57.6
05/31/2018 21:45	US Bloomberg Consumer Comfort	May-27	--	--	55.2
05/31/2018 22:00	US Pending Home Sales MoM	Apr	0.40%	--	0.40%

Source: Bloomberg

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