

Highlights

Global	<p>Wall Street continued to eke out fresh highs at the start of October and 4Q17, notwithstanding news of an attack in Las Vegas. US' economic data releases were also encouraging – the manufacturing ISM unexpectedly surged from 58.9 in Aug to a 13-year high of 60.8 in Sep, partly distorted by Hurricane Harvey-related slowdown in supplier delivery times, but new orders and production were also healthy (>60) which suggested baseline strength. Over in Europe, speculation that the Catalan government could declare independence soon could continue to dog Spain, especially IBEX (-1.21%) and Spanish government 10-year bond yield (+9bps to 1.69%), albeit the Eurozone's Sep manufacturing PMI printed at its highest since February 2011 amid higher new orders.</p> <p>Asian bourses may attempt to track Wall Street's overnight gains, but watch for the RBA policy decision later this morning – while RBA is likely static at 1.5% with a neutral bias, market speculation has been for a more hawkish signal down the road. The economic data calendar is very light today, with only India's manufacturing PMI and HK retail sales.</p>
US	<p>The ISM prices paid gauge also jumped from 62.0 to 71.5, while the employment gauge edged up from 59.9 to 60.3. Meanwhile, Fed's Kashkari opined that "the FOMC's policy to remove monetary accommodation over the past few years is likely an important factor driving inflation expectations lower" and "we should learn the lessons of recent years and proceed with caution before we tighten policy further", whereas Kaplan indicated that the Fed should "look hard" at the need for a December hike as it "can afford in my judgement to be patient in removing accommodation".</p>
SG	<p>URA private residential prices also rose for the first time in four years by 0.5% qoq, suggesting the market has bottomed. Meanwhile, the manufacturing PMI rose for the fourth straight month by 0.2 point from 51.8 in Aug to 52.0 in Sep, the highest since Apr 2011 (52.5) and marking the 13th consecutive month of expansion (>50). The improvement was on the back of higher new orders, new export orders and output. Moreover the manufacturing employment gauge also reverted to expansion territory after four months of contraction. Similarly, the electronics PMI also improved 0.4 points from 53.2 to 53.6 over the same period. This print marked the highest since Nov 2010 and also its 14th consecutive month of expansion. However, the electronics industry may have peaked and could be taking a breather soon as the order backlog and finished goods indices slowed from a month ago, and the deliveries index actually contracted after seven straight months of expansion. 3Q17 GDP growth could be as high as 5.3% yoy (+9.6% qoq saar) due to manufacturing outperformance in Jul-Aug, and consequently lift 2017 full-year growth above 3% yoy. Our view is that domestic manufacturing growth has likely peaked in 3Q17, and should decelerate into 4Q17. As such, MAS may still maintain a neutral monetary policy bias at Oct MPS but leave door open in 2018 awaiting core inflation cues. Core CPI remains contained within official parameters of 1-2% yoy forecast for now.</p>

Major Market

- **US:** Strong start to the 4th quarter for the equity markets, with all major indices again marking record highs. The Dow led the way with a 0.68% advance, while the S&P 500 and Nasdaq Composite followed up with gains of 0.39% and 0.32% respectively. The confidence in the market now is reminiscent of the euphoria in the markets between Trump's election victory and inauguration. Financials and healthcare led the upswing, while consumer staples and real estate stocks lagged. 4Q has traditionally been kind to equity investors, and with the recent upward momentum, the run may still have legs. VIX at 9.45, down from 9.51 previously. US Treasuries plied a narrow range overnight, with yields eventually were steady to firmer. 2y and 10y benchmark yields stood at 1.48% and 2.34% respectively.
- **Singapore:** The STI rallied 1.31% to close up at 3262.10 yesterday, but may start to face profit-taking temptation despite Wall Street's firmer close overnight as morning cues from Kospi are soft. STI's support and resistance are tipped at 3240 and 3270 respectively. With the UST bond yield curve still bear-steepening, and the SGS bond market already following suit yesterday with the 10-30 year tenor yields rising by around 4bps, this theme could continue to play out today. The 2018 SGS bond issuance calendar should be out soon, and key to watch is if there will be new long-dated supply, namely the 20-30 year tenors.
- **Korea:** BOK governor Lee Ju-yeol commented that geopolitical tensions had lifted market volatility, but incoming economic data suggest that S. Korea's economy has not been adversely affected. However, he added that should tensions escalate further, it may eventually weigh on its domestic economy, including economic sentiment.
- **Commodities:** Another onset of dollar strength left dollar-denominated commodities lower overnight. Gold fell to its lowest in almost two months at \$1,275.8/oz (-0.7%), while silver followed suit to \$16.65/oz (-0.13%). Crude oil prices fell, with WTI seeing some support at its \$50/bbl handle, as market-watchers digested higher OPEC oil production last month (+120k barrels per day) according to data compiled by Bloomberg, amid higher US oil rig counts (first gain in 7 weeks) while Libyan oil production is set to recover going forward. Elsewhere in Asia, crude palm oil futures fell for its fourth consecutive session yesterday, given the public holidays in China and India, as well as lower soyoil prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 2-9bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp fell 2bps to 184bps, while the yield on JACI HY Corp traded little changed at 6.86%. 10Y UST rose 1bps to 2.34%, as stronger-than-expected PMI data helped yields come off session lows.
- **New Issues:** There were no new issues on 2 Oct 2017.
- **Rating Changes:** S&P has affirmed Sumitomo Life Insurance Co's (Sumitomo Life) 'A' financial strength and counterparty credit rating, while revising the outlook to positive from stable. At the same time, S&P has affirmed the 'BBB+' issue rating on Sumitomo Life's subordinated bonds. The rating action reflects S&P's view that Sumitomo Life's

