

Highlights

Global	<p>Major markets continue to take a breather awaiting key US economic data and Fedspeak, even though Spain continued to be weighed down by lingering Catalan uncertainties (as Catalan president Puigdemont kept market guessing when and if he would declare independence), with some contagion to Italy. The WTI oil price also dipped below US\$50 per barrel amid US supply concerns. Meanwhile, US president Trump suggested that “we’re going to have to wipe...out” US\$74b of Puerto Rican debt, but his White House budget director was quick to repudiate that. Separately, RBI was also static in its monetary policy decision as expected yesterday.</p> <p>Asian bourses may continue to tread water today, with ECB minutes and a slew of speakers (Fed’s Powell, Williams, Harker, and ECB’s Praet and Liikanen) are on tap. The economic data calendar comprises US’ factory orders, initial jobless claims, Challenger job cuts and trade balance, and Thai consumer confidence.</p>
US	<p>The US’ ADP employment printed at 135k in Sep (smallest in 11 months due to Hurricanes Harvey and Irma), versus the Aug revision of 228k, and portended a soft nonfarm payrolls data tomorrow. However, the non-manufacturing ISM jumped from 55.3 in Aug to 59.8 in Sep, suggesting solid growth momentum in 3Q17.</p>
SG	<p>S’pore’s Nikkei whole economy PMI improved from 53.2 in Aug to 53.7 in Sep, marking the strongest pickup in more than three years, on the back of strengthening client demand, especially external demand, which lifted export sales to its largest monthly gain in the survey history. That said, the optimism did not extend to the employment gauge which saw only marginal job creation, and could be explained by part-time staffing as businesses prefer to remain nimble amid the evolving outlook and as price pressures also increased.</p>
HK	<p>Approved new mortgage loans dropped for the second straight month by 10.7% mom while overall housing price index growth moderated further to 17.95% yoy in August. In addition, housing transactions tumbled on a yearly basis for the third consecutive month by 28% yoy in September. All the data reinforce our view that the housing market has been cooling.</p>
MA	<p>Fitch Ratings commented that most major Malaysian banks are likely to meet the net stable funding ratio requirements announced last week as part of BNM’s implementation of Basel 3 regulations.</p>
CMD	<p>WTI futures closed below its \$50/bbl handle yesterday, despite a larger than expected fall in crude oil inventories (-6.0 million barrels vs est: 500k) and even surprising initial API estimates at -4.1 million barrels. Interestingly, US crude oil exports rose 493k barrels per day (bpd) to its record high at 1.98 million bpd, highlighting once again that strong supplies could once again tip oil fundamentals into a glut. Note International Energy Agency (IEA) commented that it does not expect a price rise in the near future as “the production growth from non-OPEC countries is still there”, given that most non-OPEC producers are not participating in the OPEC’s production cut agreement made late 2016.</p>

Major Market

- **US:** Equities inched higher on Wednesday, with data releases on the services sector and private employment supportive, but insufficient to significantly alter the outlook. The S&P 500 closed higher by 0.13%, while the Dow and Nasdaq Composite were marginally higher. Utilities and real estate were the main drivers, while the financials slipped. VIX closed at 9.63, higher than the 9.51 previously. Markets may continue to trade within a tight range ahead of non-farm payrolls on Friday.
- 2y and 10y US Treasury yields were unchanged at 1.47% and 2.32% respectively. Yields were higher in early trade after a solid services and composite PMI data, but were pared in late session. Yellen avoided comments on monetary policy in her latest speech, but watch for Powell later today. Markets may give him greater attention given his position as one of the frontrunners to replace Yellen next February.
- **Singapore:** The STI declined another 0.29% to close at 3236.65 yesterday and may again see possible slippage amid modest profit-taking interest, especially after REDAS president warned that surging land bids is “not sustainable to continue at his rate” and “we do not see a runaway demand in sales transaction volume and property prices in the next few years”. STI’s support and resistance are tipped at 3220 and 3250 respectively. While the UST bond market pared US’ non-manufacturing ISM inspired declines yesterday to close little changed, SGS bonds extended gains and yields fell by around 4-5bps for the longer tenors, and may continue to remain supported by the hunger for yield.
- **Hong Kong:** As fewer new home projects will be launched in the coming months, we expect new home sales growth to slow down. In addition, cooling measures which prompted some banks to increase the pricing spreads of HIBOR-based mortgages may continue to tame secondary housing demand. Besides, HIBOR is expected to tick up gradually and in turn hit housing demand. Furthermore, potential homebuyers may enter a wait-and-see mode before details about the “Starter Homes” scheme are out on October 11. Expecting that new home supply will increase substantially in the years ahead, some prospective homebuyers may also refrain from chasing an overheated housing market. All in all, we expect overall housing price index to peak in the coming months and then retreat modestly. Still, housing price index growth may print 5% to 10% approximately for 2017 as a whole.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 3-8bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corp rose 2bps to 185bps, while the yield of JACI HY Corp fell 2bps to 6.86%. 10Y UST yields traded little changed at 2.32%, as ISM Non-Manufacturing data helped reverse a fall in yields after the September ADP Employment Change data matched median estimates.
- **New Issues:** The Bank of Nova Scotia has priced a USD1.25bn Perp NC5 AT1 at 4.65%, tightening from initial guidance of 5% area. The expected issue ratings are ‘NR/Baa3/NR’. CITIC Envirotech Ltd has scheduled investor meetings for potential USD Perp issuance from 6 Oct. Standard Life Aberdeen Plc has scheduled investor meetings for potential USD Tier 2 bonds issuance from 5 Oct. The expected issue ratings are ‘BBB+/Baa1/NR’. Yihua Overseas Investment Ltd has scheduled investor meetings for

