

Highlights

Global	<p>More economic green shoots in the form of China's Caixin manufacturing PMI which beat expectations to rise to 50.8 in March and US' manufacturing ISM which also rose from a two-year low and topped estimates at 55.3 in March saw market optimism lifted further overnight. Wall Street rose with S&P500 closing at its highest level since October, while the UST bond market was pressured with the 10-year yield rebounding 10bps to 2.5% in its largest one-day jump since 4 January. That said, UK's House of Commons failed to break the stalemate with the rejection of four options (namely the customs union, referendum, common market 2.0 and emergency brake on no-deal) for Plan B, and left the GBP bereft ahead of an extended Cabinet session today where Brexit Secretary Barclay indicated that the immediate plan was to have one more go at May's Brexit deal. Asian markets may extend trading today with a firmer tone amid tentative signs of a global manufacturing PMI stabilization. First up this morning will be the RBA's policy decision followed by its federal budget announcement this evening. For today's economic data calendar, watch US' durable goods orders for Feb. ECB's Praet is also speaking.</p>
US	<p>Retail sales unexpectedly shrank 0.2% mom in Feb, while those excluding autos also contracted 0.4% mom. This suggested continued inventory building and slowing consumer spending in 1Q which could weigh on 1Q growth. This is likely to take some of the shine off the better than expected manufacturing ISM data.</p>
EU	<p>Eurozone's manufacturing PMIs printed at 47.5 for March, weighed down by Germany at 44.1 (cycle low) and France at 49.7, whereas the UK rose to a 13-month high of 55.1 but was attributed to stockpiling as inventories hit record levels in anticipation of potential Brexit-related disruptions and there are signs that EU companies are switching away from UK suppliers.</p>
CH	<p>China's March Caixin PMI rose to 50.8 from 49.9 in February, confirming the official PMI that the manufacturing sector stabilized. As mentioned by Premier Li Keqiang last week that China's growth data is likely to recover in March. We should expect a meaningful rebound of economic data such as industrial production. The most important data to watch for March is credit data in our view, which could offer the picture of demand story in China.</p>
SG	<p>URA flash data showed private home prices fell for a second quarter by 0.6% qoq in 1Q19, after registering a 0.1% qoq drop in 4Q18. The main drags came from prices of non-landed private residential properties in Core Central Region (CCR) which declined by 2.9% (4Q18: -1.0%), Rest of Central Region (RCR) prices also deteriorated by 0.2% (+1.8% in 4Q18), while Outside Central Region (OCR) prices were unchanged (+0.7% in 4Q18). The key exception was prices of landed property which rebounded 1.1% qoq in 1Q19, after registering a 2.0% slump in 4Q18.</p>

