

## Highlights

|        |  |
|--------|--|
| Global | <p><b>Global risk sentiments stabilized somewhat overnight as Trump reassured markets that the US has a “dialogue ongoing” with China and “I think it’s going to turn out extremely well”.</b> He also urged the Fed to “match” China “who is pumping money into their system and probably reducing interest rates” with a “little quantitative easing” and US growth would hit 5%. Fed responses to the heightened trade war uncertainties so far have been relatively measured - Williams opined that US trade tariffs are likely to “boost inflation by a few tenths over the next year...affect demand a bit and growth in the short run”, but “the economy is well positioned to deal with whatever events happen in the future” and “I don’t see any reason to have a bias up or downward in the current circumstances”. S&amp;P500 added 0.80%, while UST bond yields a tad higher (10-year yield at 2.41%) as the cloud of risk aversion lifted a little. Similarly, <b>Asian markets may take a breather today, with focus on China’s retail sales, industrial production and fixed asset investments data due.</b> The economic calendar also comprises US’ retail sales, industrial production, NAHB housing market index and MBA mortgage applications, Eurozone’s preliminary 1Q19 GDP growth, Indonesian and Indian trade data. ECB’s Coeure is also speaking.</p> |
| US     | <p>Import prices eased to +0.2% mom in April, the smallest increase in three months, while excluding petroleum, import prices fell 0.6% amid the strong USD. However, with the recent levying of 25% tariffs on US\$200b of Chinese imports, the story going forward may be different. Meanwhile, the NFIB small business optimism rose from 101.8 in March to 103.5 in April amid improved plans to hire and economic expectations, but this may reverse in May with the recent escalation of US-China trade tensions.</p> <p>Fed’s George (voter) remained hawkish, warning that “lower interest rates might fuel asset price bubbles, create financial imbalances, and ultimately a recession” and “I see little reason to be concerned about inflation running a bit below its longer-run objective”, albeit “I see the biggest risks coming from trade policy uncertainty and slower growth abroad”.</p>  |
| EU     | <p>Eurozone’s industrial production fell 0.3% mom sa (-0.6% yoy) in March, extending its slide of 0.1% mom sa in February. Meanwhile, Germany’s ZEW survey of investor expectations for the next six months fell to -2.1 in May, from 3.1 in April, amid the trade uncertainties. Germany is due to report its 1Q19 GDP growth today, with market anticipating 0.4% growth after a stagnant 4Q18.</p>  |
| UK     | <p>UK’s ILO unemployment rate fell to 3.8% in 1Q19 notwithstanding the Brexit uncertainties, as the economy added 99k jobs in March while wage growth eased to 3.3%.</p>   |
| CH     | <p>PBoC injected CNY200 billion via its medium term lending facility to roll over the expiring CNY156 billion MLF. With uncertainty rising amid the re-escalation of trade war, we think China is more willing to inject the liquidity to keep market stable.</p>  |
| SG     | <p>The IMF tips 2019 GDP growth for Singapore at 2.3%, versus 3.2% in 2018, citing that “as a financial and trading hub, Singapore is highly exposed to a tightening of global financial conditions, escalation of sustained trade tensions and sharper-than-expected deceleration of global growth” in its Article IV consultation.</p>   |

