

## Highlights

Global	<p>The Dow broke the 22,000 for the first time, aided by investor optimism over Apple's results, but market concerns of escalating US-Sino trade tension on news that the Trump administration is considering getting the US Trade Representative's office investigate China's violations of intellectual property under section 301 of the Trade Act of 1974 which allows tariffs to be imposed against unfair trading practices. This is the latest among other investigations into steel imports from China and comes amid signals that president Trump is dialling back relations amid disappointment over what he sees as China's inability to rein in North Korea.</p> <p>Asian bourses may trade with a slightly cautious tone today. Market focus will be BOE's policy decision (likely static, albeit 3 of 8 voted for a hike earlier in June) and its inflation report for refreshed forecasts, especially since growth forecasts are likely to be revised down with the inflation outlook unchanged at 2.8% for 2017 and 2.4% in 2018. Also of interest is whether BOE would pull the plug for the Term Funding Scheme once it finishes in February 2018. Today's economic data calendar comprises of US' factory orders, non-manufacturing ISM, initial jobless claims and services/composite PMIs across US, Europe and Asia.</p>
US	<p>US' ADP employment grew 178k in July, versus an upwardly revised 191k (previously 158k). Services providers added 174k whilst goods-producing industries added only 4k. Overall they signalled a steady jobs growth picture. Fed's Mester "acknowledged that even as labor markets continue to tighten, inflation has remained moderate" and cut her estimate of the lowest sustainable unemployment from 5% to 4.75%. As for continuing to gradually raise rates, she also opined that "we can't wait until the goals are fully met because monetary policy affects the economy with a lag" and "we need to remain focused on the medium-term outlook, and risks around the outlook". Meanwhile, Williams echoed to say "to keep the economy on a sustainable path of growth, we need to gradually reduce the monetary stimulus put in place during the recession and recovery" and it was appropriate to start unwinding the balance sheet this autumn with the process taking four years.</p>
IN	<p>RBI pared 25bps for its repo and reverse repo rates to 6% and 5.75% respectively as expected and kept its policy stance neutral, suggesting that it's a one cut and done story.</p>
SG	<p>S'pore's manufacturing and electronics PMI unexpectedly climbed higher, albeit marginally in July to 51.0 (+0.1 point) and 52.2 (+0.1 point), up from June prints of 50.9 and 52.1 respectively. This also marked the 11th and 12th consecutive months of expansion, and points to sectoral momentum sustaining in the positive growth territory for the rest of 2H17. For the full-year, the manufacturing sector is still tipped to grow by 4.6% yoy. Looking ahead, manufacturing growth would likely moderate from the stellar 8.3% growth seen in 1H17 to a more modest 5.1% yoy in 3Q17 and possibly contract 2.4% yoy in 4Q17 (due to high 4Q16 base at 11.8%).</p>

