

Highlights

Global	<p>Weekend developments comprised of better-than-expected China's official manufacturing PMI print and "targeted" RRR cuts effective 2018 ahead of its Golden Week holidays. Japan's Tankan report this morning also saw the large manufacturer index rising from 17 to 22. On the geopolitical front, US president Trump said it was a waste of time for Secretary of State Tillerson to negotiate with North Korea, while there were clashes between police and Catalan votes in the independence referendum, but saw little impact on the EUR. Asian bourses may cheer the China developments this morning. The busy economic data calendar will kick off with US' manufacturing ISM and construction spending, the slew of manufacturing PMIs across Europe and Asia, Indonesian and Thai CPI data. ECB's Praet and Fed's Kaplan are also speaking today. Market focus this week will be on RBA policy meeting tomorrow (likely unchanged at 1.5% with a neutral bias), RBI on Wednesday (likely static), Friday's US' nonfarm payrolls (where Hurricane Harvey, Irma and Maria may weigh down NFP to 75k from Aug's 156k, but the unemployment rate is tipped to hold at 4.4%) and Saturday's final NZ election results. Fed chair Yellen is also speaking on 4 Oct at a community banking event.</p>
US	<p>The core PCE deflator rose less than expected by 0.1% mom (1.3% yoy) in Aug, its lowest since 4Q15, and suggesting that inflation remains below the Fed's radar for now. Meanwhile, the Chicago Purchasing Managers index unexpectedly jumped from 58.9 in Aug to 65.2 in Sep, while the final Sep reading for University of Michigan sentiments was a tad weaker at 95.1.</p>
EZ	<p>German unemployment fell more than expected by 23k to 2.506m in Sep, with the unemployment rate falling to a record low of 5.6% in Sep. Meanwhile, UK's final 2Q17 GDP growth was unchanged at 0.3% qoq (1.5% yoy).</p>
CN	<p>PBoC unveiled the details about targeted reserve requirement ratio cut on 30 Sep, three days after the State Council mentioned that in its regular meeting on 27 Sep. It is the first time for PBoC to announce the forward RRR cut. The targeted RRR cut will only be rolled out in 2018. In addition, by redefining inclusive finance, it will standardize the qualification criteria to make targeted RRR cuts more transparent and more targeted to support China's reform agenda.</p>
SG	<p>Total bank loans growth pace moderated again for the second straight month to 5.1% yoy in Aug, versus 5.9% yoy in Jul, and suggesting further consolidation may be in store for the remainder of 2017, albeit it chalked up the 11th straight month of yoy growth. That said, total bank loans did expand by 0.3% mom in Aug, reversing a 0.5% mom decline in Jul. Notably, business loans growth also eased to 5.8% yoy (0.1% mom), a slowdown from the 7.4% and 10.5% yoy seen in the past two months. Consumer loans, on the other hand, remained resilient and accelerated for the third consecutive month to 3.9% yoy (0.5% mom) in Aug, compared to Jul's 3.8% yoy (0.2% mom). Looking ahead, loans growth may continue to fluctuate and slow further below the 5% handle due to a more challenging 4Q16 base. For Jan-Aug 2017, bank loans had already grown 5.9% yoy, which is a sharp turnaround from the 2016 performance. URA's 3Q17 preliminary private home prices will be closely watched today for signs of a highly-anticipated turnaround.</p>

