

Highlights

Global	<p>S&P500 edged higher to hit a second record close this week amid the energy-driven rally, but the USD took a backseat after Kaplan opined that real wage growth was sluggish despite the low unemployment and cautioned that high public debt levels may be a systemic risk as interest rates rise. This was in contrast to Rosengren who opined that “along with a gradual reduction in the level of the balance sheet, it would still be reasonable to have three rate increases over the remainder of this year, assuming the economy evolves like my forecast envisions” and “my expectation is that consumption will re-emerge in the second quarter and we will continue to have a consumption-led recovery”. He also noted that “if we were to get a lot more stimulus, that would cause us probably to raise rates a little more quickly”.</p> <p>Today’s market focus will be on the BOE policy decision (likely static on both the 0.25% bank rate and the GBP435b asset purchase target) and the BOE inflation report, as well as the BSP policy decision (also likely unchanged at 3% for the overnight borrowing rate). On the economic data calendar front, US’ initial jobless claims and PPI, European Commission economic forecasts, UK’s industrial production, and Malaysia’s industrial production. Speakers include Fed’s Dudley and BOE’s Carney.</p>
US	<p>Import prices rose 0.5% mom (+4.1% yoy) in Apr, up from +0.1% mom (+4.3% yoy) in Mar, mainly lifted by energy import prices (+1.6% mom), selected building material imports (+2.6% mom) and paper and paper base stock prices (+1.5% mom). Meanwhile, a Kansas City Fed paper suggested that reducing the US\$4.5t balance sheet by US\$675b over two years is “about equivalent to a 25bp hike in the funds rate”.</p>
EZ	<p>ECB’s Draghi cautioned that “it is too early to declare success” and as for policy “this time hasn’t come yet”.</p>
NZ	<p>RBNZ left its OCR unchanged at 1.75%, citing that “global economic growth has increased and become more broad-based over recent months”, but “major challenges remain with on-going surplus capacity and extensive political uncertainty”, and “the level of core inflation has generally remained low”. RBNZ also noted “the increase in headline inflation...was mainly due to higher tradables inflation, particularly petrol and food prices” and “monetary policy will remain accommodative for a considerable period” as “numerous uncertainty remain and policy may need to adjust accordingly”.</p>
SG	<p>The Competition Commission of Singapore called for the government to review marketing practices for formula milk companies. COE premium results are due today.</p>
CH	<p>CPI growth accelerated slightly to print 1.2% yoy in April. The rebound in CPI growth was led by a 0.2% mom increase in non-food prices.</p>
FX	<p>In the coming weeks, we see potential scope for further tentative upside for GBP-USD. For one, the Conservative Party is expected to garner a landslide victory in the June snap elections and this may generate some attendant positivity (however transient) towards the pound. Secondly, apart from our ongoing skepticism towards USD resilience, there remains a risk of further intrinsic hawkishness out of the BOE on account of potential currency inspired inflation pressures and the less drastic than expected deterioration in the economy</p>

