

## Watch 10y UST Near the Key 2.30% Level

### Global Markets Week Ahead:

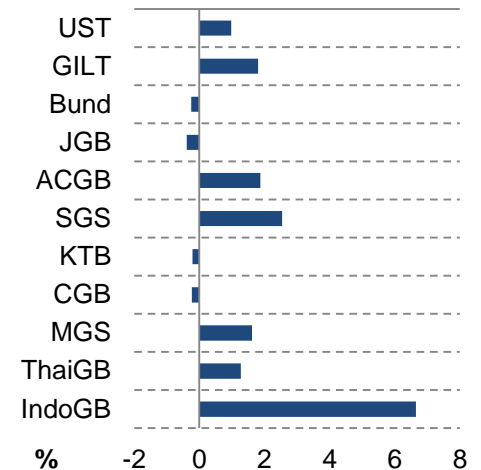
- ◆ US March inflation measures (PPI and CPI) and Retail Sales are expected to have eased. Dovish Minneapolis Fed Neel Kashkari is the only FOMC member to deliver a speech this week. These elements combined together could lead to a moderate pause to the past 2 weeks of USD appreciation. On the geopolitical front, after the G7, **State Secretary Tillerson meets with his Russian counterpart Lavrov in Moscow**, when President Trump just changed his stance towards Bashar al-Assad by launching missile strikes after the gas bombing in Syria, allegedly perpetrated by the Russian-backed Syrian President; **watch the 2017 range bottom on 10y UST yield at 2.30% that if penetrated would trigger further UST gain towards 2.20% in the short term.**
- ◆ Over in the UK, expect another packed week ahead with CPI and labour data due that would influence BoE's thinking in the months ahead. Both data sets are expected to soften marginally, with any upside surprises likely to drive hawkish bets across UK assets. The reopening of the 2065 Gilts may also add pressure on long UK rates in the week ahead; **stay neutral towards Gilts.**
- ◆ In Europe, the Eurozone Industrial Production has likely halted in February (est: 0.1%; last: 0.9%) while German inflation has remained stable, underscoring ECB's Draghi prudent approach that the continuation of the **recovery is conditional to the bank's accommodative policy stance** which includes the level of policy rate, the Asset Purchase Program and the forward guidance. Keep a mildly bearish view on the Euro ahead of the French presidential elections (April 23<sup>rd</sup>) where the race remains very tight.
- ◆ In Japan, we will eye the expected improvement of March PPI and February current account, stable money supply and factory output. That said, the USDJPY has held below its 89-day Exponential moving average and we eye the next support at 109.15/108.50 should the USD pause materializes in a short term horizon.
- ◆ Last but not least, expect the results of RBA's Financial Stability Review to draw some interest given lingering concerns over Australia's overheating property markets and domestic credit stock. Australian labour data due will also be closely scrutinised given RBA's declining confidence towards employment, where economists expect a relatively robust print over February's number; **stay neutral AUD.**

### Global Markets Sovereign Bond Auction Calendar

Date	Country	Issuance Status	Tenor	Issue Size	Coupon (%)	Maturity
10 Apr	Australia	Reopening	16y	AUD400m	4.50%	04/33
11 Apr	US	New Issue	3y	USD24bn	--	04/20
12 Apr	US	Reopening	10y	USD20bn	2.25%	02/27
12 Apr	Australia	Reopening	3y	AUD800m	1.75%	11/20
12 Apr	Germany	Reopening	10y	EUR3bn	0.25%	02/27
12 Apr	UK	Reopening	48y	GBP1.5bn	2.50%	07/65
13 Apr	US	Reopening	30y	USD12bn	3.00%	02/47
13 Apr	JP	Reopening	30y	JPY800bn	0.80%	03/47

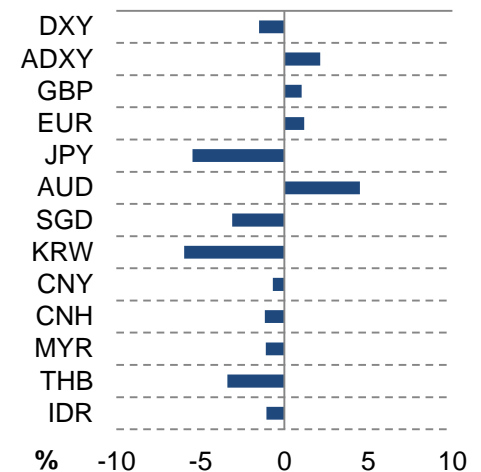
Source: RHBFIG, Various Ministries of Finance