Major Market

- **US:** Equities ended the third quarter on a high, with the S&P 500 and Nasdaq Composite advancing 0.37% and 0.66% to new record highs, while the Dow also gaining 0.11% to close a sliver from its record. Overall, the indices were powered by the tech and healthcare sectors. Weak PCE inflation figures headlined an uninspiring set of data release, but were insufficient to tamper the positivity in the equity markets. Despite coming in below expectations, it appears unlikely that the Fed rate hike path will be derailed. VIX stood at 9.51, compared to 9.55 previously. For this week, look to the jobs reports on Thursday and Friday, and Yellen's comments on Wednesday.
- US Treasuries yields closed higher on newsflow that the perceived hawkish Kevin Warsh was interviewed by Trump and Mnuchin for the role of the Fed chair. 2y and 10y benchmark yields rose 2-3 bps to 1.48% and 2.33% respectively. Trump also mentioned that he will make a decision over the Fed chairmanship "over the next two or three weeks". This should hold the attention of the markets over the short term, as the new appointees to the Fed chair position and other Board positions will have a material impact on the Fed hike path in 2018.
- **Singapore:** Whilst loans to industry segments like business services (23.8% yoy), financial institutions (12.8% yoy), transport/storage/communications (11.2% yoy) and general commerce (10.4% yoy) still saw double-digit growth on-year, the other segments like building/construction had ground nearly to a halt at 0.2% yoy, which could explain why the government decided to bring forward \$700m of public amenity projects to this year and 2018. Similarly, business loans also grew 0.1% mom in August, reversing the 0.9% mom dip in July, suggesting some stabilisation. The support for consumer loans came on the back of higher housing/bridging loan drawdowns (4.3% versus 4.1% over the same period) and with pockets of renewed interest in the private residential market, the demand for mortgage loans should be able to sustain positive growth.
- The STI slipped 0.22% to close the week at 321.91 on Friday, but may attempt to start October on a firmer tone amid news of China's RRR cuts and positive cues from Wall Street on Friday. STI's support and resistance are tipped at 3200 and 3240 respectively. UST bond yields firmed on Friday, led by the belly of the curve, and this may pressure SGS bonds to unwind its Friday rally which saw longer-dated bonds being bid up.
- **Malaysia:** BNM has issued a draft on proposed regulatory requirement on net stable funding ratio (NSFR) for banking institutions, and intends to implement NSFR no earlier than 1 January 2019, according to a statement on the BNM website.
- **Korea:** Industrial production in August surprised higher at 2.7% (vs mkt est: 1.3%), suggesting that the export-oriented economy has indeed benefited from the improving external environment. However, note that both department and discount sales growth have contracted into August, likely due to the falling tourism levels.
- **Thailand:** Rosy data were seen out of Thailand on Friday last week. These include Aug's manufacturing growth at 3.7% (vs mkt est: 2.4%) and export growth at a strong 15.8%, fastest growth pace since Nov 2012.
- **Indonesia:** The IDR settled into a 13450-13500 trading range on Friday, with Bank Indonesia assuring markets with commitments to defend the currency. Meanwhile, BI governor Agus Martowardojo said that two consecutive cuts in August and September is "adequate enough". This suggests that the BI may hold in the subsequent meetings.

- **Commodities:** Crude oil prices opened markedly lower this morning as market-watchers digested the higher US oil rig count print overnight. Prices also rose temporarily on Turkey's statement that it will only deal with the Iraqi central government in Baghdad when buying oil from the autonomous Kurdistan region in Northern Iraq, before profit-taking ensued. Still, the Brent's backwardation has extended to early 2020 of late, suggesting that (1) the short-term outlook for crude oil prices have risen significantly of late and more importantly (2) it isn't attractive to keep oil in storage and thus likely to drive oil inventories lower in the immediate horizon.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 3-9bps lower across most tenors. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 186bps, while the yield on JACI HY Corp traded little changed at 6.87%. 10Y USTs rose by 3% to 2.33%, as the treasuries curve bear flattened after a WSJ report stated that Kevin Warsh was interviewed for Fed chair.
- **New Issues:** Kia Motors Corporation has scheduled investor meetings for potential USD bond issuance from 9 Oct. The Bank of Nova Scotia has scheduled investor meetings for potential USD Perp NC5 AT1 issuance from 2 Oct. The expected issue ratings are 'BBB-/Baa3/NR'.
- **Rating Changes:** S&P has affirmed Shanghai Huayi (Group) Co's (Shanghai Huayi) 'BBB-' corporate credit rating, while revising the outlook to stable from negative. The rating action reflects S&P's expectation that Shanghai Huayi's financial leverage will improve as the chemical industry recovers. Moody's has upgraded Geely Automobile Holdings Limited's (Geely) corporate family and senior unsecured ratings to 'Ba1' from 'Ba2'. The outlook is stable. The rating action reflects Geely's strengthening business profile, as seen by gains in market share and improvements in profitability, and its track record of consistent low debt leverage and strong liquidity positions. However, the ratings are constrained by the strong competition in China's auto market and Geely's narrow albeit expanding product range. Moody's has downgraded Dalian Wanda Commercial Properties Co Ltd (DWCP) issuer rating to 'Ba1' from Baa3'. The rating has been withdrawn, and the company has been assigned a corporate family rating of 'Ba1'. At the same time, Moody's has downgraded Wanda Commercial Properties (HK) Co Limited's (Wanda HK) corporate family rating to 'Ba3' from 'Ba1', while downgrading the senior unsecured ratings on the bonds issued by Wanda HK's wholly owned subsidiaries to 'Ba3' from 'Ba1'. The outlook on all ratings is negative. The rating action reflects Moody's concerns over DWCP's weakened liquidity position due to inadequate offshore cash to meet the repayment of its offshore bank loans.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.076	-0.01%	USD-SGD	1.3576	-0.01%
USD-JPY	112.510	0.15%	EUR-SGD	1.6043	0.24%
EUR-USD	1.1814	0.24%	JPY-SGD	1.2065	-0.19%
AUD-USD	0.7834	-0.28%	GBP-SGD	1.8189	-0.35%
GBP-USD	1.3398	-0.33%	AUD-SGD	1.0633	-0.32%
USD-MYR	4.2205	-0.26%	NZD-SGD	0.9788	-0.40%
USD-CNY	6.6528	-0.12%	CHF-SGD	1.4022	0.18%
USD-IDR	13472	-0.32%	SGD-MYR	3.1084	0.05%
USD-VND	22730	0.01%	SGD-CNY	4.9006	-0.06%

