

Highlights

Global	<p>Sabre-rattling by North Korea amid tough rhetoric from the US (with Trump threatening “fire and fury”) saw risk appetite dampened across the board, albeit US Secretary of State Rex Tillerson signaled that military confrontation was not imminent. Meanwhile, RBNZ kept its OCR rate unchanged at 1.75% as widely anticipated, with emphasis that “the trade-weighted exchange rate has increased since the May statement, partly in response to a weaker US dollar” and “a lower New Zealand dollar is needed to increase tradeables inflation and help deliver more balanced growth”. RBNZ’s policy stance remains neutral (with the first hike tipped only in 3Q19), citing “monetary policy will remain accommodative for a considerable period”, albeit “number uncertainties remain and policy may need to adjust accordingly”.</p> <p>Expect Asian bourses to trade with a slight risk-off tone today given the heightened North Korean tensions. BSP is tipped to keep its policy settings unchanged as well today, but the new governor Nestor Espenilla will be closely watched for policy guidance going forward. The economic data release calendar comprises of Malaysia’s industrial production, US’ PPI and initial jobless claims, UK’ trade balance and industrial production. Fed’s Dudley is also speaking.</p>
US	<p>US’ wholesale inventories rose 0.7% mom in June as expected. Meanwhile, Fed’s Evans said it would be reasonable to start unwinding the balance sheet next month, but cautioned that “the table is set for the recent unusual downward movements in inflation – due to cell-phone data services prices and other factors – receding, and we’ll just have to see how that goes”.</p>
CH	<p>Price pressure remains muted in July with CPI decelerating to 1.4%. Fresh vegetable prices rebounded sharply by 9.1% yoy due to bad weather. Despite that, inflationary pressure remained contained given overall weak food prices. We expect CPI to stay below 2% for most of the months in 2H. On the other hand, higher commodity prices underpinned a 0.2% mom growth in PPI. On yearly basis, PPI remained unchanged at 5.5%. However, as the base effect is likely to fade away, we still expect PPI to decelerate albeit at a slow pace amid strong steel and metal prices.</p>
SG	<p>PM Lee said in his National Day message that the Singapore economy is expected to grow around 2.5% this year. Note COE premium prints later this afternoon.</p>
Commodities	<p>The key commodity movers are obviously seen in the precious metal complex. Gold rose 1.32% overnight, its fastest pace since March, while silver rocketed 2.9% (fastest since Nov 2016) to \$16.9/oz. The gains were likely driven by renewed safe haven demand on renewed geopolitical concerns given fresh missile strike threats by North Korea. As of early trading hours this morning, note that both gold and silver prices continue to point north. Crude oil prices gain on falling supply outlook once again, and defying risk aversion seen in the fall in Wall Street overnight. Importantly, US crude oil inventories fell the most in four weeks (-6.5 million barrels) for the week ended 4 Aug. However, the agency further upgraded US oil demand (+340k bpd vs previous +310k bpd) this year, reinforcing market-expectations that overall demand is likely to remain strong this year.</p>