Chart 1: YTD Sovereign Bond LCY Return



Source: Bloomberg, RHBFIG

Chart 2: YTD Spot FX Returns



Source: Bloomberg, RHBFIG

\*Spot returns are measured for the currency against USD

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## AxJ Markets Week Ahead:

- ◆ The semi-annual MAS MPS is expected to be held on 13 April, where the recent pickup in external demand alongside nascent signs of rising price pressures have affirmed our **view for MAS to keep the current slope, width, and mid-point of the SGD NEER policy band unchanged**, while dialling back on its dovish tone. Singapore's 1Q advanced GDP print is also due, with consensus **placing the 1Q GDP expansion at the upper bound of MTI's 1.0-3.0% forecast, which could fuel moderate strength on SGD in the week**. Elsewhere, we **expect BoK to keep the policy rate unchanged at 1.25% as it reconvenes on 13 April**. With a month away from the next Presidential Elections, topics on National Security continue to dominate the Presidential candidates' speech, with little emphasis geared towards a supplementary budget amid recovery in external demand. While concerns of financial stability are likely to restrain BoK from further easing over the near term, we **recommend for investors to keep a neutral duration view on KTBs, with the wide 3/10y spreads appearing attractive against the backdrop of weak demand push price pressures**; expect USD to remain the dominant driver on the USDKRW pair over the coming week.
- ◆ China releases the trade and CPI data in the week ahead, where expectations remain skewed towards a healthy external demand, with the trade deficit announced for the month of February likely to be a blip in the data. Upward trend in CPI and PPI is also likely to decelerate, **underscoring the prospect for PBoC to retain its neutral monetary inclination; keep a neutral duration view on CGBs**. Likelihood of US naming China as a currency manipulator remains how given narrowing trend of current account surplus alongside declining Chinese foreign reserves to manage the currency which could keep CNY on a modestly depreciating trend over the course of the year; **maintain mildly bearish CNY**. Meanwhile, **demand for the 30y ThaiGB auction is likely to remain anchored by domestic pension and lifers**, with weak offshore interest in the long duration papers. We continue to eye BoT's communication on the strength of THB, which is likely to fuel a small but non-negligible chance of a 25bps BoT rate cut in 2Q; **keep a neutral view on THB**.
- ◆ Malaysian February IP growth is expected to rebound strongly despite the lacklustre PMI prints. On the bright side, export growth appears to be picking up across AxJ economies, which should bolster domestic sentiment given Malaysia's significant trade exposure. While we continue to see any resurgent USD strength as a near-term threat to the Ringgit, we continue to **expect gradual MYR strength into 2H17, given heavily-reduced speculative flows alongside robust core fundamentals; stay neutral MYR**. Elsewhere, Indonesian trade data may show strength given the stronger commodity outlook alongside improving trade prospects within the region; **low IDR volatility continues to bolster the currency's carry attractiveness**.

## AxJ Markets Sovereign Bond Auction Calendar

Date	Country	Issuance Status	Tenor	Issue Size	Coupon	Maturity
10 Apr	South Korea	Reopening	5y	KRW1.95trn	1.875%	03/22
11 Apr	Indonesia	Reopening	5y	IDR15-22.5trn	7.00%	05/22
11 Apr	Indonesia	Reopening	10y	including 2 SPN	7.00%	05/27
11 Apr	Indonesia	Reopening	15y	issuances	7.00%	08/32
12 Apr	China	New Issue	5y	CNY32bn	--	04/22
12 Apr	Thailand	Reopening	29y	THB13bn	2.875%	06/46

Source: RHBFIG, Various Ministries of Finance

**Rates & FX Trade Ideas**

Rates Trade Ideas	Date Initiated	Levels			Yield Change Since Initiation (bps)	Status
		Entry	Current	Target / Stop Loss		
20/40y JGB Steepener	7 May 15	27	39	70 / 10	+12	Hold
Long 3y CGB*	3 July 15	2.820%	2.957%	1.800% / 3.200%	+14	Hold
Short 7/20/40y JGB Fly	28 Sep 15	61	27	12 / 75	-34	Hold
3/10y CGB Steepener	29 Sep 15	37	30	97 / 10	-7	Hold

Source: RHBFIC, Bloomberg

Note: Only outstanding positions and positions expired or closed over a rolling one week are reflected in the table; all positions unhedged

\*Figures denoted in bps unless otherwise stated.

