

Highlights

Global	<p>Lingering North Korean geopolitical tensions are likely to continue to overshadow financial markets today amid reports of another planned ballistic missile launch and a lack of consensus between major powers of how to deal with North Korea. Notably, Russia has rejected US calls for more sanctions, adding to China's concerns. Wall Street and the USD fell whilst the 10-year UST bond yield fell more than 10bps to 2.06% (lowest since Trump's election win), amidst news that Hurricane Irma is also headed towards South Florida. Separately, Fed's Brainard also sounded dovish and opined that "my own view is that we should be cautious about tightening policy further until we are confident inflation is on track to achieve our target" while Kaskari also noted that "it's very possible that our rate hikes over the past 18 months are leading to slower job growth, leaving more people on the sidelines, leading to lower wage growth, and leading to lower inflation and inflation expectations".</p> <p>Asian bourses may continue to trade with a slightly nervous tone today. Of note would be BOC policy decision (likely to be static at 0.75%), as well as US' non-manufacturing ISM, Australia's 2Q GDP growth, Malaysia's trade, German factor orders and S'pore's COE tender results.</p>
US	US' factory orders declined 3.3% mom in July after a big 3.2% jump in June (due to the Paris Air Show), but orders excluding transportation rose 0.5% mom, which suggested the positive contribution to 3Q GDP would sustain.
EZ	Eurozone's final August prints for the services and composite PMIs came in at 54.7 (-0.2 points) and across Europe and Asia including China.
AU	RBA left its OCR unchanged at 1.5% as widely expected yesterday, with Governor Lowe tipping that growth "will pick up from here as the drag from declining mining investment comes to an end" and "stronger conditions in the labor market should see some lift in wages growth over time". He also warned that "an appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation than currently forecast".
SG	PM Lee has nominated Minister Tan Chuan-Jin as the next speaker of Parliament.
CN	RMB gave up some gains in Asian hours on Tuesday as PBoC set RMB fixing at weaker than expected level, which was taken by market as signal that China does not want the pace of appreciation to be too fast. However, the USDCNH fell again overnight due to widening yield differential between China and US as US Treasuries rose on haven demand.
KR	Finance minister Kim Dong-yeon commented that the current US-Korean tensions could have a long-term impact to the financial markets and a negative impact on its domestic economy. Negative spillover effects are already being seen at this juncture, evident from the falling tourism numbers and waning consumer confidence.
CMD	News that more refineries in the Texas Gulf are restarting after Hurricane Harvey drove crude oil prices to its highest since 11th August with WTI and Brent closing at \$48.7/bbl and \$53.4/bbl respectively, while gasoline futures (-2.8%) plummeted further.

Major Market

- **US:** Equities declined after returning from the long weekend, undermined by continued tensions over North Korea. Investors appeared to take profit after a decent run-up last week. Dragged by falling Treasury yields, financials bore the brunt of the sell-off. The tech sector was the other major decliner. Overall, the S&P 500 lost 0.76%, while the Dow and Nasdaq Composite were lower by 1.07% and 0.93% respectively. VIX stood at 12.23, compared to 10.13 before the long weekend. Meanwhile, risk-off sentiments driven by North Korea and the impending Hurricane Irma drove US Treasuries to rally. 10y benchmark yield fell to 2.06%, down 11 bps to levels not seen this year. 2y yields also fell to 1.29%, down 5 bps.
- **Singapore:** STI added 0.63% to close at 3251.26 yesterday, but may find it difficult to hold onto those gains amid a softer market tone this morning with Wall Street playing catch up to the North Korean-inspired risk-off. Flight to quality led the SGS bond yields to also rally but to a much more muted extent in the longer tenors, whilst the front-end of the curve was pressured by the costlier funding rates. Look for the 10-year SGS bond yield to potentially test the key 2% handle.
- **Malaysia:** Market-watchers will be eying closely on Malaysia's trade and foreign reserves data later today.
- **Commodities:** Fed Brainard's comment which emphasized the need to "be cautious about tightening policy further until we are confident inflation is on track" gave gold bulls all the more reason to lift the yellow metal higher. Note that gold prices are at its 11-month high at \$1,344.5/oz (+1.1%) while the implied probability for a rate hike into December has fallen to 25.4%, down from August's peak of 43.8%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp traded little changed at 190bps, while the yield on JACI HY Corp rose 1bps to 6.81%. 10Y UST yields fell 11bps to 2.06%, as investors switched to safe haven assets in light of heightened North Korea tensions and the impending Hurricane Irma.
- **New Issues:** Keong Hong Holdings Limited has priced a SGD85mn 4-year bond at 5.75%, unchanged from guidance of 5.75%. China Minsheng Banking Corp Ltd, Hong Kong Branch has priced a two-tranche deal, with the USD450mn 3-year bond priced at 3mL+90bps, tightening from initial guidance of 3mL+115bps area; and the USD350mn 5-year bond priced at 3mL+100bps, tightening from initial guidance of 3mL+125bps. The expected issue ratings are 'BBB/NR/NR'. Komatsu Finance America Inc has priced a two-tranche deal (guaranteed by Komatsu Ltd), with the USD300mn 3-year bond priced at CT3+70bps, tightening from initial guidance of CT3+85bps; and the USD500mn 5-year bond priced at CT5+75bps, tightening from initial guidance of CT5+95bps. The expected issue ratings are 'NR/A2/NR'. Mizuho Financial Group Inc has priced a three tranche deal, with the USD1bn 5-year fixed rate bond priced at CT5+95bps, tightening from initial guidance of CT5+112.2bps; the USD1.15bn 5-year floating rate bond priced at 3mL+88bps, with the initial guidance at LIBOR equivalent; and the USD1.1bn 10-year fixed rate bond priced at CT10+110bps, tightening from initial guidance of CT10+130bps. Julius Baer Group Ltd has priced a USD300mn Perp