potential USD bond issuance (guaranteed by Yihua Enterprise (Group) Co) from 9 Oct. The expected issue ratings are 'B-/B3/NR'.

- **Rating Changes:** Moody's has placed Global Logistic Properties Limited's (GLP) issuer, senior unsecured debt ratings, and its MTN program ratings of 'Baa2' on review for downgrade. The rating action follows GLP's announcement that it has entered into a definitive agreement to acquire a portfolio of logistics-related real estate assets in Europe, which Moody's believes will delay its progress in deleveraging. Moody's has assigned the University of the Sunshine Coast (USC) an issuer rating of 'Aa3'. The outlook is stable. The rating action reflects the supportive institutional framework for universities in Australia, as well as USC's healthy financial performance and low debt levels. The rating though is constrained by USC's relatively young age and smaller size, when compared to other universities in Australia. Fitch has downgraded PT Alam Sutera Realty Tbk's (ASRI) Long-Term Issuer Default Rating (IDR) and senior unsecured debt rating to 'B' from 'B+' and placed the ratings on Rating Watch Negative (RWN). The rating action reflects ASRI's lower annual contracted sales due to weaker sales execution capabilities compared to its peers. Fitch placed the ratings on RWN to reflect a possible covenant breach on its bonds.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.458	-0.12%	USD-SGD	1.3614	-0.05%
USD-JPY	112.760	-0.08%	EUR-SGD	1.6008	0.08%
EUR-USD	1.1759	0.13%	JPY-SGD	1.2071	0.02%
AUD-USD	0.7865	0.37%	GBP-SGD	1.8034	0.03%
GBP-USD	1.3248	0.08%	AUD-SGD	1.0706	0.33%
USD-MYR	4.2275	-0.22%	NZD-SGD	0.9756	0.04%
USD-CNY	6.6528	--	CHF-SGD	1.3963	-0.19%
USD-IDR	13477	-0.48%	SGD-MYR	3.1072	0.01%
USD-VND	22726	--	SGD-CNY	4.8866	0.00%

Equity and Commodity

Index	Value	Net change
DJIA	22,661.64	19.97
S&P	2,537.74	3.16
Nasdaq	6,534.63	2.91
Nikkei 225	20,626.66	12.59
STI	3,236.65	-9.43
KLCI	1,761.84	2.17
JCI	5,951.48	12.02
Baltic Dry	1,308.00	--
VIX	9.63	0.12

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1806	--
2M	-0.3400	--	1M	1.2378	--
3M	-0.3300	--	2M	1.2711	--
6M	-0.2730	--	3M	1.3425	--
9M	-0.2200	--	6M	1.5157	--
12M	-0.1710	--	12M	1.7987	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.36 (-0.03)	1.47 (--)
5Y	1.61 (-0.04)	1.92 (--)
10Y	2.13 (-0.04)	2.32 (--)
15Y	2.41 (-0.04)	--
20Y	2.41 (-0.04)	--
30Y	2.49 (-0.03)	2.87 (--)