## Major Markets

- **US:** Wall Street ended higher on Tuesday, with the S&P500 advancing 0.8%. The DJIA rose 0.8%, and the Nasdaq composite jumped 1.1%.
- **Singapore:** The STI declined another 0.33% to close down at 3223.71 yesterday, but may stage a tentative recovery today amid slightly improved risk appetite overnight. STI range is tipped at 3200-3269 for now. With UST bond yields about 1bp higher overnight as de-risking appetite eased slightly, SGS bond yields may tread marginally higher today. MAS sold 28- and 88-day bills at 2.05% and 2.08% respectively yesterday.
- **Indonesia:** The government raised Rp5.15tn from yesterday's Sukuk auction with bids coming in at Rp20.5tn.
- **Philippines:** With 95% of votes counted, President Duterte's allies appeared to have a clean sweep on 12 of the 24-member Senate that were up for elections on Monday's midterm voting. Duterte is now likely to command majorities in both the House of Representative and the Senate, allowing him to push through more of his policies with less obstacles in the remaining three years of his term. The budget delay, which could have added 0.6pp to Philippines' Q1 GDP, is now expected to be passed through Congress – possibly before the end of Q2.
- **Commodities:** OPEC report yesterday showed almost no change to supply and demand estimates, with Libya producing at current levels of 1.2m bpd in spite of the militia insurgency. WTI and Brent rose 1.2% and 1.4% respectively, as attack on oil bunkers by Houthi rebels forced Saudi Arabia to shut its biggest oil pipeline. The Houthi rebels are also reportedly backed by Iran, sparking fears of armed tensions with Saudi and the US. The supply picture is now getting tighter, with seemingly no change in OPEC production, Russia's urals dealing with contamination and a temporary shutdown in Saudi's pipeline.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with most tenors trading 1bps higher with the exception of the 12-year swap rates trading 2bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was widened 1bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 9bps to 497bps. 10Y UST yields rose 1bps to 2.41%, on the back of risk-on sentiments as risky assets saw a rebound after heavy sell-offs on Monday. US President Donald Trump's comments that trade negotiations with China has not fallen through sparked investor hopes for an eventual trade deal and a rally in the US stock indexes.
- **New Issues:** Housing and Developmental Board has priced a SGD700mn 5-year bond at 2.164%. Buana Lintas Lautan Tbk PT has scheduled investor meetings from 15 May for its potential USD bond issuance. Indiabulls Housing Finance Ltd has mandated banks for its potential USD bond issuance. GS Caltex Corp has scheduled investor meetings from 20 May for its potential USD bond issuance. Goho Financial Asset Management Co Ltd has scheduled investor meetings from 15 May for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 97.526    | 0.21%    | <b>USD-SGD</b> | 1.3689    | -0.12%   |
| <b>USD-JPY</b> | 109.610   | 0.28%    | <b>EUR-SGD</b> | 1.5337    | -0.28%   |
| <b>EUR-USD</b> | 1.1204    | -0.16%   | <b>JPY-SGD</b> | 1.2489    | -0.41%   |
| <b>AUD-USD</b> | 0.6944    | --       | <b>GBP-SGD</b> | 1.7664    | -0.53%   |
| <b>GBP-USD</b> | 1.2905    | -0.41%   | <b>AUD-SGD</b> | 0.9506    | -0.11%   |
| <b>USD-MYR</b> | 4.1715    | 0.17%    | <b>NZD-SGD</b> | 0.9002    | 0.02%    |
| <b>USD-CNY</b> | 6.8753    | -0.05%   | <b>CHF-SGD</b> | 1.3570    | -0.35%   |
| <b>USD-IDR</b> | 14438     | 0.09%    | <b>SGD-MYR</b> | 3.0482    | 0.10%    |
| <b>USD-VND</b> | 23361     | 0.19%    | <b>SGD-CNY</b> | 5.0189    | 0.00%    |

#### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD Libor | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3660 | --     | <b>O/N</b> | 2.3451    | --     |
| <b>2M</b>  | -0.3360 | --     | <b>1M</b>  | 2.4396    | --     |
| <b>3M</b>  | -0.3110 | --     | <b>2M</b>  | 2.4953    | --     |
| <b>6M</b>  | -0.2310 | --     | <b>3M</b>  | 2.5180    | --     |
| <b>9M</b>  | -0.1940 | --     | <b>6M</b>  | 2.5876    | --     |
| <b>12M</b> | -0.1180 | --     | <b>12M</b> | 2.6723    | --     |

#### Fed Rate Hike Probability

| Meeting    | Prob Hike | Prob Cut | 1.75-2% | 2-2.25% | 2.25-2.5% |
|------------|-----------|----------|---------|---------|-----------|
| 06/19/2019 | 0.0%      | 12.6%    | 0.0%    | 12.6%   | 87.4%     |
| 07/31/2019 | 0.0%      | 24.9%    | 1.8%    | 23.1%   | 75.1%     |
| 09/18/2019 | 0.0%      | 49.6%    | 8.8%    | 40.3%   | 50.4%     |
| 10/30/2019 | 0.0%      | 58.2%    | 14.2%   | 42.0%   | 41.8%     |
| 12/11/2019 | 0.0%      | 72.6%    | 23.8%   | 41.9%   | 27.4%     |
| 01/29/2020 | 0.0%      | 77.1%    | 26.8%   | 39.5%   | 22.9%     |

#### Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 61.78   | 1.2%  | Corn (per bushel)       | 3.6050  | 3.7%  |
| Brent (per barrel)       | 71.24   | 1.4%  | Soybean (per bushel)    | 8.178   | 3.4%  |
| Heating Oil (per gallon) | 2.0589  | 1.0%  | Wheat (per bushel)      | 4.3925  | 1.9%  |
| Gasoline (per gallon)    | 1.9767  | 0.7%  | Crude Palm Oil (MYR/MT) | 1,957.0 | 1.6%  |
| Natural Gas (per MMBtu)  | 2.6590  | 1.4%  | Rubber (JPY/KG)         | 197.7   | 0.9%  |

  

| Base Metals     | Futures | % chg | Precious Metals | Futures | % chg |
|-----------------|---------|-------|-----------------|---------|-------|
| Copper (per mt) | 6,027   | 0.3%  | Gold (per oz)   | 1,296.3 | -0.4% |
| Nickel (per mt) | 11,920  | 1.1%  | Silver (per oz) | 14.752  | 0.3%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 25,532.05 | 207.06     |
| <b>S&amp;P</b>    | 2,834.41  | 22.54      |
| <b>Nasdaq</b>     | 7,734.49  | 87.47      |
| <b>Nikkei 225</b> | 21,067.23 | -124.05    |
| <b>STI</b>        | 3,223.71  | -10.57     |
| <b>KLCI</b>       | 1,599.19  | -1.90      |
| <b>JCI</b>        | 6,071.20  | -64.19     |
| <b>Baltic Dry</b> | 1,026.00  | --         |
| <b>VIX</b>        | 18.06     | -2.49      |

#### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.93 (+0.01) | 2.20 (+0.01) |
| <b>5Y</b>  | 1.96 (+0.01) | 2.19 (--)    |
| <b>10Y</b> | 2.13 (+0.01) | 2.41 (+0.01) |
| <b>15Y</b> | 2.39 (+0.01) | --           |
| <b>20Y</b> | 2.47 (+0.01) | --           |
| <b>30Y</b> | 2.65 (+0.02) | 2.85 (+0.01) |

#### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>EURIBOR-OIS</b> | 5.50  | 0.10   |
| <b>TED</b>         | 35.36 | --     |

#### Secured Overnight Fin. Rate

|             |      |
|-------------|------|
| <b>SOFR</b> | 2.38 |
|-------------|------|

### Economic Calendar

| Date Time        | Event                           |        | Survey   | Actual   | Prior    | Revised |
|------------------|---------------------------------|--------|----------|----------|----------|---------|
| 05/14/2019 07:50 | JN BoP Current Account Balance  | Mar P  | ¥3020.0b | ¥2847.9b | ¥2676.8b | --      |
| 05/14/2019 16:30 | UK Jobless Claims Change        | Apr    | --       | 24.7k    | 28.3k    | 22.6k   |
| 05/14/2019 16:30 | UK ILO Unemployment Rate 3Mths  | Mar    | 3.90%    | 3.80%    | 3.90%    | --      |
| 05/14/2019 17:00 | GE ZEW Survey Current Situation | May    | 6.3      | 8.2      | 5.5      | --      |
| 05/14/2019 17:00 | GE ZEW Survey Expectations      | May    | 5        | -2.1     | 3.1      | --      |
| 05/15/2019 07:00 | SK Unemployment rate SA         | Apr    | 3.80%    | 4.10%    | 3.80%    | --      |
| 05/15/2019 10:00 | CH Industrial Production YoY    | Apr    | 6.50%    | --       | 8.50%    | --      |
| 05/15/2019 17:00 | EC GDP SA QoQ                   | 1Q P   | 0.40%    | --       | 0.40%    | --      |
| 05/15/2019 19:00 | US MBA Mortgage Applications    | May-10 | --       | --       | 2.70%    | --      |
| 05/15/2019 20:30 | US Empire Manufacturing         | May    | 8        | --       | 10.1     | --      |
| 05/15/2019 20:30 | US Retail Sales Advance MoM     | Apr    | 0.20%    | --       | 1.60%    | --      |
| 05/15/2019 21:15 | US Industrial Production MoM    | Apr    | 0.00%    | --       | -0.10%   | --      |
| 05/15/2019       | PH Overseas Remittances YoY     | Mar    | 4.00%    | --       | 1.50%    | --      |

Source: Bloomberg

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|--|--|
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