Major Markets

- **US:** Equities ended mixed on Wednesday, with S&P 500 and Nasdaq edging ahead to new record highs, but the Dow slipped. The S&P 500 closed a shade below 2400, up 0.11%, and the Nasdaq closed at 6129.14, up 0.14%. The Dow retreated 0.16%. Gains were led by energy stocks, following the largest one-day jump in crude prices since the start of the year. On the other hand, declines in healthcare and industrials limited the gains in the indices. VIX rose 2.5% to 10.21, recovering the 10 handle after spending 2 days below it.
- Meanwhile, US Treasuries reversed an early rally sparked off by uncertainties over FBI Director Comey's abrupt firing, and ended lower amidst a weaker-than-usual auction of new 10-year notes and issuance from General Electric. Rosengren's hawkish remarks, calling it "reasonable" to have "three rate increases over the remainder of this year" also pressured Treasuries. Benchmark yields were higher, with the 2- and 10-year standing at 1.25% and 2.41% at NY close.
- **Singapore:** STI was closed for holiday yesterday, but had closed up 0.40% on Tuesday at 3249.97. Given generally positive leads from Kospi this morning, the STI may also trade on a firmer tone today with support and resistance tipped at 3240 and 3260. With UST bonds levering lower overnight following a soft 10-year bond auction, the SGS market also come under some selling pressure today.
- **China:** The rise of non-food prices was due to the effect of Tomb-sweeping Day and Labor Day. On the other hand, food prices fell 0.6% mom. After seasonality and carryover effects abate, CPI is expected to remain sub-1.5% given subdued food prices and mild growth in non-food prices. On the other hand, the year-on-year growth of producer prices moderated notably from 7.6% to 6.4%. On a monthly basis, PPI dropped by 0.4%, its first decline since last July. The bearishness of the commodity market amid oversupply and sluggish demand was to blame. As commodity prices will likely plummet further due to an expected decrease in China's demand on the de-leverage campaign, we expect the deceleration of PPI's growth will continue in the coming months. In this case, muted inflationary pressure means that China's monetary policy could remain unchanged in the coming months.
- **Indonesia:** Former Jakarta governor Basuki Tjahaja Purnama, also known as Ahok, was found guilty of blasphemy and has been sentenced to 2 years in prison.
- **Hong Kong:** HKEX chief executive Charles Li stated that the details of the Bond Connect Scheme may be announced in the coming weeks. This is expected to bring capital flows into the onshore bond market which has been hit by the latest de-leverage campaign.
- **Macau:** The government announced that Mainlanders who withdraw cash with their Unionpay Cards must show their identification cards and have their identities verified through a facial recognition system at ATMs. This is a step-up effort on anti-money laundering. However, high-rollers, who contributed largely to the gaming sector's latest rebound, has relied more on credit extensions offered by junket operators rather than cash withdrawn from ATMs. Therefore, the new rules are likely to have a transitory impact on sentiments but may not reverse the upward trend of the gaming sector. Still, we are concerned that the sector could be vulnerable to policy risks.
- **FX:** In terms of positioning, although leveraged accounts have lightened up considerably in the last few weeks, there remains considerable overhang from net short (and elevated) GBP positioning from the large non-commercial accounts as well as asset managers. Any pairing of net GBP shorts from these two latter groups of investors risks underpinning cable further. From a GBP-USD spot ref of 1.2927 on Tuesday, we set a 1.3700 objective, and place a stop at 1.2535.

