

## Highlights

Global	<p><b>Global risk sentiments steadied overnight following better than expected US housing data and healthy earnings from Cisco and Walmart</b>, notwithstanding China's rebuttal that US' move to put Huawei on its entity list effective today will hurt trade talks. With no fresh tariff or trade salvos overnight, the S&amp;P500 rose 0.9% and UST bonds slipped with the 10-year yield at 2.40%. <b>Meanwhile, the Fed's inflation rhetoric continued to evolve but give no hints of any rate cut intentions</b> - Kashkari opined that "monetary policy has been too tight in this recovery, resulting in a slower economic recovery than necessary and low inflation expectations, which directly saps the Fed's ability to respond to a future downturn", whereas Brainard suggested the Fed could allow "opportunistic reflation" and "communicate that a mild overshooting of inflation is consistent with our goal". Elsewhere, BI held its 7-day reverse repo rate unchanged at 6% as widely expected, Malaysia's 1Q GDP growth surprised at 4.5% yoy, while UK PM May is expected to be forced to set a timeline to step down in June after a vote on the withdrawal agreement bill in the week of 3 June.</p> <p><b>Asian markets may attempt to build on yesterday's positive momentum</b> given that China has not announced any further retaliatory measures to US' Huawei measure beyond verbal protests. However, we read this as a temporary pause to reassess in the interim rather than green light to be risk-on again. The economic calendar comprises US' University of Michigan sentiments for May, Eurozone's CPI and Hong Kong's 1Q19 GDP growth. Speakers include Fed's Williams, Clarida and Kaplan, and BOE's Brazier.</p>
US	<p>US' housing starts rose 5.7% mom to an annual pace of 1.235m units in April, while building permits also rose 0.6% to 1.296m units as the mortgage rate eased. Initial jobless claims fell 16k to 212k for the week ended 11 May, while the Philadelphia Fed manufacturing activity accelerated in May. Separately, Commerce Secretary Wilbur Ross suggested that Trump has a "range of alternatives" on auto tariffs.</p>
ID	<p>Bank Indonesia (BI) held the benchmark rate at 6.00% as expected. They also gave the first hints of monetary easing as they mentioned they "remain vigilant" of external conditions "with due consideration to the space available for accommodative monetary policy". However, we still see that BI may choose hold in the near term especially amid heightened trade tensions and continued signs pointing to a weak global trade environment that could affect the IDR.</p>
SG	<p>NODX contracted a worse than expected 10.0% yoy (-0.6% mom sa) in April, dragged down by non-electronics which has fallen for the second consecutive month by -7.9% yoy, due mainly to volatile pharmaceuticals (-46.6% yoy and -12.2% mom), while electronics momentum remain negative for the 5th straight month at -16.3% yoy but rebounded +15.3% mom. The March prints was slightly revised to -11.8% yoy (-14.3% mom sa). Notably, NODX fell in April for 8 of the top 10 markets with the exception of the US (up for the third straight month at +2.2% yoy) and Hong Kong (+15.2% yoy, a rebound from -22.4%), whereas NODX to China fell for the second straight month by 5.8% yoy.</p>

