

## Highlights

Global	<p>US' inflation cues disappointed market expectations at 0.5% mom (2.2% yoy), with Fed chair Yellen opining that "my best guess is that these soft readings will not persist" and "we expect the neutral level of the federal funds rates to rise somewhat over time" and "additional gradual rate hikes are likely to be appropriate over the next few years". This prompted the futures market to pare back expectations for a Dec17 rate hike to 73% probability. This soft inflation tone was reiterated across major central bank policymakers at the G30 meeting over the weekend. The week ahead will be quite busy with the China's 19th Party Congress (starting 18th Oct) and 3Q17 GDP growth cues, an EU summit (with UK PM May travelling to Brussels for Brexit talks today), Catalonia's deadline for declaring independence, continuing US corporate earnings (with Morgan Stanley, IBM, P&amp;G, GE etc) and Japanese elections over the weekend, which should keep investors on their toes. Note 3Q17 earnings for S&amp;P500 are tipped at 4.4% yoy versus 5.3% for Europe's STOXX600, according to IBES data. Meanwhile, North Korean are likely preparing for another missile test amid a joint military drill exercise between US and South Korea this week which the North Korean state-run media KCNA had already denounced as a "reckless act of war maniacs". Asian bourses could trade with a firmer tone this morning amid a soft US inflation print and improved global economic optimism. Today's economic data calendar comprises US' Empire manufacturing, Indonesian Sep trade and China's CPI/PPI. BI and BOK are meeting on 19 Oct but are likely to remain static at 4.25% and 1.25% respectively.</p>
G30 Meeting	<p>ECB's Draghi remained "confident" inflation will pick up and Constancio reiterated that the reinvestment of maturing assets "will continue until further notice", ahead of the highly anticipated ECB policy meeting later this month where market players are already primed for some announcement to taper its EUR60b monthly bond purchase program) note that some ECB officials are said to have identified a limit of just over EUR2.5t and purchases are tipped to reach EUR2.28t by end-17). Meanwhile, BOJ governor Kuroda argued that the BOJ "will consistently pursue aggressive monetary easing" as "achieving the 2% target is still a long way off". Separately, PBOC governor Zhou Xiaochuan warned that "the main problem is that the corporate debt is too high" and "we need to pay further effort to deleveraging and strengthen policy for financial stability".</p>
CN	<p>Trade surplus shrank in September due to stronger than expected imports. The strong import of electronic integrated circuit is in line with strong export of electronics data reported by Singapore and Malaysia. This shows the entire electronic value chain in Asia continued to benefit from the global recovery, which may further support Asia's export story. China's September financial data beat market expectation, partially attributable to seasonal pattern. One of the notable changes is that off-balance sheet lending revived, which could be the result of recent property tightening.</p>
TH	<p>Bank of Thailand governor Veerathai Santiprabhob reiterated that current monetary policy is already "very accommodative", and there is "increasing confidence in the recovery" and "improving investor confidence". He added that cutting rates too prematurely could increase financial stability risks.</p>