- **Commodities:** Crude oil staged its biggest gain since Dec 2016, with WTI and Brent closing at \$47.33 (+3.2%) and \$50.22 (+3.1%) respectively, after US oil inventories fell the most year-to-date. Importantly as well, market watchers also likely took more bullish bets especially as Iraq and Algeria reportedly supported Saudi Arabia's call in extending OPEC supply cuts. Note that recent EIA's STEO report as of 9 May 2017 had highlighted a downgrade in oil price estimates, with both WTI and Brent price outlook falling by 3% versus previous estimate to \$50.68/bbl and \$52.6/bbl, respectively. Gold on the other hand, also rose likely on some flight to safety behaviour on news that North Korea will proceed with its nuclear test.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened on Tuesday, with swap rates trading 1-4bps higher across all tenors. Singapore markets were closed yesterday due to public holiday. Flows in SGD corporates were heavy, with mixed interest in FCLSP 4.15%'27s, BAERXV 5.9%'49s. In the broader dollar space, the spread on JACI IG corporates fell 1bps to 194bps yesterday, while the yield on JACI HY corporates added 2bps to 6.64%. 10y UST yield rose 1bps to 2.44% yesterday, paring early flight-to-quality bids driven by North Korean geopolitical tensions and the firing of U.S FBI Director James Comey with 10Y UST yields rising after weaker demand seen in Treasuries auctions.
- **New Issues:** The Export-Import Bank of Korea scheduled investor roadshow from 15 May for potential EUR Intermediate Tenor bond issuance. Hunan Xiangjiang New Area Investment Group Co Ltd. is planning to issue USD bonds.
- **Rating Changes:** S&P raised Australian engineering and construction company (E&C) CIMIC Group Ltd.'s (CIMIC) long term corporate credit ratings to 'BBB/A-2' from 'BBB-/A-3' yesterday. The rating outlook is stable. The rating action reflects S&P's consideration of CIMIC's status as a core member of the Actividades de Construccion y Servicios S.A. (ACS) group, from its previously insulated subsidiary status. S&P assigned University of New South Wales (UNSW) a 'AA+' long-term foreign and local currency rating yesterday. The outlook on the rating is stable. The rating action reflects S&P's view of UNSW's stand-alone credit profile of 'AA+', and S&P's opinion that there is a high likelihood of extraordinary support for UNSW from the Australian government in a distress scenario.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	99.669	0.01%	USD-SGD	1.4106	-0.08%
USD-JPY	114.280	0.26%	EUR-SGD	1.5330	-0.15%
EUR-USD	1.0868	-0.06%	JPY-SGD	1.2343	-0.35%
AUD-USD	0.7367	0.30%	GBP-SGD	1.8250	-0.10%
GBP-USD	1.2938	0.03%	AUD-SGD	1.0391	0.19%
USD-MYR	4.3472	--	NZD-SGD	0.9790	0.58%
USD-CNY	6.9032	-0.06%	CHF-SGD	1.3981	-0.24%
USD-IDR	13359	0.05%	SGD-MYR	3.0820	-0.09%
USD-VND	22740	0.03%	SGD-CNY	4.8941	-0.04%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	0.9272	--
2M	-0.3400	--	1M	0.9886	--
3M	-0.3290	--	2M	1.0700	--
6M	-0.2490	--	3M	1.1820	--
9M	-0.1780	--	6M	1.4452	--
12M	-0.1230	--	12M	1.7907	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)	Bund (chg)	FR (chg)	IT (chg)
2Y	1.26 (--)	1.35 (+0.01)	-0.67 (--)	-0.44 (-0.01)	-0.16 (-0.02)
5Y	1.66 (--)	1.94 (+0.01)	-0.30 (--)	-0.05 (-0.01)	0.98 (-0.04)
10Y	2.20 (--)	2.41 (+0.02)	0.42 (-0.01)	0.84 (-0.02)	2.24 (-0.03)
15Y	2.37 (--)	--	0.63 (-0.02)	1.20 (-0.03)	2.74 (-0.01)
20Y	2.48 (--)	--	0.92 (-0.02)	1.52 (-0.03)	2.86 (-0.01)
30Y	2.53 (--)	3.04 (+0.01)	1.21 (-0.02)	1.83 (-0.03)	3.30 (-0.03)

Fed Rate Hike Probability

Meeting	Prob Hike	Prob Cut	1-1.25	1.25-1.5	1.5-1.75
14/06/2017	100.0%	0.0%	95.0%	5.0%	0.0%
26/07/2017	97.2%	0.0%	92.3%	4.9%	0.0%
20/09/2017	98.5%	0.0%	49.4%	46.8%	2.3%
13/12/2017	98.9%	0.0%	37.1%	47.2%	13.7%
31/01/2018	99.0%	0.0%	35.0%	46.6%	15.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.33	3.16%	Copper (per mt)	5,482.9	-0.12%
Brent (per barrel)	50.22	3.06%	Nickel (per mt)	9,071.5	-1.06%
Heating Oil (per gallon)	1.4754	2.31%	Aluminium (per mt)	1,859.3	-0.27%
Gasoline (per gallon)	1.5396	3.36%			
Natural Gas (per MMBtu)	3.2920	2.01%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,850.0	--
Precious Metals	Futures	% chg	Rubber (JPY/KG)	261.6	0.23%
Gold (per oz)	1,218.9	0.23%			
Silver (per oz)	16.151	0.89%			

