

Highlights

Global	<p>Market signals were somewhat mixed overnight, with S&P500 edging lower amid US bank earnings results from JPMorgan and Citigroup due to muted trading and consumer credit, while Treasury bonds gained amid concerns of a potential North Korean missile test and ahead of US inflation prints. Fed's Brainard said "It's not so much that the Phillips Curve isn't operative, it seems to be that the Phillips Curve is just not very important in the overall inflation process". Meanwhile, US president Trump is also said to be frustrated with the tax plan progress, while US negotiators have presented a "sunset clause" for NAFTA after five years unless parties agree to extend it.</p> <p>Asian bourses could range trade, awaiting China's trade data and US' CPI data. The economic data calendar also comprises US' retail sales and University of Michigan confidence, and German CPI. Speakers include Fed's Rosengren, Evans, Kaplan, and ECB's Mersch and Constrancio.</p>
US	<p>Initial jobless claims fell 15k to 243k, while PPI rose 0.4% mom (2.6% yoy) in Sep, faster than the 0.2% mom (2.4% yoy) in Aug. White House Chief of Staff Kelly clarified that "all of the people who've been in to interview have been first-round draft choices...we still have more to come" for the Fed chair candidates.</p>
EZ	<p>ECB officials are said to be contemplating trimming its monthly bond purchases by at least half from Jan 2018 and continue purchases until Sep. Note Praet hinted that the ECB will "recalibrate its instruments accordingly, with a view to delivering the monetary policy impulse that remains necessary to secure a sustained adjustment in the path of inflation". Meanwhile, GBP got a lift from a Handelsblatt report that Barnier may offer the UK a 2-year transition period to stay in the EU provided the UK meets its financial obligations.</p>
SG	<p>The 3Q17 GDP growth surged to 4.6% yoy (+6.3% qoq saaar), the strongest pace since 1Q14, lifted by a stellar manufacturing at 15.5% yoy (23.1% qoq), while services grew 2.6% yoy (1.5% qoq), whereas construction fell 6.3% yoy (-9.3% qoq), but the official 2017 growth forecast was kept unchanged at 2-3% yoy. The surprise was how dovish the MAS statement read – growth is likely to slow from this year, and more importantly, headline and core inflation outlook is tipped at a modest 0-1% and 1-2% yoy in 2018, which essentially reinforces that there is no need to jump the gun on tightening now, even as it leaves the adjustment window open in 2018. Notably, MAS had indicated in the October 2016 MPS that the neutral policy stance would be appropriate for an extended period, and given the economic outlook at this stage and consistent with medium-term price stability, MAS will maintain the rate of appreciation of the S\$NEER policy band at zero percent, with the width of the policy band and the level at which it is centred will be unchanged.</p>
CMD	<p>EIA's comment that US crude oil production could rise more than previously expected in 2018 dragged prices lower. WTI and Brent settled at \$50.60/bbl and \$56.25/bbl, respectively, down by more than one percentage point. The fall in crude oil prices were seen despite another session of inventory decline seen in the US, although gasoline stocks surprised higher.</p>