capital could continue to improve and reach a level commensurate with higher ratings within the next two years.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.559	0.52%	USD-SGD	1.3615	0.29%
USD-JPY	112.770	0.23%	EUR-SGD	1.5976	-0.42%
EUR-USD	1.1733	-0.69%	JPY-SGD	1.2075	0.08%
AUD-USD	0.7827	-0.09%	GBP-SGD	1.8075	-0.63%
GBP-USD	1.3276	-0.91%	AUD-SGD	1.0657	0.23%
USD-MYR	4.2343	0.33%	NZD-SGD	0.9797	0.09%
USD-CNY	6.6528	--	CHF-SGD	1.3968	-0.39%
USD-IDR	13540	0.50%	SGD-MYR	3.1096	0.04%
USD-VND	22731	0.00%	SGD-CNY	4.8863	-0.29%

Equity and Commodity

Index	Value	Net change
DJIA	22,557.60	152.51
S&P	2,529.12	9.76
Nasdaq	6,516.72	20.76
Nikkei 225	20,400.78	44.50
STI	3,262.10	42.19
KLCI	1,754.78	-0.80
JCI	5,914.03	13.18
Baltic Dry	1,356.00	--
VIX	9.45	-0.06

Interbank Offer Rates (%)

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

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.35 (-0.04)	1.48 (--)
5Y	1.68 (+0.04)	1.93 (--)
10Y	2.19 (+0.04)	2.34 (+0.01)
15Y	2.47 (+0.04)	--
20Y	2.47 (+0.04)	--
30Y	2.54 (+0.04)	2.87 (+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	0.3%	0.3%	0.0%	0.0%	0.0%
12/13/2017	69.9%	69.7%	0.2%	0.0%	0.0%
01/31/2018	70.7%	68.6%	2.2%	0.0%	0.0%
03/21/2018	82.0%	53.4%	27.8%	0.8%	0.0%
05/02/2018	82.5%	52.4%	28.5%	1.6%	0.0%
06/13/2018	88.1%	41.2%	36.2%	10.2%	0.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.03	-0.25
EURIBOR-OIS	2.10	-0.58
TED	29.34	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	50.58	-2.11%	Copper (per mt)	6,515.8	0.02%
Brent (per barrel)	56.12	-2.47%	Nickel (per mt)	10,319.5	-1.06%
Heating Oil (per gallon)	1.7665	-2.49%	Aluminium (per mt)	2,085.8	0.23%
Gasoline (per gallon)	1.5553	-3.19%			
Natural Gas (per MMBtu)	2.9160	-3.03%			
			Asian Commodities	Futures	% chg
Precious Metals	Futures	% chg	Crude Palm Oil (MYR/MT)	2,666.0	-1.08%
Gold (per oz)	1,275.8	-0.70%	Rubber (JPY/KG)	202.4	0.30%
Silver (per oz)	16.654	-0.13%			

