

Daily Market Review

Macro Highlights

- The higher than expected US initial jobless claims and retreating oil prices dominated the headlines overnight and led the UST market higher. Initial claims for US unemployment benefits rose more than forecast to the highest level in five weeks to 274K (est +260K) vs. +257K in March. Earlier in April, claims were at +248K, the lowest level since 1973 as the market awaits today's Non-farm payrolls expected at +200K and an unemployment rate of 4.9%. The underlying strength in the US job market is now a given as it has improved significantly from two to three years ago. Hence, it's no surprise if one gets the feeling that the importance of US jobs data release is decreasing as the market has generally accepted that the labor market will continue to strengthen and reach full employment soon.
- Oil rose for a second day on news that the wildfires in the province of Alberta, Canada have affected oil-sands production, the US crude output has declined the most in eight months and Iran said that it may be ready for joint action with members of OPEC in as little as one or two months. However, oil prices pared away some gains and did not close at the high because the forest fires are deemed to be a short term event and will be contained soon enough, coupled with the fact that Canada has enough crude inventories to make up for the short fall. The decline in the US crude output is to be expected as the rig counts continue to fall amidst the shutting down of the smaller producers. Nevertheless, both the US crude output and its weekly inventory reports have of late, been one of the major drivers of price direction on the back of the oversupply concerns. Iran, which refused to join the Russia-OPEC initiative to freeze output last month, has said that it's ready to join the initiative after it has reached its pre-sanction production levels, estimated in about one to two months time. Oil prices have been very volatile of late, trading on piecemeal news concerning the supply overhang on the back of the on-off production freeze talks, US crude inventories and output and any news that could possibly affect the supply like the labor strike in Kuwait and the latest wildfires in Canada. Hence, it's no surprise to expect that any news that's supportive to the supply concerns is likely to give an immediate boost to the battered oil prices and the flip side of the equation holds true too.
- St Louis Fed president James Bullard (voting member) has joined the two dissenters Atlanta Fed President Dennis Lockhart and San Francisco's John Williams, by saying that the June FOMC meeting could be a "live" meeting, where the Fed may raise rates. He added that he is keeping an open mind about whether the US economy will warrant an interest rate increase at the next meeting of the FOMC and will be supportive if the Fed needs to act. Bullard is the most hawkish among the band of dissenters and he has been the biggest proponent for a rate hike since the beginning of this year. Just last month before the April's meeting, he has opined that his greatest fear is the market may "end up overshooting on inflation and the natural rate of unemployment" if the Fed delays any further.

Fixed Income

- Asian credits** saw a quiet and subdued session with most of the Asian countries (Korea, Thailand, Indonesia) away along with Japan. Flows continued to be underwhelming although the tone was a bit more

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Asset Class

Sammy Lee	Foreign Exchange
Ho Choon Seng	Equity
Toyong Halim	Equity Portfolio
Yeo Aik Kiong	Fixed Income
Iris Kao	Funds
Low Ping Yee	Funds
Cheong Mun Fai	Funds Portfolio

Market Data

Bond	Yld	1D (bp)	1W (bp)	1M (bp)	1Y (bp)
UST 2Y	0.73	-1	-5	0	9
UST 5Y	1.22	-2	-8	2	-37
UST 10Y	1.75	-3	-8	0	-49
UST 30Y	2.61	-2	-7	2	-38
Canada 10Y	1.35	-5	-12	14	-46
Italy 10Y	1.49	-1	1	21	-42
UK 10Y	1.46	-6	-14	8	-52
German 10Y	0.16	-4	-10	4	-42
France 10Y	0.53	-3	-7	8	-37
Spain 10Y	1.58	-2	-2	7	-31
SWISS 10Y	-0.3	1	-4	8	-42
Japan 10Y	-0.1	1	-4	-6	-48
Australia 10Y	2.33	-6	-18	-10	-59

CDS	Last	1D Change	1Y High	1Y Low
Asia IG	144.903	0.242	177.921	104.500
US IG	84.742	1.396	124.600	62.591
US HY	460.134	6.893	588.570	330.179
Euro IG	78.910	0.385	125.719	58.689
Euro HY	329.850	0.250	486.563	260.083