## Major Markets

- **US:** Wall Street ended higher on Thursday, with the S&P500 advancing 0.9%. The DJIA rose 0.8%, and the Nasdaq composite jumped 1.0%.
- **Singapore:** The STI added 0.36% to close up at 3230.26 yesterday and may edge higher today amid stabilizing risk appetite as reflected in Wall Street's overnight gains and positive morning cues from Kospi. STI support and resistance are tipped 3200 and 3250. With the UST bond yield curve bear flattening overnight as front-end yields rose by 2-4bps, following better than expected Philadelphia Fed business reading, SGS bond yields may also see some selling pressure today.
- **Malaysia:** GDP growth for 1Q 2019 expanded at 4.5% yoy, beating both our forecast of 4.4% yoy and the Bloomberg median consensus forecast at 4.3% yoy. However, we view that the current data print continues to indicate sluggishness in the country's economy. Fixed investment fell by 3.5% yoy whilst trade volumes were weaker. Going forward, we still expect the entire 2019 growth to be at 4.4% yoy. Meanwhile, BNM announced measures to enhance market liquidity and accessibility possibly as an attempt to address concerns related to concerns that Malaysian government bonds may be dropped from the FTSE Russell WGBI.
- **Philippines:** The BSP cut RRR by 200bp yesterday to 16%, more than our expectations of a 100bp reduction. Of the 200bp cut, 100bp will be effective by May 31, while a series of two 50bp cut will be enacted on June 28 and July 26. The BSP has been widely expected to carry out RRR cuts once the inflation scene has stabilised, as part of a continuation of previous governor Nestor Espenilla's policies. At 16% RRR, the Philippines still has the highest reserve ration in Southeast Asia, with Indonesia's primary statutory reserve ratio a distant second at 6.50% according to data from CEIC.
- **Thailand:** Thailand Election Commission has recommended that Future Forward Party leader Thanathorn Juangroongruangkit, whose party came in third in vote count and seat allocation during the general elections, be barred from assuming his parliamentary seat. The issue has been ongoing since voting concluded in March, with the EC repeatedly pointing out that Thanathorn violated election rules by holding shares in a media company during the elections. Thanathorn's Future Forward Party has been surprisingly popular with the younger Thais, outperforming even the Democrat party. Any unsatisfactory ruling and subsequent banning of the FFP may add to growing uncertainty in Thailand's political scene.
- **Commodities:** Crude oil prices continued their ascent, with the WTI closing \$1.85/bbl higher at \$62.87/bbl and Brent \$0.85/bbl higher at \$72.62/bbl. Mounting Middle East tensions, specifically between Saudi Arabia and Iran, have added upward pressure on crude oil prices. Reports showing a dip in US gasoline inventories added further support to the rally. The global oil supply picture remains squeezed and we expect oil prices to hover around current levels in the short-term.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with most tenors trading up to 1bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 134bps while the Bloomberg Barclays Asia USD HY Bond Index

average OAS tightened 5bps to 490bps. 10Y UST yields rose 2bps to 2.39%, on the back of encouraging economic data and an equity rally. US April homebuilding data was stronger than expected, weekly jobless claims dropped and the Philadelphia Federal Reserve index of business conditions rebounded, while all three major US stock indexes were up approximately 1%.

- **New Issues:** Pioneer Reward Ltd has priced a USD500mn 3-year bond (guarantor: Huatai Securities Co Ltd) at T+127.5bps, tightening from IPT of T+160bps area. Shougang Group Co Ltd has priced a USD500mn 5-year bond at T+195bps, tightening from IPT of T+235bps area. Vigorous Champion International Ltd (guarantor: China Ping An Insurance Overseas (Holdings) Ltd has priced a USD300mn 5-year bond at T+147.5bps (IPT of T+180bps area) and a USD300mn 10-year bond at T+190bps (IPT of T+220bps area). ASB Bank Ltd has priced a USD500mn 5-year bond at T+100bps, tightening from IPT of T+115bps area. AVIC International Leasing Co Ltd has scheduled investor meetings from 17 May for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	97.855	0.29%	<b>USD-SGD</b>	1.3725	0.31%
<b>USD-JPY</b>	109.850	0.23%	<b>EUR-SGD</b>	1.5339	0.08%
<b>EUR-USD</b>	1.1174	-0.24%	<b>JPY-SGD</b>	1.2495	0.06%
<b>AUD-USD</b>	0.6892	-0.52%	<b>GBP-SGD</b>	1.7567	-0.05%
<b>GBP-USD</b>	1.2798	-0.37%	<b>AUD-SGD</b>	0.9461	-0.20%
<b>USD-MYR</b>	4.1645	-0.22%	<b>NZD-SGD</b>	0.8971	-0.12%
<b>USD-CNY</b>	6.8837	0.11%	<b>CHF-SGD</b>	1.3590	0.18%
<b>USD-IDR</b>	14452	-0.06%	<b>SGD-MYR</b>	3.0435	-0.28%
<b>USD-VND</b>	23291	-0.09%	<b>SGD-CNY</b>	5.0223	-0.04%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD Libor	Change
<b>1M</b>	-0.3660	--	<b>O/N</b>	2.3491	--
<b>2M</b>	-0.3360	--	<b>1M</b>	2.4324	--
<b>3M</b>	-0.3110	--	<b>2M</b>	2.4958	--
<b>6M</b>	-0.2350	--	<b>3M</b>	2.5251	--
<b>9M</b>	-0.1940	--	<b>6M</b>	2.5509	--
<b>12M</b>	-0.1250	--	<b>12M</b>	2.6325	--