## Major Market

- **US:** Fed's Evans flagged that inflation "seems lower than what we should be looking for" and "the Michigan survey expectations have declined in a way that is less than consistent with characterizing that as stable" and "that makes me continue to be anxious".
- Equities closed the week firmer on Friday, with the Dow and Nasdaq Composite gaining 0.13% and 0.22% respectively. The S&P 500 also gained 0.09%. Most of the gains for the week were attributed to the tech megacaps, putting spotlight on the Netflix earnings later today. VIX stood at 9.61, compared to 9.91 previously. US Treasury yields moved lower after CPI data missed expectations on early Friday, and gains were held over a relatively quiet afternoon session. This week, the Fed speaker schedule is bookended by two Yellen appearances, and will also feature Harker, Dudley, Kaplan, George and Mester. Watch, in particular, Yellen's later speech on 21 Oct, which will discuss monetary policy. In the data front, watch for Empire manufacturing (Monday), industrial production (Tuesday) and initial jobless claims (Thursday).
- **China:** China's export grew by 8.1% yoy in Sep while import rose by 18.7% yoy. As a result of stronger than expected import, China's trade surplus narrowed further to US\$28.5 billion in Sep. Exports to EU and US reaccelerated to 10.4% yoy and 13.75% yoy in Sep due to low base. In addition, exports growth to ASEAN also recovered to 10.78% yoy in Sep although exports to East Asia remained weak with exports to Japan only grew by 0.05% yoy.
- For imports, imports of electronic integrated circuit reaccelerated to half year high of 18.4% yoy in Sep. This is in line with strong export of electronics data reported by Singapore and Malaysia. This shows the entire electronic value chain in Asia continued to benefit from the global recovery, which may further support Asia's export story. In addition, demand for commodity also improved. Imports of crude oil and iron ore by volume rose by 11.95% yoy and 10.58% yoy respectively.
- China's trade surplus with the US widened to a record high of US\$28.08 billion in September. This may not bode well for the bilateral trade relationship between US and China. Trade is likely to continue to be the focus ahead of US President Trump's visit to China in November.
- China's September financial data beat market expectation. Total new Yuan loan increased by CNY1.27 trillion while aggregate social financing jumped to CNY1.82 trillion. Broad money supply M2 reaccelerated to 9.2% yoy from record low of 8.9%.
- For breakdown of new Yuan loan, the leverage of household sector continued to increase at a rapid pace. Total medium to long term loan to household sector remained strong at CNY478.6 billion despite China further tightened property rules. Short term loan to household sector also increased by CNY253.7 billion. Nevertheless, given China tried to ban consumption loan from entering the property market, short term loan to household sector may slow in the coming months. Medium to long term loan to corporate also remained steady at CNY502.9 billion signalling booming economic activity.
- Off-balance sheet lending rebounded in September, partially led to spike of aggregate social financing. Entrusted loan recovered to CNY77.5 billion while trust loan remained strong at CNY241 billion. The rebound of off-balance sheet lending is probably the result of property tightening, which drove funding needs back to off-balance sheet.
- On deposit, foreign currency deposit fell by US\$13.1 billion, down for the second consecutive month. The highest single month unwind of foreign currency deposit since November 2015 signalled the return of expectation on RMB's two-way movement.

- In addition, fiscal deposit fell by CNY397.2 billion, in line with seasonal pattern. The decline of fiscal deposit in August and September shows that proactive fiscal policy. This also explains why PBoC has been reluctant to inject the liquidity via open market operation in the past two months as proactive fiscal policy has provided liquidity to the system.
- In conclusion, although the strong financial data in September can be partially attributable to seasonal pattern, it does reflect the strong underlying growth momentum, which has exceeded our previous expectation. Nevertheless, given loan quota is likely to be limited in the last quarter, we think the magnitude of credit expansion in the past few months is unlikely to be sustainable.
- **Singapore:** The STI added 0.49% to close up at 3319.11 on Friday, and may attempt higher today amid positive signals from Wall Street's Friday rally and morning gains by Kospi. The STI resistance and support are tipped at 3330 and 3300 respectively. The UST bond yield curve bull-flattened with the 10-year bond yield lower by 4bps to 2.27% on Friday, and the SGS bonds may follow suit today. The 2% support level remains key for the 10-year SGS bond, having last seen that level in early Sep, and the recent retracement of bond yields slower had already prompted an opportunistic spate of corporate bond offerings.
- **Indonesia:** Indonesia is expected to release latest trade and external debt data today. Meanwhile, President Jokowi will be inaugurating Jakarta Governor Anies Baswedan later today as well.
- **Commodities:** Oil extended gains on news that Iraqi forces engaged in a military operation to take over crude fields in the northern city of Kirkuk from the Kurdish forces. WTI and Brent rose to \$51.45/bbl (+1.7%) and \$57.17/bbl (+1.6%), respectively. The weaker dollar on softer-than-expected inflation data proved short-lived, but the same cannot be said for gold prices, which rallied past the \$1,300/oz handle. The yellow metal, as a safe haven asset, could find further support into the week given official sources that North Korea is preparing another missile launch ahead of an upcoming joint naval drill by the US and S. Korea.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mostly upwards Friday, with the 1-year to 4-year tenors, as well as the 20-year tenor, trading 1-2bps higher. The other tenors traded little changed. In the broader dollar space, the spread on JACI IG Corp traded little changed at 181bps, while the yield on JACI HY Corp fell 1bps to 6.83%. 10Y UST yields fell by 5bps to 2.28%, as CPI data printed below expectations.
- **New Issues:** Prime Asset Holdings Ltd has priced a SGD170mn 7-year bond at 2.9%, tightening from initial guidance of 3.1% area. Zhongrong International Resources Co Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Zhongrong Xinda Group Co Ltd) from 16 Oct. The expected issue ratings are 'BB-/NR/BB'.
- **Rating Changes:** Fitch has affirmed Origin Energy Ltd's Issuer Default Rating (IDR) and its senior unsecured rating at 'BBB'. The outlook on the IDR has been revised to stable from negative. The rating action reflects Fitch's expectation Origin will sustain the improvement in its financial performance. Origin's financial risk profile is also likely to