Equity Index	Last	1D +/-	1D %	YTD %	P/E
Djones	17,661	9.5	0.1	1.4	16.8
S&P 500	2,051	-0.5	0.0	0.3	19.1
FX5E	2,940	1.6	0.1	-10.0	21.0
FTSE 100	6,117	5.2	0.1	-2.0	42.3
CAC 40	4,319	-4.8	-0.1	-6.8	21.5
DAX	9,852	23.6	0.2	-8.3	21.4
Nikkei225	16,127	-20.1	-0.1	-15.3	18.6
Shanghai	2,998	6.6	0.2	-15.3	16.5
HangSeng	20,450	-76.0	-0.4	-6.7	10.2
Taiwan	8,168	-17.5	-0.2	-2.0	13.8
KOSPI	1,977	-9.7	-0.5	0.8	14.4
SG Straits	2,768	-5.3	-0.2	-4.0	11.8
ASX 200	5,223	-55.7	-1.1	-1.4	23.7
VIX	15.91	-0.1	-0.9	-12.6	-

Currency	Last	1D %	1W %	1M %	YTD %
USDIndex	93.79	0.0	0.8	-0.7	-4.9
EUR	1.1397	-0.1	-0.5	0.0	4.9
JPY	107.35	-0.1	-0.8	2.3	12.0
GBP	1.4482	0.0	-0.9	2.5	-1.7
CAD	1.2868	-0.1	-2.4	1.7	7.5
AUD	0.7470	0.1	-1.7	-1.7	2.5
NZD	0.6888	0.1	-1.3	0.9	0.8
CHF	0.9682	-0.1	-0.9	-1.3	3.5
CNH	6.5231	-0.1	-0.6	-0.6	0.7
CNY	6.5102	0.0	-0.5	-0.5	-0.3
TWD	32.376	-0.2	-0.2	0.0	1.5
HKD	7.76	0.0	-0.1	-0.1	-0.1
SGD	1.3602	-0.1	-1.2	-0.9	4.3
ZAR	14.978	-0.1	-5.0	0.7	3.3

Commodity	Last	1D %	1W %	1M %	YTD %
WTI Crude	44.2	-0.3	-3.7	13	8.6
Brent Crude	45.0	-0.1	-5.0	13	9.5
Gold	1277.6	0.0	-1.2	4.5	20

constructive than the previous sessions this week. Volumes were light as the market's near term focus remains with the bigger macro picture outlook which is still pretty mixed at best. Nevertheless, the market has stabilized and prices were rebounding a touch after 3-4 days of consistent weakness for risk markets on global growth concerns. Some of the battered laggards like JD.com bond complex, were well demanded when they became attractive at the higher yield levels. Investors were generally selective unlike the strong chase for yields seen in the new issue front. So far, recent new issues have been met with only a lukewarm reception in the secondary market, with the majority of deals barely treading water. This is not surprising as we have highlighted many times not to chase the new issues beyond their fair value. It used to be that the new issue supply was the best place to source for attractive-carry bonds, but is no longer the case. The low yield environment has supported the chase for yields and it's very easy to be carried away. Hence, one should exercise careful credit selection in a bond with a decent relative value and a carry you are happy to hold long term.

Equity

- **The S&P 500** was largely unchanged overnight, albeit it has recorded a 3-day losing streak so far. It appeared that market participants were waiting on the sidelines for the non-farm payrolls to be released later today (with expectation set at 200k) before taking the next action plan. 6 out of 10 sectors ended the day as losers. The top laggards were consumer discretionary -0.6%, telcos -0.6% and materials -0.5%. Amongst the consumer discretionary space, the retailers led declines with L Brands plunging 12% having reported a worse than expected set of earnings results. Tesla slumped 5% after UBS said the firm's new production goals were too "optimistic". That said, Kraft Heinz jumped nearly 4%, having released results, which beat market expectation.
- Similar to the U.S. stocks, **European shares** also staged an uninspiring stock performance overnight, even though the press preferred to coin the move as "the 1st rebound in 5 days". That said, 7 out of 10 sectors closed higher by day-end. The top outperformers were healthcare +1.3%, energy +1.2% and consumer staples +1%. BT Group climbed 2.6% and led the stock performance within the telco sector after reporting a better than expected results. Repsol SA soared nearly 5%, having topped analysts' estimates, driven by its refining and chemicals division. Wm Morrison gained 2.4% after posting its 2nd consecutive quarter of topline growth.
- China stocks listed in **Hong Kong** fell for a 4th day on growth concern. All sectors captured in the HSCEI were in the negative territory on stock performance. The top losers were industrials 2.1%, materials -1.7% and utilities -1.3%. Market participants were worried that the China insurers will be negatively affected by the lower bond yields. As such, China Life retreated for a 6th day, while Ping An fell 1.5%. Lower oil prices also dragged stock performance of the energy stocks – PetroChina fell to a 2-week low while Cnooc dropped for a 5th day. New World Development slipped 1.6% to a one-month low after Goldman Sachs downgraded Hong Kong property stocks.
- The stock performance of **A-shares** continued to stay muted, albeit the Shanghai Composite closed marginally higher yesterday. This was despite marginally lower April Caixin PMI figures reported on a sequential basis. Nonetheless, 8 out of 10 sectors ended the day higher. The top performers were consumer staples +0.9%, tech +0.4% and industrials +0.4%. The two losing sectors were energy -0.1% and energy -0.06%. Market participants seemed to be watching the upcoming releases of

April data before taking the next action plan. Vanke released the April's sales revenue to be RMB 35.65bn, which is equivalent to a sterling growth rate of 100.7% YoY jump.