NC7 AT1 at 4.75%, tightening from initial guidance of 5.5% area. The expected issue ratings are 'NR/Baa3/NR'. Goodman Group has scheduled investor meetings for a potential multi-tranche USD bond issuance from 11 Sep. The Asian Development Bank may price a 5-year bond tomorrow. The initial price target is CT5+14bps area. The expected issue ratings are 'AAA/Aaa/AAA'.

- **Rating Changes:** Moody's has upgraded Honghua Group Limited's (Honghua) corporate family rating to 'B3' from 'Caa1' and senior unsecured debt rating to 'Caa1' from 'Caa2'. The outlook remains negative. The rating action reflects the consideration that Honghua's probability of default and refinancing risk will significantly decline in the next 12-18 months as its new and largest shareholder, China Aerospace Science and Industry Corporation, will provide management oversight and facilitate the company's access to funding.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.252	-0.41%	USD-SGD	1.3532	-0.29%
USD-JPY	108.810	-0.83%	EUR-SGD	1.6121	-0.15%
EUR-USD	1.1914	0.15%	JPY-SGD	1.2432	0.49%
AUD-USD	0.7996	0.65%	GBP-SGD	1.7637	0.50%
GBP-USD	1.3033	0.79%	AUD-SGD	1.0820	0.34%
USD-MYR	4.2600	-0.26%	NZD-SGD	0.9787	0.69%
USD-CNY	6.5388	0.12%	CHF-SGD	1.4166	0.01%
USD-IDR	13338	-0.01%	SGD-MYR	3.1445	-0.13%
USD-VND	22729	-0.01%	SGD-CNY	4.8366	0.44%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1772	--
2M	-0.3390	--	1M	1.2317	--
3M	-0.3290	--	2M	1.2739	--
6M	-0.2740	--	3M	1.3161	--
9M	-0.2140	--	6M	1.4539	--
12M	-0.1610	--	12M	1.7129	--

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	0.0%	99.1%	0.0%	0.0%	0.0%
11/01/2017	0.8%	98.4%	0.8%	0.0%	0.0%
12/13/2017	25.4%	74.0%	25.2%	0.2%	0.0%
01/31/2018	25.1%	73.4%	24.9%	0.2%	0.0%
03/21/2018	35.2%	63.5%	31.6%	3.6%	0.0%
05/02/2018	34.7%	63.1%	31.1%	3.5%	0.0%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.66	2.90%	Copper (per mt)	6,896.1	0.32%
Brent (per barrel)	53.38	1.99%	Nickel (per mt)	12,030.0	-1.41%
Heating Oil (per gallon)	1.7480	0.07%	Aluminium (per mt)	2,079.5	-1.16%
Gasoline (per gallon)	1.6991	-2.79%			
Natural Gas (per MMBtu)	2.9720	-3.19%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,767.0	2.25%
			Rubber (JPY/KG)	228.6	0.31%
Precious Metals	Futures	% chg			
Gold (per oz)	1,344.5	1.06%			
Silver (per oz)	17.941	0.70%			

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

Equity and Commodity

Index	Value	Net change
DJIA	21,753.31	-234.25
S&P	2,457.85	-18.70
Nasdaq	6,375.57	-59.76
Nikkei 225	19,385.81	-122.44
STI	3,251.26	20.29
KLCI	1,769.63	-3.53
JCI	5,829.98	16.24
Baltic Dry	1,187.00	--
VIX	12.23	2.10