Major Market

- **US:** Investors shrugged off better than expected earnings from JPMorgan and Citigroup, and sold off financials together with telecoms and consumer discretionary sectors. Some support was seen from real estate and industrials, but was not enough to support the major indices. Overall, the S&P 500 fell 0.17%, while the Dow and Nasdaq Composite shed 0.14% and 0.18% respectively. VIX stands at 9.91, compared to 9.85 previously.
- Meanwhile, US Treasury curve bull flattened, with the 10y benchmark yield falling 3 bps to 2.32%. 2y benchmark yield at 1.51%, down 1 bp.
- **Singapore:** Retail sales accelerated from a revised 1.7% yoy (+2.9% mom sa) in July to 3.5% yoy (-0.3% mom sa) in August. This marked the strongest retail sales print since March 2016, even though the Great Singapore Sale (GSS) had ended, but was partly attributable to a low base last year (-0.5% yoy). Retail sales improved in Aug for petrol service stations (9.3% yoy), recreational goods (8.3% yoy), medical goods & toiletries (7.6% yoy) and supermarkets (6.3% yoy), whereas sales dipped in optical goods & books (-4.1% yoy), food retailers (-2.1% yoy), mini-marts & convenience stores (-1.1%) and watches & jewellery (-0.4% yoy). Excluding autos (+2.8% yoy and 3.4% mom sa), retail sales surged 3.7% yoy (-1.2% mom) in August versus 2.0% in July. Looking ahead, retail sales growth may sustain in 4Q17 amid the festive season and provide some cheer to domestic retailers. Given the domestic labour market is holding up and there are tentative signs of reflation in the private residential property market of late, domestic private consumption should be relatively resilient going forward. Moreover, total visitor arrivals to S'pore had hit a record high of 1.63 million in July 2017 and reached 10.18 million (+3.8% yoy) for the first seven months of the year, so this also portends well to tourism-related expenditure in the local economy.
- The STI rebounded 0.70% to close up at 3303.09 but let's wait and see if it can sustain above the 3300 handle amid soft overnight from Wall Street. The STI resistance and support are tipped at 3320 and 3280 respectively. With the UST bond yield curve bull-flattening amid a strong 30-year bond auction, SGS bonds may also copycat today.
- **Korea:** The Finance Ministry commented that Korea is on track to meet the government's 3% growth target this year, given the stellar performance seen in exports and investments. Vice Finance Minister Ko added that while household debt is rising, levels "isn't seen as that bad" and the government is expected to announce measures to rein in household debt levels.
- **Macau:** Housing transactions dropped by 19.4% yoy in August to 652 deals, marking the first year-on-year decline since February 2016. In the same month, approved new mortgage loans fell for the first time since December 2016 by 13.6% yoy. Housing market remained relatively quiet due to new cooling measures, summer holiday effect and bad weather. We expect housing transactions and demand for mortgage loans will remain tepid in the rest of 3Q as housing market sentiment may take time to recover after the two typhoons. However, with the launch of new home projects in 4Q (housing completions surged by 1260% yoy during the first eight months of 2017), we expect housing transactions in the primary housing market to rebound on a stable labor market and resilient domestic economic growth. Therefore, though the secondary housing market demand may continue to be curbed by cooling measures and prospects for higher rates, total housing transactions may still increase on a quarterly basis in 4Q. Average housing price (+14.5% yoy in August) is expected to oscillate around current level at MOP95,000 per square meter.

- **Commodities:** IEA commented that China's oil storage capacity is between 800 million and 1 billion barrels, and several sources are assuming that the Middle Kingdom has around 850 million barrels of oil stocks. Even if one takes the upper limit of the range of Chinese storage capacity estimates, it suggests that China's storage room is getting increasingly limited. Note that China's crude oil imports in August have increased merely 3.4% yoy, the lowest in 8 months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with most tenors trading little changed, and the 15-year and 30-year tenors trading 2bps and 4bps lower respectively. In the broader dollar space, the spread on JACI IG Corp traded little changed at 181bps, while the JACI HY Corp fell 1bps to 6.84%. 10Y UST yields fell by 3bps to 2.32%, as a strong 30-year treasury auction helped offset a gain in yields due to stronger-than-expected PPI data.
- **New Issues:** Well Hope Development Ltd has priced a USD1bn Perp NC5 (guaranteed by Haier Group Corporation) at 3.875%, tightening from initial guidance of 4.375%.
- **Rating Changes:** S&P has affirmed XLIT Ltd's (XLIT) 'A-' issuer credit rating, and its 'A+' financial strength and counterparty credit ratings on its core operating subsidiaries. The outlook has been revised to stable from positive. The rating outlook was revised down as the previous positive outlook expected the integration of XL Catlin to improve operating performance. Although the integration has been successful, the overall operating performance improvement has not materialized to the extent expected. Moody's has affirmed China General Nuclear Power Corporation's (CGN) 'A3' long-term issuer rating, CGNPC International Limited and China Uranium Development Company Limited's 'A3' senior unsecured rating (guaranteed by CGN) and China Clean Energy Development Limited 'Baa1' senior unsecured rating (guaranteed by CGNPC International Limited and supported by a Keepwell deed from CGN). The outlook has been revised to stable from negative. The rating action reflects CGN's progress in the construction of its nuclear units, which lowers the degree of execution to a level consistent with a stable outlook. Fitch has upgraded Samsung Electronics Co Ltd's (SEC) Issuer Default Ratings (IDRs) and senior unsecured rating to 'AA-' from 'A+'. The outlook is stable. The rating action reflects Fitch's belief that SEC's credit quality is not significantly vulnerable to foreseeable events due to its strong global market position, technology leadership, diversification, economies of scales and vertically integrated structure.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.057	0.05%	USD-SGD	1.3524	-0.14%
USD-JPY	112.280	-0.20%	EUR-SGD	1.5999	-0.38%
EUR-USD	1.1830	-0.24%	JPY-SGD	1.2045	0.05%
AUD-USD	0.7820	0.41%	GBP-SGD	1.7937	0.16%
GBP-USD	1.3262	0.29%	AUD-SGD	1.0576	0.26%
USD-MYR	4.2238	0.03%	NZD-SGD	0.9643	0.50%
USD-CNY	6.5875	-0.04%	CHF-SGD	1.3865	-0.35%
USD-IDR	13504	-0.19%	SGD-MYR	3.1162	0.28%
USD-VND	22722	0.01%	SGD-CNY	4.8672	0.13%