FX Trade Ideas	Date Initiated	Levels			Performance Since Initiation (%)	Status
		Entry	Current	Target / Stop Loss		
Short EURINR	13 Jan 15	72.235	68.834	67.500 / 77.000	+4.71%	Hold
Short JPYKRW	26 Feb 16	10.952	10.215	9.8000 / 12.000	+6.73%	Hold

Source: RHBFIC, Bloomberg

Note: Only outstanding positions and positions expired or closed over a rolling one week are reflected in the table; all positions unhedged

## Economic Review of Past Week

Date	3 April Monday	4 April Tuesday	5 April Wednesday	6 April Thursday	7 April Friday
US	ISM Mfg▼; Markit Mfg PMI▼; ISM Prices Paid▲	Factory Orders▼	FOMC Meeting Minutes; ISM Composite▼; ADP▲		NFP▼; Unemployment Rate▼; Avg Hourly Earnings YoY▼
UK	Mfg PMI▼		Services PMI▲; Composite PMI▲		Halifax HPI▼; IP▼; Mfg Production▲; Trade Balance▼
Eurozone	EU Mfg PMI=; EU Unemployment Rate▼; FR Mfg PMI▼; GE Mfg PMI=	EU Retail Sales▲	EU Composite PMI▼	Draghi's speech (dovish); FR Retail PMI▼; GE Factory Orders▲;	GE IP YoY▲
Japan	Tankan Capex▼; Tankan Mfg index and Outlook▲; Mfg PMI▼		PMI Composite▲; PMI Services▲		Labour Cash Earnings YoY▼
Australia	Mfg PMI▼; Melbourne Institute Inflation▲; Retail Sales▼; Building Approval▲	Trade Balance▲; RBA Cash Rate	Services PMI▲		
Singapore	Manufacturing PMI▲; Electronics Sector Index▲; URA Private Home Prices▼		Nikkei Singapore PMI▲		Foreign Reserves▲
South Korea	Nikkei South Korea Manufacturing PMI▼	CPI▲; Core CPI▼; Foreign Direct Investments▼	Foreign Reserves▲; Current Account Surplus▲; Trade Surplus▲		
China				Caixin Services PMI▲; Caixin Composite PMI▲	Foreign Reserves▲
Malaysia	Nikkei PMI▲		Trade Balance▲; Exports▲; Imports▲		Foreign Reserves▲
Thailand	Nikkei Thailand Manufacturing PMI▲; CPI▼; Core CPI▲; Business Sentiment Index▲				Foreign Reserves▲; Consumer Confidence▲
Indonesia	Nikkei PMI▲; CPI▼; Core CPI▼			Consumer Confidence▲	Foreign Reserves▲

Source: RHBFC, Bloomberg

▲ denotes higher; ▼ denotes lower; pink denotes poor economic data; green denotes improving economic data.