Major Markets

- **US:** Equities recovered from earlier losses to end only slightly lower. The S&P 500 ended marginally lower, while the Dow and Nasdaq Composite fell 0.17% and 0.29% respectively. Gains in healthcare and materials sectors were not able to completely offset declines in utilities and consumer stocks. However, the overall sentiment still appear to favour equities, as investors adopt a “buy-on-dips” stance, and keeping any reverse relatively shallow. VIX climbed to 11.11. Meanwhile, US Treasuries benefited from risk-off flows amidst President Trump’s upshift in aggression towards North Korea. Benchmark yields were softer by 1-2 bps, with the 2y and 10y standing at 1.34% and 2.25% respectively. A new auction of 10y Treasuries saw weak demand at current yields, capping the rise in Treasuries. With recent Fed speakers highlighting inflation as a concern, watch out for US PPI and CPI data today and Friday for the latest hints of Fed inclinations.
- **Singapore:** STI closed softer by 0.08% at 3318.08 on Tuesday, and may continue to consolidate given the elevated North Korean tensions in the region and risk-off tone that is apparent in Kospi this morning. STI may continue to trade in a range of 3300-3320. With flight to safety in UST bonds overnight, SGS bonds may also rally modestly today.
- **Hong Kong:** USDHKD spot rate rose for the ninth straight trading day from 7.8091 to 7.8278 on Wednesday due to a wider gap between HKD rates and USD rates. However, when HKMA announced to increase exchange fund bills and notes (EFBN) issuance size by HKD 40 billion, which will shrink the aggregate balance, it resulted in a short-covering rally in the HKD and pushed USDHKD spot rate down sharply to 7.8120. In fact, as USD/HKD spot rate was approaching 7.8295, the level seen in January 2016, speculators took profits gradually as they expected that the HKMA would take actions sooner or later. This is also the reason why the market reacted instantly to the announcement of the HKMA. Clearly, HKMA’s action well managed the market expectations and helped to prevent a sharp depreciation in the HKD. Moving forward, we expect that HKD rates will still lag USD rates as the liquidity in HK remains abundant. Hence, we do not expect the HKD to continue appreciating against the greenback. Rather, USD/HKD is likely to range bound in 7.81 – 7.83 in the near term.
- **Malaysia:** BNM commented that the introduction of ringgit futures on the Singapore Stock Exchange and the Intercontinental Exchange is inconsistent with Malaysia’s policies. According to BNM’s statement: “The MYR is a non-internationalised currency and thus, offshore trading of ringgit, in any form whether as a non-deliverable forward traded out of offshore financial centres or as a futures, options and other derivative contracts on exchanges outside of Malaysia, is against Malaysia’s policy.”
- **Korea:** Korea’s unemployment rate surprisingly fell to 3.6% (vs market estimate at 3.8%), suggesting that the recent uptick in exports and retail sales have injected positive spill-over effects to its labour market. Notably, overall number of employed persons rose for its 6th month, with gains largely concentrated in the manufacturing, wholesale/retail, and business services industries.
- **Indonesia:** Bank Indonesia launched a Big Data roadmap yesterday. It aims to include data from social media platforms and e-commerce to better capture the state of the economy and help in policy making.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards on Tuesday, with swap rates trading approximately 1bps lower across all tenors (with the exception of the 1-year tenor, which rose 1bps). Singapore markets were closed yesterday for the national day holiday. In the broader dollar space, the spread on JACI IG Corporates traded little changed on Tuesday, before rising 1bps to 187bps on Wednesday. The yield on JACI HY Corp traded little changed at 7.00% on both days. 10y UST yields rose 1bps to 2.26% on Tuesday amid a day of heavy issuance in the USD space. 10y UST fell 1bps on Wednesday as an early risk-off advance due to geopolitical concerns between the US and North Korea was erased by a sloppy 10y auction later in the day.
- **New Issues:** Gold Ridge Pte Ltd has priced a SGD100mn 6-year bond at 2.9%, tightening from initial guidance of 3% area. Gemstones International Limited has priced a USD225mn 3-year bond (guaranteed by LVGEM (China) Real Estate Investment Company Ltd and certain of its offshore subsidiaries) at 8.5%, tightening from initial guidance of high 8% area. The expected issue ratings are 'NR/B3/B+'. Country Garden Holdings Co Ltd has priced a USD100mn re-tap of its COGARD 4.75%'22s at 99.875, tightening from its initial guidance of 99.75. The expected issue ratings are 'NR/Ba1/BB+'.
- **Rating Changes:** S&P has downgraded Global A&T Electronics Ltd's (GATE) corporate credit rating to 'D' from 'CCC-'. The rating action follows GATE's failure to make an interest payment on its senior secured notes on 1 August 2017. GATE has proposed a consensual restructuring of the notes, and this constitutes a default under S&P's definitions. Moody's has placed Yanzhou Coal Mining Company Limited's (Yanzhou Coal) 'B2' corporate family rating and senior unsecured rating under review for upgrade. The rating action follows Yanzhou Australia's (a subsidiary of Yanzhou Coal) announcement to raise equity to fund its acquisition of Coal & Allied Industries Limited. Moody's expects that Yanzhou Australia's financial profile and operations will improve upon completion of the acquisition. Moody's has downgraded MNC Investama TBK's (PT) (BHIT) corporate family rating and the ratings on its backed senior secured notes (issued by Ottawa Holdings Pte Ltd and guaranteed by BHIT) to 'Ca' from 'Caa3'. The outlook is negative. The rating action reflects BHIT's significant refinancing risk over the next 12 months, and the increasing likelihood of a debt restructuring exercise being required.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.548	-0.11%	USD-SGD	1.3637	0.04%
USD-JPY	110.070	-0.23%	EUR-SGD	1.6036	0.10%
EUR-USD	1.1759	0.06%	JPY-SGD	1.2393	0.30%
AUD-USD	0.7888	-0.33%	GBP-SGD	1.7733	0.13%
GBP-USD	1.3004	0.09%	AUD-SGD	1.0756	-0.30%
USD-MYR	4.2890	0.09%	NZD-SGD	1.0008	0.17%
USD-CNY	6.6743	-0.47%	CHF-SGD	1.4153	1.14%
USD-IDR	13333	0.15%	SGD-MYR	3.1477	0.02%
USD-VND	22736	0.02%	SGD-CNY	4.8942	-0.48%