## Major Markets

- **US:** Carried by a 4.7% gain in Apple Inc., the Dow powered past the 22,000 handle, rising 0.24% to close at 22,016.24. The broader market was weaker, with more losers than winners in the day. The S&P 500 closed marginally higher, and the Nasdaq Composite was unchanged. VIX closed higher at 10.28. Meanwhile, Fed speakers, Williams and Rosengren, gave the strongest signal yet that the Fed is ready to move on balance sheet reduction in the Sep FOMC. The Treasury department also did not mention the possibility of ultra-long bond issuances in its latest report. Benchmark yields were higher, with the 2y and 10y yields standing at 1.36% and 2.27% at NY close.
- **Singapore:** The contributing factors to the headline manufacturing PMI were improvements in new orders, new export orders and factory output, whereas inventory and employment gauges retreated. Similarly, the higher electronics PMI reading was attributable to higher new orders, new exports, factory output and inventory level, but input prices and employment fell. The July improvement was surprising because the recent global and regional PMI prints were mostly softening, albeit from a high base for major economies. Recall that the latest business expectations survey for the domestic manufacturing sector had also softened with a net weighted 4% of manufacturers anticipating the next six months outlook to improve, compared to 2Q17 (+7%) and one year ago (-1%). With a net 5% of manufacturers planning to hire fewer workers in 3Q17, the employment outlook for the sector remains lacklustre.  
STI added 0.26% to close at 3338.20 yesterday and may range trade amid modest gain seen in Wall Street overnight and flattish morning cue from Kospi. STI's support and resistance are tipped at 3320 and 3340 respectively. With UST bonds selling off overnight by around 2bps even though the US Treasury Department shied away from ultra-long issuance in its 3Q refunding announcement. SGS bonds may remain under pressure today.
- **Hong Kong:** Growth in retail sales missed expectations and marked a muted 0.1% yoy in June. A 1.9% year-on-year decrease in visitor arrivals is to blame. As there is no public holiday in June, Mainlanders were less enthusiastic in visiting Hong Kong as tourists from Mainland China decreased by 3.4% yoy. Retreat in sales of jewellery, watches and other luxurious goods (-0.8% yoy) and a further decline in sales of clothing, footwear and allied products (-1.9% yoy) also reinforce that fewer visitors and sluggish tourist spending have resulted in the weakness in the retail sector. On the other hand, sales of consumer durable goods dropped for the twentieth straight month by 0.2% yoy. Besides, sale of goods in supermarkets and department stores grew merely by 0.4% and 0.8% on yearly basis respectively. This indicates that local consumers are reluctant to spend at physical stores given the prevalence of online shopping. Therefore, a low base effect, a bullish stock market and a solid labor market are unlikely to support a notable rebound in retail sales this year.
- **Indonesia:** Inflation data for the month of July was released yesterday, showing that headline prices rose by 3.88% yoy. That figure is slightly lower than expected and also marks a decline from 4.37%yoy of the previous month. Meanwhile, core inflation stood at 3.05%yoy, higher than expected although lower than 3.13% of the previous month.
- **Commodities:** Crude oil prices pointed north again after a decline seen in the previous trading day, as market-watchers reacted to the sustained fall in US crude oil and gasoline inventories for the week ended 28<sup>th</sup> July. Statistically, crude oil inventories fell by another 1.5 million barrels, while gasoline stocks fell larger than expected by 2.5 million barrels.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with the biggest change seen in the 1-year swap rates, which rose 1bps. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 188bps, while the yield on JACI HY Corp fell 2bps to 7.01%. 10y UST yields rose 2bps to 2.27%, after minutes released by the Treasury Borrowing Advisory Committee did not mention any potential for ultra-long bond issuance.
- **New Issues:** HSBC Institutional Trust Services (Singapore) Ltd, in its capacity as the trustee of Ascendas REIT, has priced a SGD200mn 6-year bond at 2.47%, unchanged from initial guidance. The expected issue ratings are 'NR/A3/A3'. Sunac China Holdings Ltd has priced a two tranche deal (guaranteed by its restricted subsidiaries outside of the PRC), with the SD400mn 3-year bond priced at 7.25%, tightening from initial guidance in the 7.5% area; and the USD600mn 5NC3 bond priced at 8.2%, tightening from initial guidance in the 8.5% area. The expected issue ratings are 'B/B3/BB-'.
- **Rating Changes:** Moody's has affirmed COFCO (Hong Kong) Limited's (COFCO HK) 'A3' issuer and senior unsecured ratings, while revising the outlook on the ratings to stable from negative. The rating action reflects COFCO HK's improved leverage and Moody's expectation that COFCO HK's focus on efficiency and profitability, and implementation of state-owned enterprise reforms, will allow the company to sustain its net debt/EBITDA ratio. Moody's has placed Lloyds Bank Plc's (Lloyds) 'A1' deposit and senior unsecured debt ratings, as well as its 'Baa1' baseline credit assessment on review for upgrade. The rating action follows Moody's action to affirm the rating of eight UK banks and building societies, as Moody's believes that the banks and building societies are now generally better positioned for a modest worsening in the UK operating environment. Moody's states that the rating action on Lloyds reflects Lloyds' improved asset risk and profitability, as well as its stable capital position despite expectations of a more challenging operating environment ahead.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	92.836	-0.22%	<b>USD-SGD</b>	1.3589	0.07%
<b>USD-JPY</b>	110.720	0.33%	<b>EUR-SGD</b>	1.6109	0.51%
<b>EUR-USD</b>	1.1856	0.46%	<b>JPY-SGD</b>	1.2277	-0.23%
<b>AUD-USD</b>	0.7968	-0.01%	<b>GBP-SGD</b>	1.7965	0.20%
<b>GBP-USD</b>	1.3223	0.15%	<b>AUD-SGD</b>	1.0826	0.06%
<b>USD-MYR</b>	4.2855	-0.01%	<b>NZD-SGD</b>	1.0101	-0.41%
<b>USD-CNY</b>	6.7217	0.06%	<b>CHF-SGD</b>	1.3994	-0.48%
<b>USD-IDR</b>	13324	--	<b>SGD-MYR</b>	3.1522	-0.16%
<b>USD-VND</b>	22723	0.01%	<b>SGD-CNY</b>	4.9480	0.00%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	22,016.24	52.32
<b>S&amp;P</b>	2,477.57	1.22
<b>Nasdaq</b>	6,362.65	-0.29
<b>Nikkei 225</b>	20,080.04	94.25
<b>STI</b>	3,348.80	10.60
<b>KLCI</b>	1,770.61	5.48
<b>JCI</b>	5,824.25	19.04
<b>Baltic Dry</b>	965.00	--
<b>VIX</b>	10.28	0.19