## Market Highlights over the Past Week

	Rates	FX
US	<b>Neutral.</b> Risk-off sentiment supported USTs; 10y yield closed on the edge of the 2017 range bottom at 2.32%. Softer than expected Manufacturing prints, potentially shrinking Fed's balance sheet limiting rate hikes & the Syrian crisis contributed to the poor global sentiment.	<b>Neutral.</b> The DXY continued to rise above the 98.95 support, albeit at a softer pace, closing higher by 0.10%. The decreasing slope of appreciation was triggered by concerns over the uncertain fiscal outlook as speaker Ryan said that the tax reform will take longer to accomplish than healthcare
UK	<b>Neutral.</b> 2y Gilt yields held steady while 10y yields fell c.4bps, amid declines in global yields elsewhere. UK remains committed to seek new trade ties in preparation of an eventual Brexit from the EU Area, and cite opportunities to develop new relationships in Asia.	<b>Mildly Bearish.</b> GBPUSD fell 0.14% w-o-w given a softer manufacturing PMI but stronger services PMI; overall composite PMI improved versus February's print. GBPUSD held above its 50DMA and 100DMA; EURGBP constantly testing its 50DMA.
Eurozone	<b>Mild Overweight.</b> German and French Government Bond yields declined along the curve alongside the drop observed in UST yields. Mario Draghi's comments that accommodative policies will remain in place contributed to the lower yield trend.	<b>Mildly Bearish.</b> ECB's President Mario Draghi commented that "a reassessment of the current monetary stance is not warranted" as "inflation dynamics continue to depend on the continuation of our current monetary policy stance. The EURUSD closed down by -0.32%.
Australia	<b>Neutral.</b> 2y and 10y ACGB yields declined c.9-16bps w-o-w, spurred by declines in global yields and a more dovish-sounding RBA in its latest monetary policy meeting. While building approvals and a private inflation gauge revealed strength, retail sales print was weak, pressured by the lack of strong wage growth.	<b>Neutral.</b> AUDUSD dipped 1.45% w-o-w, the biggest loser among our coverage, after RBA sounded more downbeat on the Australian economy, especially the labour market. The bank is not likely to hike rates to solely rein in the property markets, preferring to rely on tighter macro-prudential measures instead.
Japan	<b>Underweight.</b> The global risk-off trend helped to support JGBs although in a lesser strength than its peers as market participants focus on next week 30-year bond auction. The North Korean and the crisis in Syria are the among top investors' concerns.	<b>Neutral.</b> Risk aversion sentiment continue to spur strong gains on the Yen, best performing currency under our coverage; the USDJPY closed by 1.36% w-o-w. Economic release were mixed: Capex came better than expected but much lower than previous print (0.6%; 4Q16 5.5%).
Singapore	<b>Neutral.</b> Gains on the SGS curve were skewed towards the front end of the curve, with gains taking directional cues from USTs following FOMC minutes. Expect demand for safe haven to further support a narrowing 10y UST-SGS spread over the coming weeks.	<b>Neutral.</b> USDSGD failed to hold below the 1.40 handle, weighed by increasing appetite for USD. Ahead of MAS MPS, we expect a status quo decision alongside a diminishing dovish MAS to support moderate strength on SGD over the coming week.
South Korea	<b>Neutral.</b> Spreads between the 10y UST and 10y KTB eased to 14bps, down from the record 45bps in December given the declining likelihood of a steeper than expected FFR hike trajectory. Expect demand for safe haven to further narrow the spread over the coming weeks.	<b>Mildly Bearish.</b> Heightening geopolitical concerns surrounding (i) the incoming South Korean President's stance towards THAAD, (ii) North Korea's missile test, and (iii) US's strike on Syria bolstered demand for safe haven assets, driving the USDKRW pair higher by 1.27% to 1,134.
China	<b>Neutral.</b> Movements on CGBs were relatively subdued over the week despite strong gains seen on global yield curves. Prospect of CGB's inclusion into global bond indices is likely to boost offshore demand and offset tightening liquidity within the domestic market, underscoring our preference for a neutral duration tilt.	<b>Mildly Bearish.</b> CNY recorded moderate gains against the CFET basket ahead of President Xi's meeting with US President Trump, with the USDCNY pair holding marginally below 6.90. Low likelihood for China to be labelled as a currency manipulator by US would mitigate risk on our mildly bearish view on CNY amid the overvalued CNY REER.
Malaysia	<b>Neutral.</b> MGS yields inched c.1-2bps lower w-o-w, underpinned by lower yields elsewhere. Nikkei PMI improved to 49.5 in March (Feb: 49.4), but remained in contractionary territory for the 24 <sup>th</sup> straight month. Malaysia's trade outlook got a lift in February, as exports and imports expanded by 26.5% and 27.7% y-o-y respectively.	<b>Neutral.</b> USDMYR ticked 0.36% higher w-o-w, spurred by sudden safe haven demand post US unilateral military action, but unlikely to be sustained over an extended period of time. Foreign reserves climbed to USD95.4bn as of end-March (mid-March: USD94.9bn), or about 8.3 months of retained imports.
Thailand	<b>Mild Underweight.</b> Capital inflows into the THB bond market remained robust despite BoT's announcement to reduce supply of short term bills, bolstering moderate gains on the front to belly portion of the ThaiGB curve; short dated yields to remain anchored at the 1.55% handle.	<b>Neutral.</b> THB emerged as the weakest performing currency in AxJ behind KRW this week, weighed by BoT's comments on THB strength. Declining tolerance for a strengthening THB could reinforce the 34.0/USD major support over the medium term.
Indonesia	<b>Neutral.</b> 10y IndoGB yields climbed c.8bps w-o-w, in contrast with other AxJ peers whose yields were mostly tighter w-o-w, likely on profit-taking flows post-Syria given the recent outperformance. March CPI due softer than expected, providing BI with room to hold monetary policy steady over the coming months.	<b>Neutral.</b> USDIDR held steady over the week, although the surprise US strike on Syria heightened the pair's intraday volatility; USDIDR trades between 13,314 to 13,366 over the week. BI vowed to maintain IDR stability, and sees volatility under 10% this year. PMI and consumer confidence soft data due early in the month showed improvements.