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

Equity and Commodity

Index	Value	Net change
DJIA	20,943.11	-32.67
S&P	2,399.63	2.71
Nasdaq	6,129.14	8.56
Nikkei 225	19,900.09	57.09
STI	3,249.97	--
KLCI	1,766.56	--
JCI	5,653.01	-44.05
Baltic Dry	1,005.00	-2.00
VIX	10.21	0.25

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.55	0.16
EURIBOR-OIS	3.00	0.13
TED	28.02	--

Government CDS (USD)

	5Y	% Change
Germany	16.480	2.46%
France	29.844	-2.13%
Italy	159.064	-0.18%

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised
05/10/2017	07:50	JN Official Reserve Assets	Apr	--	\$1242.3b	\$1230.3b	--
05/10/2017	09:30	CH CPI YoY	Apr	1.10%	1.20%	0.90%	--
05/10/2017	09:30	CH PPI YoY	Apr	6.70%	6.40%	7.60%	--
05/10/2017	13:00	JN Leading Index CI	Mar P	105.5	105.5	104.8	104.7
05/10/2017	13:00	JN Coincident Index	Mar P	114.7	114.6	115.3	115.2
05/10/2017	14:45	FR Trade Balance	Mar	-6000m	-5353m	-6568m	-6432m
05/10/2017	14:45	FR Industrial Production MoM	Mar	1.00%	2.00%	-1.60%	-1.70%
05/10/2017	14:45	FR Industrial Production YoY	Mar	0.60%	2.00%	-0.70%	--
05/10/2017	14:45	FR Manufacturing Production MoM	Mar	0.90%	2.50%	-0.60%	-0.70%
05/10/2017	14:45	FR Manufacturing Production YoY	Mar	1.20%	3.50%	-0.50%	-0.60%
05/10/2017	16:00	IT Industrial Production NSA YoY	Mar	--	7.60%	-2.00%	-1.90%
05/10/2017	16:00	IT Industrial Production WDA YoY	Mar	2.50%	2.80%	1.90%	2.00%
05/10/2017	16:00	IT Industrial Production MoM	Mar	0.30%	0.40%	1.00%	--
05/10/2017	19:00	US MBA Mortgage Applications	May-05	--	2.40%	-0.10%	--
05/10/2017	20:30	US Import Price Index MoM	Apr	0.10%	0.50%	-0.20%	0.10%
05/10/2017	20:30	US Import Price Index YoY	Apr	3.60%	4.10%	4.20%	4.30%
05/11/2017	02:00	US Monthly Budget Statement	Apr	\$179.0b	\$182.4b	\$106.5b	--
05/11/2017	05:00	NZ RBNZ Official Cash Rate	May-11	1.75%	1.75%	1.75%	--
05/11/2017	06:45	NZ Food Prices MoM	Apr	--	-0.80%	-0.30%	--
05/11/2017	07:00	SK Unemployment rate SA	Apr	3.60%	4.00%	3.70%	--
05/11/2017	07:01	UK RICS House Price Balance	Apr	20%	22%	22%	22%
05/11/2017	07:50	JN BoP Current Account Balance	Mar	¥2593.0b	--	¥2813.6b	--
05/11/2017	07:50	JN BoP Current Account Adjusted	Mar	¥1735.0b	--	¥2210.9b	--
05/11/2017	07:50	JN Trade Balance BoP Basis	Mar	¥855.0b	--	¥1076.8b	--
05/11/2017	07:50	JN Bank Lending Incl Trusts YoY	Apr	--	--	3.00%	--
05/11/2017	07:50	JN Bank Lending Ex-Trusts YoY	Apr	--	--	3.00%	--
05/11/2017	07:50	JN Japan Buying Foreign Bonds	May-05	--	--	--	--
05/11/2017	07:50	JN Japan Buying Foreign Stocks	May-05	--	--	--	--