improve if it is able to complete the proposed divestment of its upstream business and reduce debt.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	93.091	0.04%	<b>USD-SGD</b>	1.3492	-0.24%
<b>USD-JPY</b>	111.820	-0.41%	<b>EUR-SGD</b>	1.5948	-0.32%
<b>EUR-USD</b>	1.1820	-0.08%	<b>JPY-SGD</b>	1.2065	0.17%
<b>AUD-USD</b>	0.7887	0.86%	<b>GBP-SGD</b>	1.7927	-0.06%
<b>GBP-USD</b>	1.3285	0.17%	<b>AUD-SGD</b>	1.0645	0.65%
<b>USD-MYR</b>	4.2220	-0.04%	<b>NZD-SGD</b>	0.9694	0.53%
<b>USD-CNY</b>	6.5796	-0.12%	<b>CHF-SGD</b>	1.3846	-0.14%
<b>USD-IDR</b>	13498	-0.04%	<b>SGD-MYR</b>	3.1164	0.01%
<b>USD-VND</b>	22720	-0.01%	<b>SGD-CNY</b>	4.8725	0.11%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	22,871.72	30.71
<b>S&amp;P</b>	2,553.17	2.24
<b>Nasdaq</b>	6,605.80	14.29
<b>Nikkei 225</b>	21,155.18	200.46
<b>STI</b>	3,319.11	16.02
<b>KLCI</b>	1,755.32	1.32
<b>JCI</b>	5,924.12	-2.08
<b>Baltic Dry</b>	1,485.00	27.00
<b>VIX</b>	9.61	-0.30

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	0.0010	<b>O/N</b>	1.1844	--
<b>2M</b>	-0.3400	0.0010	<b>1M</b>	1.2367	-0.0022
<b>3M</b>	-0.3290	--	<b>2M</b>	1.2774	--
<b>6M</b>	-0.2740	--	<b>3M</b>	1.3533	-0.0058
<b>9M</b>	-0.2220	--	<b>6M</b>	1.5343	0.0028
<b>12M</b>	-0.1810	--	<b>12M</b>	1.8129	0.0044

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.33 (+0.02)	1.49 (-0.02)
<b>5Y</b>	1.58 (+0.01)	1.90 (-0.04)
<b>10Y</b>	2.07 (-0.01)	2.27 (-0.04)
<b>15Y</b>	2.36 (-0.02)	--
<b>20Y</b>	2.36 (-0.02)	--
<b>30Y</b>	2.44 (-0.02)	2.81 (-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	73.3%	73.1%	0.2%	0.0%	0.0%
01/31/2018	74.3%	71.3%	3.0%	0.0%	0.0%
03/21/2018	85.8%	50.9%	33.6%	1.3%	0.0%
05/02/2018	86.4%	49.5%	34.3%	2.6%	0.1%
06/13/2018	90.4%	38.8%	38.8%	12.0%	0.8%

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	12.87	-0.21
<b>EURIBOR-OIS</b>	2.92	0.24
<b>TED</b>	28.60	-0.45

### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.45	1.68%	Copper (per mt)	6,908.2	0.43%
Brent (per barrel)	57.17	1.64%	Nickel (per mt)	11,610.5	2.42%
Heating Oil (per gallon)	1.7970	1.78%	Aluminium (per mt)	2,110.3	-0.59%
Gasoline (per gallon)	1.6222	2.46%			
Natural Gas (per MMBtu)	3.0000	0.37%			
			<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,749.0	1.40%
			Rubber (JPY/KG)	201.7	2.28%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,304.6	0.62%			
Silver (per oz)	17.411	0.84%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## CFTC Commodities Positioning Update

For the week ended: 10 Oct 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Lean Hogs	54,894	46,075	8,819	Sugar	-54,163	-32,630	-21,533
Live Cattle	125,257	116,760	8,497	Natural Gas	-76,537	-60,092	-16,445
Cocoa	-17,237	-23,789	6,552	Gold	212,480	228,017	-15,537
Wheat	-38,321	-43,309	4,988	Coffee	-22,031	-8,451	-13,580
Copper	33,616	29,958	3,658	Corn	-65,421	-54,852	-10,569
Soybean	34,992	34,616	376	Cotton	64,689	71,712	-7,023
Palladium	20,382	20,556	-174	RBOB Gasoline	75,708	81,844	-6,136
Silver	58,581	59,608	-1,027	Heating Oil	54,140	57,871	-3,731
Nymex Crude	503,895	505,088	-1,193	Platinum	21,843	25,288	-3,445