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	--	<b>O/N</b>	1.1756	--
<b>2M</b>	-0.3400	--	<b>1M</b>	1.2317	--
<b>3M</b>	-0.3310	--	<b>2M</b>	1.2561	--
<b>6M</b>	-0.2720	--	<b>3M</b>	1.3106	--
<b>9M</b>	-0.2090	--	<b>6M</b>	1.4517	--
<b>12M</b>	-0.1510	--	<b>12M</b>	1.7257	--

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.24 (--)	1.36 (+0.02)
<b>5Y</b>	1.58 (+0.01)	1.83 (+0.03)
<b>10Y</b>	2.15 (+0.02)	2.27 (+0.02)
<b>15Y</b>	2.35 (+0.02)	--
<b>20Y</b>	2.41 (+0.02)	--
<b>30Y</b>	2.48 (+0.02)	2.86 (--)

### Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
09/20/2017	5.6%	94.4%	5.6%	0.0%	0.0%
11/01/2017	10.3%	89.7%	10.0%	0.3%	0.0%
12/13/2017	41.8%	58.2%	38.0%	3.7%	0.1%
01/31/2018	43.4%	56.6%	38.5%	4.7%	0.2%
03/21/2018	58.2%	41.8%	43.3%	13.5%	1.4%
05/02/2018	58.5%	41.5%	43.3%	13.7%	1.4%

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	14.84	-0.07
<b>EURIBOR-OIS</b>	2.78	-0.02
<b>TED</b>	24.32	--

### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.59	0.87%	Copper (per mt)	6,359.2	0.12%
Brent (per barrel)	52.36	1.12%	Nickel (per mt)	10,307.5	0.58%
Heating Oil (per gallon)	1.6588	1.07%	Aluminium (per mt)	1,907.0	0.99%
Gasoline (per gallon)	1.6448	-0.99%			
Natural Gas (per MMBtu)	2.8110	-0.28%	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,642.0	-0.45%
			Rubber (JPY/KG)	201.0	-1.90%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,278.4	-0.08%			
Silver (per oz)	16.733	-0.18%			