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/02/2017 06:30	AU AiG Perf of Mfg Index	Sep --	54.2	59.8	--
10/02/2017 07:50	JN Tankan Large Mfg Index	3Q 18	22	17	--
10/02/2017 07:50	JN Tankan Large Mfg Outlook	3Q 16	19	15	--
10/02/2017 07:50	JN Tankan Large Non-Mfg Index	3Q 24	23	23	--
10/02/2017 07:50	JN Tankan Large Non-Mfg Outlook	3Q 21	19	18	--
10/02/2017 07:50	JN Tankan Large All Industry Capex	3Q 8.30%	7.70%	8.00%	--
10/02/2017 08:00	AU Melbourne Institute Inflation MoM	Sep --	0.30%	0.10%	--
10/02/2017 08:00	AU Melbourne Institute Inflation YoY	Sep --	2.50%	2.60%	--
10/02/2017 08:30	ID Nikkei Indonesia PMI Mfg	Sep --	50.4	50.7	--
10/02/2017 08:30	VN Nikkei Vietnam PMI Mfg	Sep --	53.3	51.8	--
10/02/2017 08:30	JN Nikkei Japan PMI Mfg	Sep F --	52.9	52.6	--
10/02/2017 08:30	SK Nikkei South Korea PMI Mfg	Sep --	50.6	49.9	--
10/02/2017 08:30	TA Nikkei Taiwan PMI Mfg	Sep --	54.2	54.3	--
10/02/2017 11:00	TH CPI YoY	Sep 0.50%	0.86%	0.32%	--
10/02/2017 11:00	TH CPI NSA MoM	Sep 0.22%	0.58%	0.11%	--
10/02/2017 11:00	TH CPI Core YoY	Sep 0.50%	0.53%	0.46%	--
10/02/2017 12:00	ID CPI Core YoY	Sep 2.94%	3.00%	2.98%	--
10/02/2017 12:00	ID CPI YoY	Sep 3.70%	3.72%	3.82%	--
10/02/2017 12:00	ID CPI NSA MoM	Sep 0.08%	0.13%	-0.07%	--
10/02/2017 13:00	JN Vehicle Sales YoY	Sep --	0.40%	4.70%	--
10/02/2017 15:45	IT Markit/ADACI Italy Manufacturing	Sep 56.8	56.3	56.3	--
10/02/2017 15:50	FR Markit France Manufacturing PMI	Sep F 56	56.1	56	--
10/02/2017 15:55	GE Markit/BME Germany	Sep F 60.6	60.6	60.6	--
10/02/2017 16:00	EC Markit Eurozone Manufacturing	Sep F 58.2	58.1	58.2	--
10/02/2017 16:30	UK Markit UK PMI Manufacturing SA	Sep 56.2	55.9	56.9	56.7
10/02/2017 17:00	EC Unemployment Rate	Aug 9.00%	9.10%	9.10%	--
10/02/2017 21:00	SI Purchasing Managers Index	Sep --	52	51.8	--
10/02/2017 21:30	CA Markit Canada Manufacturing PMI	Sep --	55	54.6	--
10/02/2017 21:45	US Markit US Manufacturing PMI	Sep F 53	53.1	53	--
10/02/2017 22:00	US ISM Manufacturing	Sep 58.1	60.8	58.8	--
10/02/2017 22:00	US ISM Prices Paid	Sep 63	71.5	62	--
10/02/2017 22:00	US Construction Spending MoM	Aug 0.40%	0.50%	-0.60%	-1.20%
10/03/2017 07:50	JN Monetary Base YoY	Sep 16.70%	--	16.30%	--
10/03/2017 08:00	AU HIA New Home Sales MoM	Aug --	--	-3.70%	--
10/03/2017 08:30	AU ANZ Job Advertisements MoM	Sep --	--	2.00%	--
10/03/2017 08:30	AU Building Approvals MoM	Aug 1.00%	--	-1.70%	--
10/03/2017 08:30	AU Building Approvals YoY	Aug -17.20%	--	-13.90%	--
10/03/2017 11:30	AU RBA Cash Rate Target	Oct-03 1.50%	--	1.50%	--
10/03/2017 13:00	IN Nikkei India PMI Mfg	Sep --	--	51.2	--
10/03/2017 13:30	AU Commodity Index AUD	Sep --	--	120.2	--
10/03/2017 13:30	AU Commodity Index SDR YoY	Sep --	--	20.10%	--
10/03/2017 16:30	UK Markit/CIPS UK Construction PMI	Sep 51.1	--	51.1	--
10/03/2017 16:30	HK Retail Sales Value YoY	Aug 3.40%	--	4.00%	--
10/03/2017 16:30	HK Retail Sales Volume YoY	Aug 4.00%	--	4.60%	--
10/03/2017 17:00	EC PPI MoM	Aug 0.10%	--	0.00%	--
10/03/2017 17:00	EC PPI YoY	Aug 2.30%	--	2.00%	--
10/03/2017 10/04	US Wards Total Vehicle Sales	Sep 17.15m	--	16.03m	--

Source: Bloomberg

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