Source: Bloomberg, CFTC

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
<b>10/13/2017 05:30</b>	<b>NZ BusinessNZ Manufacturing PMI</b>	<b>Sep</b>	--	<b>57.5</b>	<b>57.9</b>	--
10/13/2017 07:50	JN Japan Buying Foreign Bonds	Oct-06	--	¥89.2b	¥1014.1b	--
10/13/2017 07:50	JN Foreign Buying Japan Bonds	Oct-06	--	¥100.0b	¥391.1b	--
10/13/2017 07:50	JN Foreign Buying Japan Stocks	Oct-06	--	¥1235.3b	¥953.3b	--
<b>10/13/2017 07:50</b>	<b>JN Money Stock M2 YoY</b>	<b>Sep</b>	<b>4.00%</b>	<b>4.10%</b>	<b>4.00%</b>	--
<b>10/13/2017 07:50</b>	<b>JN Money Stock M3 YoY</b>	<b>Sep</b>	<b>3.40%</b>	<b>3.40%</b>	<b>3.40%</b>	--
<b>10/13/2017 08:00</b>	<b>SI GDP YoY</b>	<b>3Q A</b>	<b>3.80%</b>	<b>4.60%</b>	<b>2.90%</b>	--
<b>10/13/2017 08:00</b>	<b>SI GDP SAAR QoQ</b>	<b>3Q A</b>	<b>3.70%</b>	<b>6.30%</b>	<b>2.20%</b>	<b>2.40%</b>
<b>10/13/2017 11:27</b>	<b>CH Trade Balance</b>	<b>Sep</b>	<b>\$38.00b</b>	<b>\$28.47b</b>	<b>\$41.99b</b>	<b>\$41.92b</b>
10/13/2017 11:27	CH Exports YoY	Sep	10.00%	8.10%	5.50%	5.10%
10/13/2017 11:27	CH Imports YoY	Sep	14.70%	18.70%	13.30%	13.50%
<b>10/13/2017 14:00</b>	<b>GE CPI YoY</b>	<b>Sep F</b>	<b>1.80%</b>	<b>1.80%</b>	<b>1.80%</b>	--
<b>10/13/2017 14:00</b>	<b>GE CPI EU Harmonized YoY</b>	<b>Sep F</b>	<b>1.80%</b>	<b>1.80%</b>	<b>1.80%</b>	--
<b>10/13/2017 16:00</b>	<b>IT CPI EU Harmonized YoY</b>	<b>Sep F</b>	<b>1.30%</b>	<b>1.30%</b>	<b>1.30%</b>	--
<b>10/13/2017 20:30</b>	<b>US CPI MoM</b>	<b>Sep</b>	<b>0.60%</b>	<b>0.50%</b>	<b>0.40%</b>	--
<b>10/13/2017 20:30</b>	<b>US CPI Ex Food and Energy MoM</b>	<b>Sep</b>	<b>0.20%</b>	<b>0.10%</b>	<b>0.20%</b>	--
10/13/2017 20:30	US CPI YoY	Sep	2.30%	2.20%	1.90%	--
10/13/2017 20:30	US CPI Ex Food and Energy YoY	Sep	1.80%	1.70%	1.70%	--
10/13/2017 20:30	US CPI Core Index SA	Sep	253.059	252.86	252.54	--
<b>10/13/2017 20:30</b>	<b>US Retail Sales Advance MoM</b>	<b>Sep</b>	<b>1.70%</b>	<b>1.60%</b>	<b>-0.20%</b>	<b>-0.10%</b>
10/13/2017 20:30	US Retail Sales Ex Auto MoM	Sep	0.90%	1.00%	0.20%	0.50%
10/13/2017 20:30	US Retail Sales Ex Auto and Gas	Sep	0.40%	0.50%	-0.10%	0.10%
<b>10/13/2017 22:00</b>	<b>US U. of Mich. Sentiment</b>	<b>Oct P</b>	<b>95</b>	<b>101.1</b>	<b>95.1</b>	--
<b>10/14/2017 10:00</b>	<b>CH Money Supply M2 YoY</b>	<b>Sep</b>	<b>8.90%</b>	<b>9.20%</b>	<b>8.90%</b>	--
10/14/2017 10:00	CH New Yuan Loans CNY	Sep	1200.0b	1270.0b	1090.0b	--
10/16/2017 07:01	UK Rightmove House Prices YoY	Oct	--	1.40%	1.10%	--
<b>10/16/2017 09:30</b>	<b>CH CPI YoY</b>	<b>Sep</b>	<b>1.60%</b>	--	<b>1.80%</b>	--
<b>10/16/2017 09:30</b>	<b>CH PPI YoY</b>	<b>Sep</b>	<b>6.40%</b>	--	<b>6.30%</b>	--
10/16/2017 12:00	ID Imports YoY	Sep	20.60%	--	8.89%	--
<b>10/16/2017 12:00</b>	<b>ID Exports YoY</b>	<b>Sep</b>	<b>18.04%</b>	--	<b>19.24%</b>	--
<b>10/16/2017 12:00</b>	<b>ID Trade Balance</b>	<b>Sep</b>	<b>\$1257m</b>	--	<b>\$1720m</b>	--
<b>10/16/2017 12:30</b>	<b>JN Industrial Production MoM</b>	<b>Aug F</b>	--	--	<b>2.10%</b>	--
10/16/2017 12:30	JN Capacity Utilization MoM	Aug	--	--	-1.80%	--
<b>10/16/2017 14:30</b>	<b>IN Wholesale Prices YoY</b>	<b>Sep</b>	<b>3.30%</b>	--	<b>3.24%</b>	--
10/16/2017 20:30	CA Int'l Securities Transactions	Aug	--	--	23.95b	--
<b>10/16/2017 20:30</b>	<b>US Empire Manufacturing</b>	<b>Oct</b>	<b>20.5</b>	--	<b>24.4</b>	--
<b>10/16/2017</b>	<b>PH Overseas Remittances YoY</b>	<b>Aug</b>	<b>5.30%</b>	--	<b>7.10%</b>	--
10/16/2017	PH Overseas Workers Remittances	Aug	\$2532m	--	\$2283m	--
<b>10/13/2017 10/16</b>	<b>IN Exports YoY</b>	<b>Sep</b>	--	<b>25.70%</b>	<b>10.30%</b>	--
10/13/2017 10/16	IN Imports YoY	Sep	--	18.10%	21.00%	--
<b>10/16/2017 10/21</b>	<b>US Monthly Budget Statement</b>	<b>Sep</b>	<b>\$6.0b</b>	--	<b>\$33.4b</b>	--

Source: Bloomberg

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