05/11/2017	07:50	JN Foreign Buying Japan Bonds	May-05	--	--	--	--
05/11/2017	07:50	JN Foreign Buying Japan Stocks	May-05	--	--	--	--
05/11/2017	09:00	PH Exports YoY	Mar	15.20%	--	11.00%	--
05/11/2017	09:00	PH Imports YoY	Mar	15.30%	--	20.30%	--
05/11/2017	09:00	PH Trade Balance	Mar	-\$2005m	--	-\$1728m	--
05/11/2017	12:00	MA Industrial Production YoY	Mar	4.80%	--	4.70%	--
05/11/2017	12:30	JN Bankruptcies YoY	Apr	--	--	5.36%	--
05/11/2017	16:00	PH BSP Overnight Borrowing Rate	May-11	3.00%	--	3.00%	--
05/11/2017	16:00	SI Automobile COE Open Bid Cat A	May-11	--	--	51600	--
05/11/2017	16:00	SI Automobile COE Open Bid Cat B	May-11	--	--	54406	--
05/11/2017	16:00	SI Automobile COE Open Bid Cat E	May-11	--	--	54616	--
05/11/2017	16:30	UK Industrial Production MoM	Mar	-0.40%	--	-0.70%	--
05/11/2017	16:30	UK Industrial Production YoY	Mar	2.00%	--	2.80%	--
05/11/2017	16:30	UK Mfg Production MoM	Mar	-0.20%	--	-0.10%	--
05/11/2017	16:30	UK Manufacturing Production YoY	Mar	3.00%	--	3.30%	--
05/11/2017	16:30	UK Visible Trade Balance GBP/Mn	Mar	£11,600	--	£12,461	--
05/11/2017	16:30	UK Trade Balance Non EU GBP/Mn	Mar	£3,300	--	£3,748	--
05/11/2017	16:30	UK Trade Balance	Mar	£3,000	--	£3,663	--
05/11/2017	17:00	EC European Comm Eco Forecasts					
05/11/2017	19:00	UK Bank of England Bank Rate	May-11	0.25%	--	0.25%	--
05/11/2017	19:00	UK BOE Asset Purchase Target	May	435b	--	435b	--
05/11/2017	19:00	UK BOE Corporate Bond Target	May	10b	--	10b	--
05/11/2017	19:00	UK Bank of England Inflation Report					
05/11/2017	20:00	UK NIESR GDP Estimate	Apr	0.40%	--	0.50%	--
05/11/2017	20:30	CA New Housing Price Index MoM	Mar	0.20%	--	0.40%	--
05/11/2017	20:30	US PPI Final Demand MoM	Apr	0.20%	--	-0.10%	--
05/11/2017	20:30	US PPI Ex Food and Energy MoM	Apr	0.20%	--	0.00%	--
05/11/2017	20:30	US PPI Final Demand YoY	Apr	2.20%	--	2.30%	--
05/11/2017	20:30	US PPI Ex Food and Energy YoY	Apr	1.60%	--	1.60%	--
05/11/2017	20:30	US Initial Jobless Claims	May-06	245k	--	238k	--
05/11/2017	20:30	US Continuing Claims	Apr-29	1980k	--	1964k	--
05/11/2017	21:45	US Bloomberg Consumer Comfort	May-07	--	--	50.9	--
05/11/2017	05/15	CH Money Supply M2 YoY	Apr	10.80%	--	10.60%	--
05/11/2017	05/15	CH Money Supply M1 YoY	Apr	17.30%	--	18.80%	--
05/11/2017	05/15	CH Money Supply M0 YoY	Apr	6.80%	--	6.10%	--
05/11/2017	05/15	CH New Yuan Loans CNY	Apr	815.0b	--	1020.0b	--
05/11/2017	05/18	CH FDI YoY CNY	Apr	--	--	6.70%	--
05/10/2017	05/19	ID Local Auto Sales	Apr	--	--	101484	--

Source: Bloomberg

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