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.27 (+0.01)	1.29 (-0.05)
5Y	1.54 (-0.01)	1.64 (-0.1)
10Y	2.04 (-0.01)	2.06 (-0.11)
15Y	2.32 (-0.01)	--
20Y	2.31 (-0.01)	--
30Y	2.36 (-0.01)	2.68 (-0.1)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.61	0.08
EURIBOR-OIS	3.00	0.08
TED	31.38	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
09/05/2017 07:00	SK BoP Current Account Balance	Jul	--	\$7261.3m	\$7007.0m	--
09/05/2017 08:30	JN Nikkei Japan PMI Services	Aug	--	51.6	52	--
09/05/2017 08:30	JN Nikkei Japan PMI Composite	Aug	--	51.9	51.8	--
09/05/2017 08:30	HK Nikkei Hong Kong PMI	Aug	--	49.7	51.3	--
09/05/2017 09:00	NZ ANZ Commodity Price	Aug	--	-0.80%	-0.80%	--
09/05/2017 09:00	PH CPI YoY	Aug	3.00%	3.10%	2.80%	--
09/05/2017 09:30	AU BoP Current Account Balance	2Q	-A\$7.5b	-A\$9.6b	-A\$3.1b	-A\$4.8b
09/05/2017 09:45	CH Caixin China PMI Composite	Aug	--	52.4	51.9	--
09/05/2017 09:45	CH Caixin China PMI Services	Aug	--	52.7	51.5	--
09/05/2017 12:30	AU RBA Cash Rate Target	Sep-05	1.50%	1.50%	1.50%	--
09/05/2017 13:00	IN Nikkei India PMI Services	Aug	--	47.5	45.9	--
09/05/2017 13:00	IN Nikkei India PMI Composite	Aug	--	49	46	--
09/05/2017 15:45	IT Markit/ADACI Italy Services PMI	Aug	55.5	55.1	56.3	--
09/05/2017 15:45	IT Markit/ADACI Italy Composite PMI	Aug	55.8	55.8	56.2	--
09/05/2017 15:50	FR Markit France Services PMI	Aug F	55.5	54.9	55.5	--
09/05/2017 15:50	FR Markit France Composite PMI	Aug F	55.6	55.2	55.6	--
09/05/2017 15:55	GE Markit Germany Services PMI	Aug F	53.4	53.5	53.4	--
09/05/2017 15:55	GE Markit/BME Germany Composite PMI	Aug F	55.7	55.8	55.7	--
09/05/2017 16:00	TA CPI YoY	Aug	1.12%	0.96%	0.77%	--
09/05/2017 16:00	EC Markit Eurozone Services PMI	Aug F	54.9	54.7	54.9	--
09/05/2017 16:00	EC Markit Eurozone Composite PMI	Aug F	55.8	55.7	55.8	--
09/05/2017 16:30	UK Markit/CIPS UK Services PMI	Aug	53.5	53.2	53.8	--
09/05/2017 16:30	UK Markit/CIPS UK Composite PMI	Aug	54	54	54.1	--
09/05/2017 22:00	US Factory Orders	Jul	-3.30%	-3.30%	3.00%	3.20%
09/05/2017 22:00	US Durable Goods Orders	Jul F	-2.90%	-6.80%	-6.80%	--
09/05/2017 22:00	US Durables Ex Transportation	Jul F	--	0.60%	0.50%	--
09/05/2017 22:00	US Cap Goods Orders Nondef Ex Air	Jul F	--	1.00%	0.40%	--
09/05/2017 22:00	US Cap Goods Ship Nondef Ex Air	Jul F	--	1.20%	1.00%	--
09/06/2017 08:00	JN Labor Cash Earnings YoY	Jul	0.50%	--	-0.40%	0.40%
09/06/2017 09:30	AU GDP SA QoQ	2Q	0.90%	--	0.30%	--
09/06/2017 09:30	AU GDP YoY	2Q	1.90%	--	1.70%	--
09/06/2017 12:00	MA Exports YoY	Jul	23.80%	--	10.00%	--
09/06/2017 14:00	GE Factory Orders MoM	Jul	0.20%	--	1.00%	--
09/06/2017 14:00	GE Factory Orders WDA YoY	Jul	5.80%	--	5.10%	--
09/06/2017 15:00	MA Foreign Reserves	Aug-30	--	--	\$100.4b	--
09/06/2017 16:00	IT Retail Sales YoY	Jul	1.20%	--	1.50%	--
09/06/2017 16:00	SI Automobile COE Open Bid Cat A	Sep-06	--	--	42900	--
09/06/2017 19:00	US MBA Mortgage Applications	Sep-01	--	--	-2.30%	--
09/06/2017 20:30	CA Int'l Merchandise Trade	Jul	-3.30b	--	-3.60b	--
09/06/2017 20:30	US Trade Balance	Jul	-\$44.7b	--	-\$43.6b	--
09/06/2017 21:45	US Markit US Services PMI	Aug F	56.9	--	56.9	--
09/06/2017 21:45	US Markit US Composite PMI	Aug F	--	--	56	--
09/06/2017 22:00	CA Bank of Canada Rate Decision	Sep-06	0.75%	--	0.75%	--
09/06/2017 22:00	US ISM Non-Manf. Composite	Aug	55.6	--	53.9	--
09/06/2017 09/13	VN Domestic Vehicle Sales YoY	Aug	--	--	-21.30%	--

Source: Bloomberg

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