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	14.09	0.18
EURIBOR-OIS	2.53	-0.10
TED	29.42	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.98	-0.87%	Copper (per mt)	6,523.5	-0.15%
Brent (per barrel)	55.80	-0.36%	Nickel (per mt)	10,541.0	-0.08%
Heating Oil (per gallon)	1.7739	1.34%	Aluminium (per mt)	2,147.8	1.49%
Gasoline (per gallon)	1.5805	0.96%			
Natural Gas (per MMBtu)	2.9400	1.55%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,715.0	1.19%
			Rubber (JPY/KG)	208.5	1.31%
Precious Metals	Futures	% chg			
Gold (per oz)	1,276.8	0.17%			
Silver (per oz)	16.624	-0.16%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/04/2017 00:00	NZ	QV House Prices YoY	Sep	--	4.30%	4.80%	--
10/04/2017 08:00	NZ	ANZ Commodity Price	Sep	--	0.80%	-0.80%	--
10/04/2017 08:30	JN	Nikkei Japan PMI Services	Sep	--	51	51.6	--
10/04/2017 08:30	JN	Nikkei Japan PMI Composite	Sep	--	51.7	51.9	--
10/04/2017 15:45	IT	Markit/ADACI Italy Services PMI	Sep	55	53.2	55.1	--
10/04/2017 15:45	IT	Markit/ADACI Italy Composite PMI	Sep	55.9	54.3	55.8	--
10/04/2017 15:50	FR	Markit France Services PMI	Sep F	57.1	57	57.1	--
10/04/2017 15:50	FR	Markit France Composite PMI	Sep F	57.2	57.1	57.2	--
10/04/2017 15:55	GE	Markit Germany Services PMI	Sep F	55.6	55.6	55.6	--
10/04/2017 15:55	GE	Germany Composite PMI	Sep F	57.8	57.7	57.8	--
10/04/2017 16:00	SI	Automobile COE Open Bid Cat A	Oct-04	--	41761	42902	--
10/04/2017 16:00	SI	Automobile COE Open Bid Cat B	Oct-04	--	48109	49189	--
10/04/2017 16:00	EC	Markit Eurozone Services PMI	Sep F	55.6	55.8	55.6	--
10/04/2017 16:00	EC	Markit Eurozone Composite PMI	Sep F	56.7	56.7	56.7	--
10/04/2017 16:30	UK	Markit/CIPS UK Services PMI	Sep	53.2	53.6	53.2	--
10/04/2017 16:30	UK	Markit/CIPS UK Composite PMI	Sep	53.8	54.1	54	--
10/04/2017 17:00	EC	Retail Sales MoM	Aug	0.30%	-0.50%	-0.30%	--
10/04/2017 17:00	EC	Retail Sales YoY	Aug	2.60%	1.20%	2.60%	2.30%
10/04/2017 17:00	IN	RBI Repurchase Rate	Oct-04	6.00%	6.00%	6.00%	--
10/04/2017 17:00	IN	RBI Reverse Repo Rate	Oct-04	5.75%	5.75%	5.75%	--
10/04/2017 17:00	IN	RBI Cash Reserve Ratio	Oct-04	4.00%	4.00%	4.00%	--
10/04/2017 19:00	US	MBA Mortgage Applications	Sep-29	--	-0.40%	-0.50%	--
10/04/2017 20:15	US	ADP Employment Change	Sep	135k	135k	237k	228k
10/04/2017 21:45	US	Markit US Services PMI	Sep F	55.1	55.3	55.1	--
10/04/2017 21:45	US	Markit US Composite PMI	Sep F	--	54.8	54.6	--
10/04/2017 22:00	US	ISM Non-Manf. Composite	Sep	55.5	59.8	55.3	--
10/05/2017 07:50	JN	Japan Buying Foreign Bonds	Sep-29	--	--	¥233.6b	--
10/05/2017 07:50	JN	Foreign Buying Japan Stocks	Sep-29	--	--	¥923.9b	--
10/05/2017 08:30	AU	Trade Balance	Aug	A\$850m	--	A\$460m	--
10/05/2017 08:30	AU	Retail Sales MoM	Aug	0.30%	--	0.00%	--
10/05/2017 09:00	PH	CPI YoY	Sep	3.10%	--	3.10%	--
10/05/2017 13:00	IN	Nikkei India PMI Services	Sep	--	--	47.5	--
10/05/2017 13:00	IN	Nikkei India PMI Composite	Sep	--	--	49	--
10/05/2017 15:30	GE	Markit Germany Construction PMI	Sep	--	--	54.9	--
10/05/2017 16:10	GE	Markit Germany Retail PMI	Sep	--	--	53	--
10/05/2017 16:10	EC	Markit Eurozone Retail PMI	Sep	--	--	50.8	--
10/05/2017 16:10	FR	Markit France Retail PMI	Sep	--	--	50.4	--
10/05/2017 16:10	IT	Markit Italy Retail PMI	Sep	--	--	48	--
10/05/2017 20:30	CA	Int'l Merchandise Trade	Aug	-2.60b	--	-3.04b	--
10/05/2017 20:30	US	Initial Jobless Claims	Sep-30	265k	--	272k	--
10/05/2017 20:30	US	Continuing Claims	Sep-23	1950k	--	1934k	--
10/05/2017 20:30	US	Trade Balance	Aug	-\$42.7b	--	-\$43.7b	--
10/05/2017 21:45	US	Bloomberg Consumer Comfort	Oct-01	--	--	51.6	--
10/05/2017 22:00	US	Factory Orders	Aug	1.00%	--	-3.30%	--
10/05/2017 22:00	US	Durable Goods Orders	Aug F	1.70%	--	1.70%	--
10/05/2017 22:00	US	Durables Ex Transportation	Aug F	--	--	0.20%	--
10/05/2017 22:00	US	Cap Goods Orders Nondef Ex Air	Aug F	--	--	0.90%	--
10/05/2017 22:00	US	Cap Goods Ship Nondef Ex Air	Aug F	--	--	0.70%	--

Source: Bloomberg

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