\*Views on this page are of a shorter term nature.

## Weekly Sovereign Rates and FX Changes

All following data cut off at 12PM GMT +0800

Country	2y			10y				2/10y Spread (bps)	Currency **	FX Rate (per USD)	
	Closing Yield (%)	Yield Change (bps)	3m Avg Yield (%)	Closing Yield (%)	Yield Change (bps)	3m Avg Yield (%)	Current vs 3m Avg (bps)			Last Traded Price	Daily Change (%)
US	1.222	-3.2	1.237	2.314	-7.3	2.443	-12.9	109.2	DXY	100.680	0.10
									ADXY	105.140	-0.25
UK	0.126	0.8	0.119	1.098	-4.0	1.271	-17.3	97.2	GBP	1.2467	-0.14
Germany	-0.788	-3.8	-0.781	0.261	-6.4	0.362	-10.1	104.9			
France	-0.368	-6.3	-0.511	0.896	-7.0	0.980	-8.4	126.4			
Spain	-0.226	-4.2	-0.236	1.611	-4.1	1.646	-3.5	183.7	EUR	1.0642	-0.32
Italy	-0.090	-2.5	-0.043	2.262	-4.7	2.172	9.0	235.2			
Portugal	0.437	-11.4	0.134	3.883	-7.1	4.006	-12.3	344.6			
Japan	-0.214	-2.8	-0.238	0.054	-1.6	0.077	-2.3	26.8	JPY	110.57	-1.36
Australia	1.660	-8.9	1.829	2.542	-15.9	2.766	-22.4	88.2	AUD	0.7532	-1.45
Singapore	1.244	-7.9	1.233	2.214	-3.3	2.309	-9.5	97.0	SGD	1.4019	0.29
South Korea*	1.681	1.3	1.660	2.183	-0.7	2.173	1.0	50.2	KRW	1,134.0	1.27
China	2.701	0.0	2.674	3.298	1.9	3.324	-2.6	59.7	CNY	6.8977	0.01
China (Offshore)*	4.230	-1.7	4.191	4.551	-1.4	4.278	27.3	32.1	CNH	6.8949	0.11
Malaysia*	3.492	-1.2	3.365	4.115	-2.4	4.131	-1.6	62.3	MYR	4.437	0.36
									SGD/MYR	3.1653	-0.04
Thailand	1.511	-2.5	1.649	2.647	-4.0	2.709	-6.2	113.6	THB	34.619	0.49
Indonesia*	6.589	-2.9	6.950	7.096	8.1	7.435	-33.9	50.7	IDR	13,330.0	0.04

Source: RHBFIG, Bloomberg

\*3y

\*\*Against USD unless otherwise mentioned; daily change (%) reflects overnight changes in the pair denoted in market convention.

## Sovereign 5y CDS

Country	Last Close	Weekly average	52-wk High	52-wk Low
			(bps)	(bps)
US	19.89	19.89	20.43	19.19
UK	30.73	30.73	47.50	28.50
Germany	18.25	17.50	25.23	14.88
Spain	81.50	75.10	131.55	66.08
Japan	45.79	45.79	47.15	45.76
Australia	26.00	25.80	54.91	20.17
S. Korea	51.14	50.78	81.17	39.33
China	81.80	83.00	150.50	78.33
Malaysia	107.46	105.96	205.95	99.24
Thailand	54.24	54.88	175.00	51.41
Indonesia	129.64	128.54	265.62	120.42

Source: RHBFIG, Bloomberg

## Monetary Policy Meeting Schedule

Country	Key Policy Rate (%)	Next Policy Date
US	0.75	3 May 17, Wednesday
UK	0.25	11 May 17, Thursday
EU	0	27 Apr 17, Thursday
Japan	-0.1	27 Apr 17, Thursday
Australia	1.5	2 May 17, Tuesday
Singapore	-	13 Apr 17, Thursday
South Korea	1.25	13 Apr 17, Thursday
China	4.35	-
Malaysia	3	12 May 17, Friday
Thailand	1.5	24 May 17, Wednesday
Indonesia	4.75	20 Apr 17, Thursday