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

### Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
08/02/2017 01:00		NZ QV House Prices YoY	Jul	--	6.40%	8.10%	--
<b>08/02/2017 06:45</b>		<b>NZ Unemployment Rate</b>	<b>2Q</b>	<b>4.80%</b>	<b>4.80%</b>	<b>4.90%</b>	--
<b>08/02/2017 06:45</b>		<b>NZ Employment Change QoQ</b>	<b>2Q</b>	<b>0.70%</b>	<b>-0.20%</b>	<b>1.20%</b>	<b>1.10%</b>
<b>08/02/2017 07:50</b>		<b>JN Monetary Base YoY</b>	<b>Jul</b>	--	<b>15.60%</b>	<b>17.00%</b>	--
<b>08/02/2017 09:30</b>		<b>AU Building Approvals MoM</b>	<b>Jun</b>	<b>1.00%</b>	<b>10.90%</b>	<b>-5.60%</b>	<b>-5.40%</b>
08/02/2017 16:30		UK Markit/CIPS UK Construction PMI	Jul	54	51.9	54.8	--
<b>08/02/2017 16:30</b>		<b>HK Retail Sales Value YoY</b>	<b>Jun</b>	<b>2.30%</b>	<b>0.10%</b>	<b>0.50%</b>	<b>0.40%</b>
<b>08/02/2017 17:00</b>		<b>IN RBI Repurchase Rate</b>	<b>Aug-02</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.25%</b>	--
<b>08/02/2017 17:00</b>		<b>IN RBI Reverse Repo Rate</b>	<b>Aug-02</b>	<b>5.75%</b>	<b>5.75%</b>	<b>6.00%</b>	--
08/02/2017 17:00		IN RBI Cash Reserve Ratio	Aug-02	4.00%	4.00%	4.00%	--
<b>08/02/2017 19:00</b>		<b>US MBA Mortgage Applications</b>	<b>Jul-28</b>	--	<b>-2.80%</b>	<b>0.40%</b>	--
<b>08/02/2017 20:15</b>		<b>US ADP Employment Change</b>	<b>Jul</b>	<b>190k</b>	<b>178k</b>	<b>158k</b>	<b>191k</b>
<b>08/02/2017 21:00</b>		<b>SI Purchasing Managers Index</b>	<b>Jul</b>	--	<b>51</b>	<b>50.9</b>	--
08/03/2017 07:00		SK BoP Current Account Balance	Jun	--	\$7007.0m	\$5937.3m	--
08/03/2017 08:30		JN Nikkei Japan PMI Services	Jul	--	--	53.3	--
08/03/2017 08:30		JN Nikkei Japan PMI Composite	Jul	--	--	52.9	--
08/03/2017 08:30		HK Nikkei Hong Kong PMI	Jul	--	--	51.1	--
<b>08/03/2017 09:30</b>		<b>AU Trade Balance</b>	<b>Jun</b>	<b>A\$1800m</b>	--	<b>A\$2471m</b>	--
08/03/2017 09:45		CH Caixin China PMI Composite	Jul	--	--	51.1	--
08/03/2017 09:45		CH Caixin China PMI Services	Jul	--	--	51.6	--
08/03/2017 13:00		IN Nikkei India PMI Services	Jul	--	--	53.1	--
08/03/2017 13:00		IN Nikkei India PMI Composite	Jul	--	--	52.7	--
08/03/2017 15:45		IT Markit/ADACI Italy Services PMI	Jul	54.1	--	53.6	--
08/03/2017 15:45		IT Markit/ADACI Italy Composite PMI	Jul	54.9	--	54.5	--
08/03/2017 15:50		FR Markit France Services PMI	Jul F	55.9	--	55.9	--
08/03/2017 15:50		FR Markit France Composite PMI	Jul F	55.7	--	55.7	--
08/03/2017 15:55		GE Markit Germany Services PMI	Jul F	53.5	--	53.5	--
08/03/2017 15:55		GE Markit/BME Germany Composite PMI	Jul F	55.1	--	55.1	--
08/03/2017 16:00		EC Markit Eurozone Services PMI	Jul F	55.4	--	55.4	--
08/03/2017 16:00		EC Markit Eurozone Composite PMI	Jul F	55.8	--	55.8	--
08/03/2017 16:30		UK Markit/CIPS UK Services PMI	Jul	53.6	--	53.4	--
08/03/2017 16:30		UK Markit/CIPS UK Composite PMI	Jul	53.8	--	53.8	--
<b>08/03/2017 19:00</b>		<b>UK Bank of England Bank Rate</b>	<b>Aug-03</b>	<b>0.25%</b>	--	<b>0.25%</b>	--
08/03/2017 19:00		UK BOE Asset Purchase Target	Aug	435b	--	435b	--
<b>08/03/2017 20:30</b>		<b>US Initial Jobless Claims</b>	<b>Jul-29</b>	<b>243k</b>	--	<b>244k</b>	--
08/03/2017 20:30		US Continuing Claims	Jul-22	1958k	--	1964k	--
08/03/2017 21:45		US Bloomberg Consumer Comfort	Jul-30	--	--	48.6	--
08/03/2017 21:45		US Markit US Services PMI	Jul F	54.2	--	54.2	--
08/03/2017 21:45		US Markit US Composite PMI	Jul F	--	--	54.2	--
<b>08/03/2017 22:00</b>		<b>US ISM Non-Manf. Composite</b>	<b>Jul</b>	<b>56.9</b>	--	<b>57.4</b>	--
<b>08/03/2017 22:00</b>		<b>US Factory Orders</b>	<b>Jun</b>	<b>3.00%</b>	--	<b>-0.80%</b>	--
<b>08/03/2017 22:00</b>		<b>US Durable Goods Orders</b>	<b>Jun F</b>	<b>0.00%</b>	--	<b>6.50%</b>	--
08/03/2017 22:00		US Durables Ex Transportation	Jun F	--	--	0.20%	--

Source: Bloomberg

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