Foreign Exchange

- USD** – Quiet trading day overall yesterday as the market awaits US Non-Farm Payrolls tonight but should still post around the 200k jobs and the Unemployment should again be stable around 4.9%-5.0%. Over the weekend China will release trade data and the FX reserves number which again should be stable having seen where USDCNY has been trading this past month.
- AUDUSD** – Had a small lift after the Retail Sales numbers were announced for March showing a +0.4% rise against market consensus of +0.3% but it could not break clear above 0.7500. We open this morning at 0.7475 and await the Statement of Monetary Policy (SoMP) from RBA. Cannot expect the RBA to be talking too hawkishly after they cut the OCR this week so we expect a dovish slant and the statement could say that the door remains open for more cuts if needed. Speculative positioning is long AUD and they should remain quite nervous. Iron ore prices have also been retreating and the close last night below \$60 may contribute another bearish factor for the AUD. The bias should be down for the AUD and having closed just a hair below our pivotal support level of 0.7480 also sends a bearish signal. Confirmation may come today from the SoMP. Phil Lowe has been appointed the new RBA Governor but this transition is not going to affect the AUD as it was a planned exit of current Governor Stevens.
- USDJPY** – The market is still weary of testing the Japanese too much as they return to work but suspect position adjustment is perhaps the major reason why it is still holding up and tonight's US NFP number may give caution to speculators who wants to short USDJPY at such lower levels.
- EURUSD** – There is some talk swirling in the market about Greece's internal plans to stick to the measures agreed with its creditor and the Eurogroup is meeting next week to discuss some issues. This could escalate if the Greek's progress on their reforms for money is failing and a bearish factor for EUR. We would not jump the gun at the moment but something we will be watching out for. EURUSD has settled at 1.1400 and not much to trade beyond small ranges after the bout of weak dollar moves earlier in the week but we are about 1 big figure higher from last week's mean.
- USDCNY** – Caixin services PMI a little lower for April at 51.8 versus March's 52.2 was a little disappointment. USDCNH is looking more bid at 6.52 his morning after a dollar recovery as USDJPY stays above the 107.00 watermark. Spot USDCNY also moved in tandem to open this morning at 6.5035. The market is calm in the forwards market without any signs of pressure on the Chinese currency and we attribute this to the general state of the recent dollar moves. An explosive move in the majors could trigger a similar move here and the sensitivity continues to hold true to such moves.

Chart: AUDUSD & Iron Ore



Commodity	Last	1D %	1W %	1M %	YTD %
WTI Crude	44.2	-0.3	-3.7	13	8.6
Brent Crude	45.0	-0.1	-5.0	13	9.5
Natural Gas	2.1	0.0	-4.7	3.5	-16
Gold	1277.6	0.0	-1.2	4.5	20
Silver	17.4	0.1	-2.8	15	25
Platinum	1061.6	-0.1	-1.4	12	19
LME Copper	4785.0	-1.7	-2.4	0.2	1.7
LME Alum.	1596.8	-1.5	-2.7	5.6	5.5
Corn	374.5	0.2	-4.4	3.8	1.1
Nickel	8986.0	-4.5	-2.0	6.2	1.7
Cotton	61.8	-1.6	-3.0	5.4	-4.6
Comdty Index	166.8	-0.8	-3.3	6.5	5.4