Equity and Commodity

Index	Value	Net change
DJIA	22,841.01	-31.88
S&P	2,550.93	-4.31
Nasdaq	6,591.51	-12.04
Nikkei 225	20,954.72	73.45
STI	3,303.09	22.81
KLCI	1,754.00	-3.21
JCI	5,926.20	43.42
Baltic Dry	1,433.00	--
VIX	9.91	0.06

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1833	--
2M	-0.3390	--	1M	1.2389	--
3M	-0.3290	--	2M	1.2730	--
6M	-0.2740	--	3M	1.3586	--
9M	-0.2210	--	6M	1.5293	--
12M	-0.1810	--	12M	1.8096	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.31 (--)	1.51 (-0.01)
5Y	1.57 (--)	1.94 (-0.02)
10Y	2.08 (-0.01)	2.32 (-0.03)
15Y	2.38 (-0.01)	--
20Y	2.38 (-0.01)	--
30Y	2.47 (-0.01)	2.85 (-0.04)

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	76.7%	76.5%	0.2%	0.0%	0.0%
01/31/2018	77.4%	75.0%	2.4%	0.0%	0.0%
03/21/2018	87.5%	51.6%	34.9%	1.1%	0.0%
05/02/2018	88.1%	49.6%	35.7%	2.7%	0.1%
06/13/2018	91.9%	37.5%	40.2%	13.3%	0.9%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.42	--
EURIBOR-OIS	2.68	--
TED	28.23	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	50.60	-1.36%	Copper (per mt)	6,878.4	0.79%
Brent (per barrel)	56.25	-1.21%	Nickel (per mt)	11,336.0	2.45%
Heating Oil (per gallon)	1.7655	-1.15%	Aluminium (per mt)	2,122.8	0.74%
Gasoline (per gallon)	1.5832	-1.62%			
Natural Gas (per MMBtu)	2.9890	3.46%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,711.0	0.56%
			Rubber (JPY/KG)	197.2	-2.23%
Precious Metals	Futures	% chg			
Gold (per oz)	1,296.5	0.59%			
Silver (per oz)	17.266	0.78%			