#### 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)	62.87	1.4%	Corn (per bushel)	3.7900	2.6%
Brent (per barrel)	72.62	1.2%	Soybean (per bushel)	8.398	0.5%
Heating Oil (per gallon)	2.1232	1.8%	Wheat (per bushel)	4.6700	4.1%
Gasoline (per gallon)	2.0618	2.4%	Crude Palm Oil (MYR/MT)	2,061.0	5.3%
Natural Gas (per MMBtu)	2.6390	1.5%	Rubber (JPY/KG)	203.0	1.6%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	6,100	0.2%	Gold (per oz)	1,286.2	-0.9%
Nickel (per mt)	12,176	0.2%	Silver (per oz)	14.479	-1.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,862.68	214.66
<b>S&amp;P</b>	2,876.32	25.36
<b>Nasdaq</b>	7,898.05	75.90
<b>Nikkei 225</b>	21,062.98	-125.58
<b>STI</b>	3,230.26	11.49
<b>KLCI</b>	1,599.19	-12.24
<b>JCI</b>	5,895.74	-85.15
<b>Baltic Dry</b>	1,032.00	--
<b>VIX</b>	15.29	-1.15

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.94 (--)	2.19 (+0.03)
<b>5Y</b>	1.95 (--)	2.17 (+0.02)
<b>10Y</b>	2.14 (-0.02)	2.39 (+0.02)
<b>15Y</b>	2.40 (-0.01)	--
<b>20Y</b>	2.47 (--)	--
<b>30Y</b>	2.65 (--)	2.83 (+0.01)

#### Financial Spread (bps)

	Value	Change
<b>EURIBOR-OIS</b>	5.50	0.04
<b>TED</b>	35.36	--

#### Secured Overnight Fin. Rate

<b>SOFR</b>	2.48
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### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
05/16/2019 07:50	JN PPI YoY	Apr	1.10%	1.20%	1.30%	--
05/16/2019 12:00	MA GDP YoY	1Q	4.30%	4.50%	4.70%	--
05/16/2019 15:20	ID Bank Indonesia 7D Reverse Repo	May-16	6.00%	6.00%	6.00%	--
05/16/2019 16:03	IT CPI EU Harmonized YoY	Apr F	1.20%	1.10%	1.20%	--
05/16/2019 20:30	US Housing Starts	Apr	1209k	1235k	1139k	1168k
05/16/2019 20:30	US Initial Jobless Claims	May-11	220k	212k	228k	--
05/17/2019 08:30	SI Non-oil Domestic Exports YoY	Apr	-4.60%	--	-11.70%	--
05/17/2019 15:30	TH Foreign Reserves	May-10	--	--	\$211.0b	--
05/17/2019 16:30	HK GDP YoY	1Q F	0.50%	--	0.50%	--
05/17/2019 17:00	EC CPI YoY	Apr F	1.70%	--	1.70%	--
05/17/2019 22:00	US Leading Index	Apr	0.20%	--	0.40%	--
05/17/2019 22:00	US U. of Mich. Sentiment	May P	97.2	--	97.2	--

Source: Bloomberg

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