Source: RHBFIG, Bloomberg

\*Preliminary Date

## Week Ahead Economic Calendar

Date	Country	Event	Period	Survey	Prior
10 Apr	Japan	BoP Current Account Balance	Feb	¥2528.4b	¥65.5b
10 Apr	Japan	Trade Balance BoP Basis	Feb	¥993.2b	-¥853.4b
10 Apr	Japan	Eco Watchers Survey Current / Outlook SA	Mar	49.5/50.3	48.6/50.6
10 Apr	Australia	Home Loans MoM	Feb	0.40%	0.50%
10 Apr	Australia	Investment Lending	Feb	--	4.20%
10 Apr	US	Labor Market Conditions Index Change	Mar	--	1.3
11 Apr	Australia	NAB Business Conditions / Confidence	Mar	--	9 / 7
11 Apr	Malaysia	Industrial Production YoY	Feb	7.00%	3.50%
11 Apr	Japan	Machine Tool Orders YoY	Mar P	--	9.10%
11 Apr	UK	CPI YoY	Mar	--	2.30%
11 Apr	UK	CPI Core YoY	Mar	--	2.00%
11 Apr	UK	House Price Index YoY	Feb	--	6.20%
11 Apr	EU	Industrial Production WDA YoY	Feb	--	0.60%
11 Apr	EU	ZEW Survey Expectations	Apr	--	25.6
11 Apr	Germany	ZEW Survey Current Situation / Expectations	Apr	--	77.3 / 12.8
11 Apr	US	JOLTS Job Openings	Feb	--	5626
12 Apr	South Korea	Unemployment rate SA	Mar	--	4.00%
12 Apr	South Korea	Bank Lending To Household Total	Mar	--	KR710.9t
12 Apr	Japan	Machine Orders YoY	Feb	2.50%	-8.20%
12 Apr	Japan	PPI YoY	Mar	1.40%	1.00%
12 Apr	Australia	Westpac Consumer Conf Index	Apr	--	99.7
12 Apr	China	CPI / PPI YoY	Mar	1.00%/7.40%	0.80%/7.80%
12 Apr	Singapore	Retail Sales YoY	Feb	--	2.00%
12 Apr	Thailand	Foreign Reserves	Apr-07	--	--
12 Apr	UK	Average Weekly Earnings 3M/YoY / ex Bonus 3M/YoY	Feb	--	2.20%/2.30%
12 Apr	UK	ILO Unemployment Rate 3Mths	Feb	--	4.70%
12 Apr	UK	Employment Change 3M/3M	Feb	--	92k
13 Apr	Singapore	GDP YoY / SAAR QoQ	1Q A	2.60%/-1.90%	2.90%/12.30%
13 Apr	South Korea	BoK 7-Day Repo Rate	Apr-13	--	1.25%
13 Apr	China	Trade Balance	Mar	\$11.00b	-\$9.15b
13 Apr	China	Exports / Imports YoY	Mar	4.00%/17.00%	-1.30%/38.10%
13 Apr	Australia	RBA Financial Stability Review			
13 Apr	Australia	Employment Change	Mar	19.0k	-6.4k
13 Apr	Australia	Unemployment Rate	Mar	5.90%	5.90%
13 Apr	Germany	CPI YoY	Mar F	--	1.60%
13 Apr	US	PPI Final Demand / Ex Food and Energy YoY	Mar	2.30%/1.80%	2.20%/1.50%
13 Apr	US	Initial Jobless Claims / Continuing Claims	Apr-08	--	--
13 Apr	US	U. of Mich. Sentiment	Apr P	97	96.9
14 Apr	Japan	Industrial Production YoY	Feb F	--	4.80%
14 Apr	US	CPI YoY / Ex Food and Energy YoY	Mar	2.60%/2.30%	2.70%/2.20%
14 Apr	US	Real Avg Weekly / Hourly Earnings YoY	Mar	--	-0.30%/0.00%
14 Apr	US	Retail Sales Advance / Ex Auto MoM	Mar	0.20%/0.20%	0.10%/0.20%
14 Apr	US	Business Inventories	Feb	0.30%	0.30%

Source: RHBFIG, Bloomberg

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