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
10/12/2017 04:00	NZ REINZ House Sales YoY	Sep --	-26.20%	-20.00%	--
10/12/2017 05:45	NZ Food Prices MoM	Sep --	-0.20%	0.60%	--
10/12/2017 07:50	JN PPI YoY	Sep 3.00%	3.00%	2.90%	--
10/12/2017 08:30	AU Home Loans MoM	Aug 0.50%	1.00%	2.90%	2.80%
10/12/2017 12:00	MA Industrial Production YoY	Aug 5.80%	6.80%	6.10%	--
10/12/2017 12:30	JN Tertiary Industry Index MoM	Aug 0.10%	-0.20%	0.10%	--
10/12/2017 13:00	SI Retail Sales SA MoM	Aug -1.40%	-0.30%	3.00%	2.90%
10/12/2017 13:00	SI Retail Sales YoY	Aug 2.40%	3.50%	1.80%	1.70%
10/12/2017 14:45	FR CPI EU Harmonized YoY	Sep F 1.10%	1.10%	1.10%	--
10/12/2017 14:45	FR CPI YoY	Sep F 1.00%	1.00%	1.00%	--
10/12/2017 15:30	TH Foreign Reserves	Oct-06 --	\$198.6b	\$199.3b	--
10/12/2017 17:00	EC Industrial Production SA MoM	Aug 0.60%	1.40%	0.10%	0.30%
10/12/2017 17:00	EC Industrial Production WDA YoY	Aug 2.60%	3.80%	3.20%	3.60%
10/12/2017 20:00	IN CPI YoY	Sep 3.53%	3.28%	3.36%	3.28%
10/12/2017 20:00	IN Industrial Production YoY	Aug 2.60%	4.30%	1.20%	0.90%
10/12/2017 20:30	CA New Housing Price Index MoM	Aug 0.20%	0.10%	0.40%	--
10/12/2017 20:30	US PPI Final Demand MoM	Sep 0.40%	0.40%	0.20%	--
10/12/2017 20:30	US PPI Ex Food and Energy MoM	Sep 0.20%	0.40%	0.10%	--
10/12/2017 20:30	US PPI Final Demand YoY	Sep 2.60%	2.60%	2.40%	--
10/12/2017 20:30	US PPI Ex Food and Energy YoY	Sep 2.00%	2.20%	2.00%	--
10/12/2017 20:30	US Initial Jobless Claims	Oct-07 250k	243k	260k	258k
10/12/2017 20:30	US Continuing Claims	Sep-30 1930k	1889k	1938k	1921k
10/12/2017 21:45	US Bloomberg Consumer Comfort	Oct-08 --	49.5	49.9	--
10/13/2017 05:30	NZ BusinessNZ Manufacturing PMI	Sep --	57.5	57.9	--
10/13/2017 07:50	JN Money Stock M2 YoY	Sep 4.00%	--	4.00%	--
10/13/2017 07:50	JN Money Stock M3 YoY	Sep 3.40%	--	3.40%	--
10/13/2017 08:00	SI GDP YoY	3Q A 3.80%	--	2.90%	--
10/13/2017 08:00	SI GDP SAAR QoQ	3Q A 3.70%	--	2.20%	--
10/13/2017 14:00	GE CPI YoY	Sep F 1.80%	--	1.80%	--
10/13/2017 14:00	GE CPI EU Harmonized YoY	Sep F 1.80%	--	1.80%	--
10/13/2017 16:00	IT CPI EU Harmonized YoY	Sep F 1.30%	--	1.30%	--
10/13/2017 20:30	US CPI MoM	Sep 0.60%	--	0.40%	--
10/13/2017 20:30	US CPI Ex Food and Energy MoM	Sep 0.20%	--	0.20%	--
10/13/2017 20:30	US CPI YoY	Sep 2.30%	--	1.90%	--
10/13/2017 20:30	US Retail Sales Advance MoM	Sep 1.70%	--	-0.20%	--
10/13/2017 20:30	US Retail Sales Ex Auto MoM	Sep 0.90%	--	0.20%	--
10/13/2017 20:30	US Retail Sales Ex Auto and Gas	Sep 0.40%	--	-0.10%	--
10/13/2017 22:00	US U. of Mich. Sentiment	Oct P 95	--	95.1	--
10/13/2017	CH Imports YoY	Sep 14.70%	--	13.30%	13.50%
10/13/2017	CH Exports YoY	Sep 10.00%	--	5.50%	5.60%
10/13/2017	CH Trade Balance	Sep \$38.00b	--	\$41.99b	\$41.92b
10/12/2017 10/18	CH Money Supply M2 YoY	Sep 8.90%	--	8.90%	--
10/12/2017 10/18	CH New Yuan Loans CNY	Sep 1200.0b	--	1090.0b	--
10/13/2017 10/16	IN Exports YoY	Sep --	--	10.30%	--
10/13/2017 10/16	IN Imports YoY	Sep --	--	21.00%	--
10/13/2017 10/21	US Monthly Budget Statement	Sep \$6.0b	--	\$33.4b	--

Source: Bloomberg

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