Major Markets

- **US:** Wall Street ended higher on Monday, with the S&P500 climbing 1.2%. The DJIA rose 1.3%, and the Nasdaq composite increased 1.3%.
- **Singapore:** The STI extended gains to add 1.17% to close at 3250.51 yesterday and may attempt to head for the previous high of 3278 on 20 February, taking the lead from overnight gains in Wall Street and morning gains in Kospi following more upbeat manufacturing PMI prints. STI's resistance is seen at 3220. With UST bond yields retracing up to 10bps higher across the curve led by the longer tenors, SGS bonds are likely to be under pressure today as well. The sell-off of the SGS yield curve was led by the shorter-dated bonds yesterday where funding rates remain relatively elevated – note the 3-month SIBOR and SOR remain stable around 1.90-1.94% region.
- **Hong Kong:** Retail sales dropped by 10.1% yoy in February. Taking the first two months of 2019 as a whole, retail sales decreased by 1.6% yoy. In order to ease the seasonality of Chinese New Year, taking the data for the first two months of 2019 as a whole might be an appropriate way to understand the real performance of retail sector. Internally, the sales of food, alcoholic drink and tobacco dropped by 1% yoy while the sales of those goods in supermarket and department stores grew by 1.5% yoy and 4.2% yoy respectively for the first two months of 2019. Despite infrastructure improvement luring more visitors to Hong Kong, the supports to different items of retail sales were mixed. The sales of jewelry, watches and clocks edged lower by 2.8% yoy while the sales of footwear, allied products and other clothing accessories picked up by 1.3% yoy for the first two months of 2019. The data prints suggested that the outlook of retail sector remained uncertain. We may still need more data to gauge the outlook of the sector. Moving forward, there are three major headwinds weighing on the outlook of retail sales. Firstly, global economic slowdown may cloud the economic outlook of HK, which might dent domestic consumption sentiments. Secondly, stronger HKD might weaken visitors' purchasing power. Thirdly, US-China trade war risks remain unsolved.
- **Macau:** Gross gaming revenue reduced slightly by 0.4% yoy to MOP 25.84 billion in March. Despite that gaming revenue decreased, the drop in the data print has been less than market expected, partly supported by infrastructure improvement. Despite that, we still expect gaming revenue growth to decelerate in the coming months, amid several uncertainties. Firstly, given the lingering US-China trade war risks and concerns over global economic slowdown, muted economic outlook of Asia might dent the travelling and gambling sentiments. Secondly, despite infrastructure improvement, it might only help to lure low-end and same-day visitors. The supports to gaming revenue expect to be relatively moderate. Meanwhile, the worries about China's economic slowdown might hinder the growth of VIP gaming revenue. Thirdly, as the mega entertainment projects were completed successively, it might become more difficult for gambling hubs to attract tourists, given the lack of the opening-up of new projects recently. Fourthly, in addition to policy risks, it might loom the outlook over the gaming sector. All in all, we expect gross gaming revenue to expand by 2%-5% in 2019.
- **South Korea:** Inflation appears downcast again, with headline CPI coming in at 0.4% in March vs 0.5% in Feb and 0.7% expected. BoK governor Lee Ju-Yeol yesterday reiterated that he does not expect a rate cut in the near future. This morning, headline news announced that the ruling party and the government have agreed to draw up an extra budget – more details will only be known later in the day.

- **Indonesia:** Headline CPI expanded at a slower pace of 2.48% yoy (Feb 19: 2.57% yoy) driven by weak price increases in the food category. Growth in headline CPI has now fallen below Bank Indonesia's target range of 2.5 – 4.5%. However, we don't see this as a sign of significant economic weakness as core CPI expanded at a stable rate of 3.03% yoy and it has been around the 3.00% mark for the last 5 months. We believe that the slower food price increases could simply just be seasonal and prices should edge higher towards June when the Hari Raya festive season begins to set in. Overall, we still stick to our 2019 headline inflation forecast at 3.2% yoy.
- **Commodities:** Crude prices continued climbing yesterday, with the WTI extending further past the \$60/bbl mark to \$61.59/bbl, as private estimates showed Saudi Arabia cutting its oil production to 9.8m bpd as earlier committed in February. A strong showing in China's PMI yesterday also eased fears of a major slowdown in the world's second largest economy, lifting prices higher.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the shorter tenors trading 1bps higher while the belly and longer tenors traded 2-3bps higher (exception of the 12-year swap rate trading 4bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 135bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 1bps to 463bps. 10Y UST yields surged 10bps to close the session at 2.50%, after declining safe haven demand and a treasury sell-off prompted by better-than-expected manufacturing activity data. The index on US domestic factory activity rose while China's manufacturing sector saw growth for the first time in four months.
- **New Issues:** Kaisa Group Holdings Ltd has priced a USD350mn 3NC2 bond (subsidiary guarantors: certain restricted subsidiaries incorporated outside the PRC) at 11.375%, tightening from IPT of 11.625% area. China SCE Group Holdings Ltd has priced a USD350mn 5NC3 bond (subsidiary guarantors: certain non-PRC incorporated subsidiaries of issuer) at 7.375%, tightening from IPT of 7.625% area. Jingrui Holdings Ltd has priced a USD200mn 2.5-year bond (subsidiary guarantors: certain non-PRC subsidiaries of the issuer) at 11.2%, tightening from IPT of 11.5% area. Tencent Holdings Ltd has scheduled investor meetings from 2 April for its potential USD bond issuance. PT Bank Mandiri (Persero) Tbk has scheduled investor meetings from 2 April for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.232	-0.05%	USD-SGD	1.3544	-0.10%
USD-JPY	111.350	0.44%	EUR-SGD	1.5188	-0.14%
EUR-USD	1.1213	-0.04%	JPY-SGD	1.2164	-0.56%
AUD-USD	0.7112	0.23%	GBP-SGD	1.7747	0.44%
GBP-USD	1.3103	0.52%	AUD-SGD	0.9632	0.11%
USD-MYR	4.0800	-0.05%	NZD-SGD	0.9218	-0.16%
USD-CNY	6.7115	-0.01%	CHF-SGD	1.3560	-0.48%
USD-IDR	14225	-0.11%	SGD-MYR	3.0143	0.05%
USD-VND	23200	0.05%	SGD-CNY	4.9544	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
1M	-0.3670	--	O/N	2.3820	--
2M	-0.3360	--	1M	2.4945	--
3M	-0.3110	--	2M	2.5639	--
6M	-0.2280	--	3M	2.5998	--
9M	-0.1940	--	6M	2.6595	--
12M	-0.1120	--	12M	2.7106	--