Economic Calendar

Day	Date	Time	Country	Event	Period	Survey	Actual	Prior	Note
Mon	05/02	10:00 AM	Japan	Nikkei Japan PMI Mfg	Apr F	-	48.2	48.0	-
Mon	05/02	3:50 PM	France	Markit France Manufacturing PMI	Apr F	48.3	48.0	48.3	-
Mon	05/02	3:55 PM	Germany	Markit/BME Germany Manufacturing PMI	Apr F	51.9	51.8	51.9	-
Mon	05/02	4:00 PM	Eurozone	Markit Eurozone Manufacturing PMI	Apr F	51.5	51.7	51.5	-
Mon	05/02	9:45 PM	US	Markit US Manufacturing PMI	Apr F	50.8	50.8	50.8	-
Mon	05/02	10:00 PM	US	ISM Manufacturing	Apr	51.4	50.8	51.8	-
Mon	05/02	10:00 PM	US	Construction Spending MoM	Mar	0.5	0.3	(0.5)	Revised 1.0
Tue	05/03	9:45 AM	China	Caixin China PMI Mfg	Apr	49.8	49.4	49.7	-
Tue	05/03	12:30 PM	Australia	RBA Cash Rate Target	3-May	2.00	1.75	2.00	-
Tue	05/03	4:30 PM	UK	Markit UK PMI Manufacturing SA	Apr	51.2	49.2	51.0	-
Tue	05/03	-	US	Wards Total Vehicle Sales	Apr	17.40 M	17.32 M	16.46 M	-
Wed	05/04	3:50 PM	France	Markit France Services PMI	Apr F	50.8	50.6	50.8	-
Wed	05/04	3:55 PM	Germany	Markit Germany Services PMI	Apr F	54.6	54.5	54.6	-
Wed	05/04	4:00 PM	Eurozone	Markit Eurozone Services PMI	Apr F	53.2	53.1	53.2	-
Wed	05/04	5:00 PM	Eurozone	Retail Sales YoY	Mar	2.6	2.1	2.4	Revised 2.7
Wed	05/04	7:00 PM	US	MBA Mortgage Applications	29-Apr	-	(3.4)	(4.1)	-
Wed	05/04	8:15 PM	US	ADP Employment Change	Apr	195 K	156 K	200 K	Revised 194 K
Wed	05/04	9:45 PM	US	Markit US Services PMI	Apr F	52.1	52.8	52.1	-
Wed	05/04	10:00 PM	US	ISM Non-Manf. Composite	Apr	54.8	55.7	54.5	-
Wed	05/04	10:00 PM	US	Durable Goods Orders	Mar F	0.8	0.8	0.8	-
Thu	05/05	9:45 AM	China	Caixin China PMI Services	Apr	-	51.8	52.2	-
Thu	05/05	4:30 PM	UK	Markit/CIPS UK Services PMI	Apr	53.5	52.3	53.7	-
Thu	05/05	8:30 PM	US	Initial Jobless Claims	30-Apr	260 K	274 K	257 K	-
Fri	05/06	9:30 AM	Australia	RBA Statement on Monetary Policy	-	-	-	-	-
Fri	05/06	10:00 AM	Japan	Nikkei Japan PMI Services	Apr	-	-	50.0	-
Fri	05/06	8:30 PM	US	Change in Nonfarm Payrolls	Apr	200 K	156 K	215 K	-
Fri	05/06	8:30 PM	US	Unemployment Rate	Apr	4.9	5.0	5.0	-
Fri	05/06	8:30 PM	US	Average Hourly Earnings YoY	Apr	2.4	2.3	2.3	-
Fri	05/06	8:30 PM	US	Underemployment Rate	Apr	-	-	9.8	-
Sat	05/07	1:00 AM	US	Baker Hughes U.S. Rig Count	6-May	-	-	420	-
Sat	05/07	TBD	China	Foreign Reserves	Apr	3204.0 B	-	3212.6 B	-
Sun	05/08	TBD	China	Exports YoY	Apr	(0.5)	11.5	11.5	-
Sun	05/08	TBD	China	Imports YoY	Apr	(4.0)	(7.6)	(7.6)	-
Sun	05/08	TBD	China	Foreign Direct Investment YoY CNY	Apr	5.0	-	7.8	-

Source: Bloomberg

Comments on Economic Releases

- Monday** – ISM manufacturing lost some ground in April, but managed to avoid contraction for now. Although both new orders and production moderated, they remained in expansionary territory, suggesting that headline may still improve in the coming months. Improvement in export orders data was also an encouraging sign.
- Tuesday** – Caixin reading looks broadly consistent with the official PMI and other early indicators for April, showing that the economy is not falling back into slump, but no signs of accelerating either. RBA cut their cash rate target by 25 bps to a new low of 1.75%, catching the market by surprise. U.K. manufacturing PMI reading for April suggests the sector got off to a poor start to the second quarter. BoE will also look to the services PMI on May 5 to gauge whether the economy is likely to slow further.
- Wednesday** – U.S. ADP employment results considerably softer in April, and while one month does not make a trend, latest figures might cast some doubt on whether the U.S. labor market can sustain recent pace of gains, after three quarters of deceleration in economic growth. However, the American service industry still expanded in April, signaling the overall economy is relatively firm after a weak start to the year.
- Thursday** – Applications for U.S. unemployment benefits increased to a five-week high, a sign that progress in the strongest part of the economy may be moderating. Increases in new applications probably mark a shift in sentiment among hiring managers about the economic prospects after the weakest quarter for growth in two years. Focus turns to payrolls data due Friday from the Labor Department.

Source: Bloomberg

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