Equity and Commodity

Index	Value	Net change
DJIA	22,048.70	-36.64
S&P	2,474.02	-0.90
Nasdaq	6,352.33	-18.13
Nikkei 225	19,738.71	-257.30
STI	3,318.08	--
KLCI	1,777.94	-3.71
JCI	5,824.01	13.44
Baltic Dry	1,038.00	--
VIX	11.11	0.15

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1778	--
2M	-0.3390	--	1M	1.2306	--
3M	-0.3280	--	2M	1.2594	--
6M	-0.2690	--	3M	1.3094	--
9M	-0.2100	--	6M	1.4522	--
12M	-0.1520	--	12M	1.7301	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.24 (--)	1.34 (-0.01)
5Y	1.55 (--)	1.80 (-0.01)
10Y	2.11 (--)	2.25 (-0.01)
15Y	2.32 (--)	--
20Y	2.41 (--)	--
30Y	2.47 (--)	2.82 (-0.02)

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	8.3%	91.7%	8.2%	0.2%	0.0%
12/13/2017	40.6%	59.4%	37.6%	3.0%	0.1%
01/31/2018	41.1%	58.9%	37.7%	3.3%	0.1%
03/21/2018	56.5%	43.5%	43.3%	12.3%	0.9%
05/02/2018	56.8%	43.2%	43.3%	12.5%	1.0%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.75	-0.18
EURIBOR-OIS	2.85	-0.12
TED	25.92	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.56	0.79%	Copper (per mt)	6,452.9	-0.53%
Brent (per barrel)	52.70	1.07%	Nickel (per mt)	10,719.0	1.19%
Heating Oil (per gallon)	1.6533	1.48%	Aluminium (per mt)	2,020.5	0.06%
Gasoline (per gallon)	1.6200	-0.05%			
Natural Gas (per MMBtu)	2.8830	2.16%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,630.0	0.04%
			Rubber (JPY/KG)	215.4	2.67%
Precious Metals	Futures	% chg			
Gold (per oz)	1,279.3	1.32%			
Silver (per oz)	16.863	2.89%			