Equity and Commodity

Index	Value	Net change
DJIA	22,405.09	23.89
S&P	2,519.36	9.30
Nasdaq	6,495.96	42.51
Nikkei 225	20,356.28	-6.83
STI	3,219.91	-7.23
KLCI	1,755.58	-2.48
JCI	5,900.85	59.81
Baltic Dry	1,356.00	-35.00
VIX	9.51	--

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1817	0.0006
2M	-0.3390	--	1M	1.2322	-0.0028
3M	-0.3290	--	2M	1.2694	--
6M	-0.2730	--	3M	1.3339	-0.0011
9M	-0.2200	--	6M	1.5060	-0.0034
12M	-0.1720	--	12M	1.7823	-0.0045

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.39 (-0.03)	1.48 (+0.03)
5Y	1.65 (-0.04)	1.94 (+0.04)
10Y	2.15 (-0.05)	2.33 (+0.03)
15Y	2.43 (-0.07)	--
20Y	2.43 (-0.06)	--
30Y	2.50 (-0.06)	2.86 (-0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	1.25 - 1.5	1.5 - 1.75	1.75 - 2.0	2.0 - 2.25
11/01/2017	0.8%	0.8%	0.0%	0.0%	0.0%
12/13/2017	70.0%	69.5%	0.5%	0.0%	0.0%
01/31/2018	70.9%	68.3%	2.5%	0.0%	0.0%
03/21/2018	81.2%	54.4%	25.9%	0.9%	0.0%
05/02/2018	81.5%	53.8%	26.4%	1.3%	0.0%
06/13/2018	87.0%	43.3%	34.5%	8.8%	0.4%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.03	0.32
EURIBOR-OIS	2.68	0.58
TED	29.34	0.29

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.67	0.21%	Copper (per mt)	6,514.7	-0.87%
Brent (per barrel)	57.54	0.23%	Nickel (per mt)	10,430.5	0.55%
Heating Oil (per gallon)	1.8117	-1.11%	Aluminium (per mt)	2,081.0	-1.36%
Gasoline (per gallon)	1.6065	-1.55%			
Natural Gas (per MMBtu)	3.0070	-0.33%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,695.0	-0.37%
			Rubber (JPY/KG)	201.8	-1.94%
Precious Metals	Futures	% chg			
Gold (per oz)	1,284.8	-0.30%			
Silver (per oz)	16.676	-1.02%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodity Positioning Update

For the week ended: 26 Sep 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	505,088	476,813	28,275	Natural Gas	-60,092	-25,585	-34,507
Soybean	34,616	21,211	13,405	Gold	228,017	252,776	-24,759
Heating Oil	57,871	47,540	10,331	Sugar	-32,630	-23,568	-9,062
Live Cattle	116,760	110,513	6,247	Silver	59,608	67,070	-7,462
Wheat	-43,309	-48,976	5,667	Platinum	25,288	31,855	-6,567
Cocoa	-23,789	-29,294	5,505	Cotton	71,712	77,115	-5,403
Coffee	-8,451	-10,059	1,608	Copper	29,958	32,536	-2,578
RBOB Gasoline	81,844	81,277	567	Corn	-54,852	-53,995	-857
Palladium	20,556	20,610	-54	Lean Hogs	46,075	46,847	-772