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1.75-2%	2-2.25%	2.25-2.5%
03/20/2019	0.0%	4.7%	0.0%	4.7%	95.4%
05/01/2019	0.0%	19.8%	0.7%	19.1%	80.2%
06/19/2019	0.0%	24.6%	1.8%	22.7%	75.4%
07/31/2019	0.0%	44.5%	7.3%	36.6%	55.5%
09/18/2019	0.0%	49.8%	10.2%	38.4%	50.2%
10/30/2019	0.0%	61.6%	16.8%	41.2%	38.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.59	2.4%	Corn (per bushel)	3.6175	1.5%
Brent (per barrel)	69.01	0.9%	Soybean (per bushel)	8.955	1.3%
Heating Oil (per gallon)	1.9881	0.7%	Wheat (per bushel)	4.6275	1.1%
Gasoline (per gallon)	1.8989	0.2%	Crude Palm Oil (MYR/MT)	2,009.0	0.4%
Natural Gas (per MMBtu)	2.7080	1.7%	Rubber (JPY/KG)	175.2	1.2%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	6,471	-0.2%	Gold (per oz)	1,288.4	-0.4%
Nickel (per mt)	13,107	0.9%	Silver (per oz)	15.099	-0.1%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,258.42	329.74
S&P	2,867.19	32.79
Nasdaq	7,828.91	99.59
Nikkei 225	21,509.03	303.22
STI	3,250.51	37.63
KLCI	1,628.66	-14.97
JCI	6,452.61	-16.14
Baltic Dry	689.00	--
VIX	13.40	-0.31

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.92 (-)	2.33 (+0.07)
5Y	1.95 (+0.01)	2.32 (+0.09)
10Y	2.08 (+0.01)	2.50 (+0.1)
15Y	2.31 (-)	--
20Y	2.37 (-0.01)	--
30Y	2.54 (-)	2.89 (+0.08)

Financial Spread (bps)

	Value	Change
EURIBOR-OIS	5.20	--
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	2.65
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Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
04/01/2019 08:00	SK Exports YoY	Mar	-7.00%	-8.20%	-11.10%	-11.40%
04/01/2019 08:30	TA Nikkei Taiwan PMI Mfg	Mar	--	49	46.3	--
04/01/2019 08:30	JN Nikkei Japan PMI Mfg	Mar F	--	49.2	48.9	--
04/01/2019 08:30	SK Nikkei South Korea PMI Mfg	Mar	--	48.8	47.2	--
04/01/2019 08:30	ID Nikkei Indonesia PMI Mfg	Mar	--	51.2	50.1	--
04/01/2019 09:45	CH Caixin China PMI Mfg	Mar	50	50.8	49.9	--
04/01/2019 12:00	ID CPI YoY	Mar	2.51%	2.48%	2.57%	--
04/01/2019 16:30	UK Markit UK PMI Manufacturing SA	Mar	51.2	55.1	52	52.1
04/01/2019 20:30	US Retail Sales Advance MoM	Feb	0.20%	-0.20%	0.20%	0.70%
04/01/2019 21:45	US Markit US Manufacturing PMI	Mar F	52.5	52.4	52.5	--
04/01/2019 22:00	US ISM Manufacturing	Mar	54.5	55.3	54.2	--
04/02/2019 11:30	AU RBA Cash Rate Target	Apr-02	1.50%	--	1.50%	--
04/02/2019 17:00	EC PPI MoM	Feb	0.20%	--	0.40%	--
04/02/2019 20:30	US Durable Goods Orders	Feb P	-1.80%	--	0.30%	--

Source: Bloomberg

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