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

Key Economic Indicators

Date	Time	Event		Survey	Actual	Prior	Revised	
08/08/2017	07:50	JN	BoP Current Account Balance	Jun	¥860.5b	¥934.6b	¥1653.9b	--
08/08/2017	07:50	JN	Trade Balance BoP Basis	Jun	¥571.5b	¥518.5b	-¥115.1b	--
08/08/2017	09:30	AU	NAB Business Conditions	Jul	--	15	15	14
08/08/2017	09:30	AU	NAB Business Confidence	Jul	--	12	9	8
08/08/2017	10:43	CH	Exports YoY	Jul	11.00%	7.20%	11.30%	--
08/08/2017	10:43	CH	Imports YoY	Jul	18.00%	11.00%	17.20%	--
08/08/2017	10:47	CH	Trade Balance	Jul	\$45.00b	\$46.74b	\$42.80b	\$42.75b
08/08/2017	11:51	VN	Domestic Vehicle Sales YoY	Jul	--	-21.30%	4.00%	4.10%
08/08/2017	16:00	TA	CPI YoY	Jul	0.90%	0.77%	1.00%	0.99%
08/08/2017	18:00	US	NFIB Small Business Optimism	Jul	103.5	105.2	103.6	--
08/09/2017	07:00	SK	Unemployment rate SA	Jul	3.80%	3.60%	3.80%	--
08/09/2017	07:50	JN	Money Stock M2 YoY	Jul	3.90%	4.00%	3.90%	--
08/09/2017	07:50	JN	Money Stock M3 YoY	Jul	3.30%	3.40%	3.30%	--
08/09/2017	08:30	AU	Westpac Consumer Conf SA MoM	Aug	--	-1.20%	0.40%	--
08/09/2017	09:30	CH	CPI YoY	Jul	1.50%	1.40%	1.50%	--
08/09/2017	09:30	CH	PPI YoY	Jul	5.60%	5.50%	5.50%	--
08/09/2017	09:30	AU	Home Loans MoM	Jun	1.50%	0.50%	1.00%	1.10%
08/09/2017	14:00	JN	Machine Tool Orders YoY	Jul P	--	26.30%	31.10%	--
08/09/2017	16:00	IT	Industrial Production WDA YoY	Jun	3.50%	5.30%	2.80%	2.70%
08/09/2017	16:00	IT	Industrial Production MoM	Jun	0.20%	1.10%	0.70%	--
08/09/2017	19:00	US	MBA Mortgage Applications	Aug-04	--	3.00%	-2.80%	--
08/09/2017	20:15	CA	Housing Starts	Jul	205.0k	222.3k	212.7k	212.9k
08/09/2017	20:30	CA	Building Permits MoM	Jun	-1.90%	2.50%	8.90%	10.70%
08/09/2017	22:00	US	Wholesale Inventories MoM	Jun F	0.60%	0.70%	0.60%	--
08/10/2017	05:00	NZ	RBNZ Official Cash Rate	Aug-10	1.75%	1.75%	1.75%	--
08/10/2017	07:50	JN	Machine Orders MoM	Jun	3.60%	--	-3.60%	--
08/10/2017	07:50	JN	Machine Orders YoY	Jun	-1.10%	--	0.60%	--
08/10/2017	07:50	JN	PPI YoY	Jul	2.30%	--	2.10%	--
08/10/2017	09:00	PH	Exports YoY	Jun	14.30%	--	13.70%	--
08/10/2017	09:00	PH	Trade Balance	Jun	-\$2500m	--	-\$2753m	--
08/10/2017	12:00	MA	Industrial Production YoY	Jun	3.00%	--	4.60%	--
08/10/2017	12:30	JN	Tertiary Industry Index MoM	Jun	0.20%	--	-0.10%	--
08/10/2017	14:45	FR	Industrial Production MoM	Jun	-0.60%	--	1.90%	--
08/10/2017	14:45	FR	Industrial Production YoY	Jun	3.10%	--	3.20%	--
08/10/2017	14:45	FR	Manufacturing Production MoM	Jun	-1.00%	--	2.00%	--
08/10/2017	16:00	PH	BSP Overnight Borrowing Rate	Aug-10	3.00%	--	3.00%	--
08/10/2017	16:00	SI	Automobile COE Open Bid Cat A	Aug-10	--	--	44002	--
08/10/2017	16:30	UK	Industrial Production MoM	Jun	0.10%	--	-0.10%	--
08/10/2017	16:30	UK	Industrial Production YoY	Jun	-0.10%	--	-0.20%	--
08/10/2017	16:30	UK	Manufacturing Production MoM	Jun	0.00%	--	-0.20%	--
08/10/2017	16:30	UK	Visible Trade Balance GBP/Mn	Jun	£11,000	--	£11,863	--
08/10/2017	16:30	UK	Trade Balance Non EU GBP/Mn	Jun	£3,000	--	£3,796	--
08/10/2017	16:30	UK	Trade Balance	Jun	£2,500	--	£3,073	--
08/10/2017	20:30	CA	New Housing Price Index MoM	Jun	0.50%	--	0.70%	--
08/10/2017	20:30	US	Initial Jobless Claims	Aug-05	240k	--	240k	--
08/10/2017	20:30	US	Continuing Claims	Jul-29	1960k	--	1968k	--
08/10/2017	20:30	US	PPI Final Demand MoM	Jul	0.10%	--	0.10%	--
08/10/2017	20:30	US	PPI Ex Food and Energy MoM	Jul	0.20%	--	0.10%	--
08/10/2017	20:30	US	PPI Final Demand YoY	Jul	2.20%	--	2.00%	--
08/10/2017	20:30	US	PPI Ex Food and Energy YoY	Jul	2.10%	--	1.90%	--
08/10/2017	21:45	US	Bloomberg Consumer Comfort	Aug-06	--	--	49.6	--
08/10/2017	08/15	CH	Money Supply M2 YoY	Jul	9.50%	--	9.40%	--
08/10/2017	08/15	CH	New Yuan Loans CNY	Jul	800.0b	--	1540.0b	--
08/10/2017	08/14	NZ	REINZ House Sales YoY	Jul	--	--	-24.70%	--

Source: Bloomberg

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