Source: Bloomberg, CFTC

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/29/2017 05:45	NZ Building Permits MoM	Aug	--	10.20%	-0.70%	1.70%
09/29/2017 07:00	SK Industrial Production YoY	Aug	1.30%	2.70%	0.10%	-0.20%
09/29/2017 07:30	JN Jobless Rate	Aug	2.80%	2.80%	2.80%	--
09/29/2017 07:30	JN Job-To-Applicant Ratio	Aug	1.53	1.52	1.52	--
09/29/2017 07:30	JN Natl CPI YoY	Aug	0.60%	0.70%	0.40%	--
09/29/2017 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Sep	0.50%	0.50%	0.40%	--
09/29/2017 07:50	JN Retail Trade YoY	Aug	2.50%	1.70%	1.90%	1.80%
09/29/2017 09:51	VN CPI YoY	Sep	3.40%	3.40%	3.35%	--
09/29/2017 14:00	UK Nationwide House PX MoM	Sep	0.10%	0.20%	-0.10%	--
09/29/2017 14:00	UK Nationwide House Px NSA YoY	Sep	1.90%	2.00%	2.10%	--
09/29/2017 14:45	FR CPI EU Harmonized YoY	Sep P	1.00%	1.10%	1.00%	--
09/29/2017 14:45	FR CPI YoY	Sep P	1.00%	1.00%	0.90%	--
09/29/2017 15:30	TH Foreign Reserves	Sep-22	--	\$200.2b	\$200.1b	--
09/29/2017 15:30	TH BoP Current Account Balance	Aug	\$3000m	\$4657m	\$2768m	\$2764m
09/29/2017 15:55	GE Unemployment Change (000's)	Sep	-5k	-23k	-5k	-6k
09/29/2017 16:30	UK Mortgage Approvals	Aug	67.3k	66.6k	68.7k	68.5k
09/29/2017 16:30	UK GDP YoY	2Q F	1.70%	1.50%	1.70%	--
09/29/2017 17:00	IT CPI EU Harmonized YoY	Sep P	1.40%	1.30%	1.40%	--
09/29/2017 17:00	EC CPI Estimate YoY	Sep	1.60%	1.50%	1.50%	--
09/29/2017 20:30	CA GDP MoM	Jul	0.10%	0.00%	0.30%	--
09/29/2017 20:30	US Personal Income	Aug	0.20%	0.20%	0.40%	0.30%
09/29/2017 20:30	US Personal Spending	Aug	0.10%	0.10%	0.30%	--
09/29/2017 21:45	US Chicago Purchasing Manager	Sep	58.7	65.2	58.9	--
09/29/2017 22:00	US U. of Mich. Sentiment	Sep F	95.3	95.1	95.3	--
09/30/2017 09:00	CH Manufacturing PMI	Sep	51.6	52.4	51.7	--
09/30/2017 09:45	CH Caixin China PMI Mfg	Sep	51.5	51	51.6	--
10/01/2017 08:00	SK Exports YoY	Sep	25.00%	35.00%	17.40%	--
10/02/2017 07:50	JN Tankan Large Mfg Index	3Q	18	--	17	--
10/02/2017 07:50	JN Tankan Large Mfg Outlook	3Q	16	--	15	--
10/02/2017 07:50	JN Tankan Large Non-Mfg Index	3Q	24	--	23	--
10/02/2017 07:50	JN Tankan Large Non-Mfg Outlook	3Q	21	--	18	--
10/02/2017 07:50	JN Tankan Large All Industry Capex	3Q	8.30%	--	8.00%	--
10/02/2017 08:00	AU Melbourne Institute Inflation MoM	Sep	--	--	0.10%	--
10/02/2017 08:30	ID Nikkei Indonesia PMI Mfg	Sep	--	--	50.7	--
10/02/2017 08:30	VN Nikkei Vietnam PMI Mfg	Sep	--	--	51.8	--
10/02/2017 08:30	JN Nikkei Japan PMI Mfg	Sep F	--	--	52.6	--
10/02/2017 08:30	SK Nikkei South Korea PMI Mfg	Sep	--	--	49.9	--
10/02/2017 08:30	TA Nikkei Taiwan PMI Mfg	Sep	--	--	54.3	--
10/02/2017 11:00	TH CPI YoY	Sep	0.50%	--	0.32%	--
10/02/2017 12:00	ID CPI YoY	Sep	3.70%	--	3.82%	--
10/02/2017 15:45	IT ADACI Italy Manufacturing PMI	Sep	56.8	--	56.3	--
10/02/2017 15:50	FR Markit France Manufacturing PMI	Sep F	56	--	56	--
10/02/2017 15:55	GE Manufacturing PMI	Sep F	60.6	--	60.6	--
10/02/2017 16:00	EC Eurozone Manufacturing PMI	Sep F	58.2	--	58.2	--
10/02/2017 16:30	UK Markit UK PMI Manufacturing SA	Sep	56.2	--	56.9	--
10/02/2017 21:00	SI Purchasing Managers Index	Sep	--	--	51.8	--
10/02/2017 21:30	CA Markit Canada Manufacturing PMI	Sep	--	--	54.6	--
10/02/2017 21:45	US Markit US Manufacturing PMI	Sep F	53	--	53	--
10/02/2017 22:00	US ISM Manufacturing	Sep	58	--	58.8	--
10/02/2017 22:00	US Construction Spending MoM	Aug	0.40%	--	-0.60%	--

Source: Bloomberg

OCBC Treasury Research	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Wong Liang Mian (Nick) NickWong@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W