

Highlights

Global	<p>Risk aversion is back on the table again. Wall Street fell starkly overnight, while investors fled into safe haven territories including gold, UST and JPY. Market-watchers basically ignored the better-than-expected US initial jobless claims (232k for the week ended 12th Aug, vs est 240k), and digested the unexpected terror attack in Barcelona amid the growing controversy in the US-centric political space. Elsewhere, note Fedspeaks overnight by Kaplan and Kashkari, where the former iterated the need to see evidence that prices will rise to a 2.0% target in the medium term in order to support another interest-rate hike, while the latter commented that the Fed will consider the government's effort to raise the federal debt limit in order to decide the timing of the balance sheet reduction. Elsewhere, note that the US army had commented that contentious military exercises with South Korea, due to start on Monday, will still be carried out despite the recent escalation of geopolitical tensions in the Korean Peninsula.</p> <p>For today, watch out for the US University of Michigan Sentiment index and Canada's inflation print. Closer to Asia, Malaysia and Taiwan are slated to release their 2Q GDP growth prints later.</p>
CN	Interbank liquidity remained tight in China throughout the week, however, liquidity eased yesterday afternoon after rumored injection via 1 month SLF. Market still bet that PBoC will not tighten its monetary policy stance further.
KR	Moon Jae-in's presidency in S. Korea has marked its 100 th day yesterday. In a news conference, Moon commented that there "will be no war on the Korean Peninsula ever again" and North Korea "will face with much harsher sanctions" if it provokes again.
MA	Malaysia's 2Q GDP print is slated to be out later today, where we pencil in a 5.7% yoy growth print, slightly higher than the 5.4% market consensus estimate.
Philippines	2Q GDP printed 6.5% yoy, stronger than the consensus of 6.4% yoy. Growth is buoyed by strong domestic consumption and government spending, and has exceeded 6.0% for the eighth consecutive quarter. In terms of industry sectors, manufacturing growth accelerated to 7.91%, compared to 7.58% in the last quarter, while services moderated to 6.05%, compared to 6.69% last quarter. Newsflow from the BSP suggest that the central bank stands ready to hike rates if growth overheats. We think this is unlikely this year given fading inflation pressures.
Commodities	Despite the observable climb in crude oil prices overnight, a hint of risk aversion can also be seen in the Commodities space. Growth-related commodity prices including copper, nickel and aluminium fell overnight, while gold as a safe haven asset surged to its highest in a week. Defensive commodities specifically in the soft commodity space also rallied overnight. Specifically on the crude oil space, note that Ecuador commented its goal to cap crude oil production at its current 541k barrels per day (bpd), so as to reinforce OPEC's overall production cap across its member countries.

Major Market

- **US markets:** Equities reacted negatively to Trump headlines, this time about the possibility that Gary Cohn will resign due to Trump's Charlottesville comments. A day after the CEOs in Trump's business councils broke ranks with him, this news further sapped market confidence about the ability of the Trump administration to pass any of the pro-growth policies. Declines were hefty across the board. The tech sector led losses, compounded by a weak guidance from Cisco Systems. Overall, the S&P 500 fell 1.54%, while the Dow and Nasdaq Composite slumped 1.26% and 1.94% respectively. VIX spiked higher again, closing higher at 15.55 compared to 11.74 previously.
- US Treasury yields slipped around 3 bps. 2y and 10y benchmark yields stood at 1.30% and 2.19% at NY close. Haven flows into Treasuries, already ongoing due to Cohn rumours, were exacerbated by the terrorist attack on Barcelona. Meanwhile, Kaplan reiterated the need to see evidence of rising inflation, and urged for patience in relation to the next rate hike. There appears to be differences between Fed speakers in their comments on inflation, possibly underscoring an internal debate within the Fed over the rate hike path over the near term.
- **Singapore:** STI fell for its third straight day, with yesterday's print clocking at -0.31% to 3,268.88. ComfortDelGro Corp (-3.12%), Hutchison Port Holdings (-2.27%) and Sembcorp Industries (-1.66%) led the losses, while gains in Golden Agri-Resources (+1.35%) and Singapore Press Holdings (+1.05%) limited the overall losses. For today, the index may continue to consolidate lower as market-watchers stay cautious given the likely risk aversion overhang.
- **Hong Kong:** The seasonally adjusted jobless rate (3.1%) was unchanged over the three months through July at its lowest level in more than three years. A tight labor market may continue to bode well for private consumption and medium-term housing demand. Specifically, the trade sector's unemployment rate decreased to 2.9%, its lowest level since January 2017, and may decrease further in coming months given resilient trade activities on global recovery. In addition, the jobless rate of the consumption- and tourism-related sector reduced to a two-year low at 4.6% and may edge down further due to strong domestic demand and the revival of tourism activities. Furthermore, financial sector's unemployment rate decreased to 2.2%, a low level last seen in February 2017. Given a bullish stock market and increasing job opportunities associated with cross-border connect schemes between the mainland and Hong Kong, we expect the sector's hiring sentiment to remain upbeat. In contrast, slowdown in the constructions of new home projects may result in lower labor demand in the construction sector and hold its jobless rate around its current level (4.9%, the highest since May 2016) in coming months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 189bps while the yield on JACI HY Corp fell 3bps to 6.98%. 10y UST yields fell 4bps to 2.19%, after a terror attack in Barcelona and rumors of yet another senior adviser leaving the White House ignited risk off sentiment.
- **New Issues:** Zhongtai International Bond 2017 (BVI) Company Ltd has priced a USD300mn 3-year bond (guaranteed by Zhongtai Financial International Ltd and

supported with a keepwell deed by Zhongtai Securities Co Ltd) at 4.25%, tightening from initial guidance of 4.5%. Lotte Shopping Business Management (Hong Kong) Ltd has scheduled investor meetings from 21 Aug for potential USD bond issuance (guaranteed by The Export-Import Bank of Korea). The expected issue ratings are 'NR/Aa2/NR'. AMP Ltd has scheduled investor meetings for potential AUD NC5.25 Tier 2 subordinated debt issue from 18 Aug. The expected issue ratings are 'BBB+/NR/NR'.

- **Rating Changes:** Moody's has downgraded Panda Green Energy Group Limited's (Panda Green) corporate family rating to 'B1' from 'Ba3'. The outlook is stable. The rating action reflects the heightened credit risk resulting from Panda Green's newly-acquired hydro business, combined with the rapid expansion of its solar power portfolio. Moody's has assigned Medco Energi Internasional Tbk (P.T.) (Medco) a corporate family rating of 'B2'. At the same time, Moody's has assigned a 'B2' rating to the senior unsecured bonds issued by Medco Strait Services Pte Ltd and guaranteed by Medco. The outlook is stable. The rating action reflects the expectation that production growth from Medco's existing fields will improve cash flows and that the company will remain committed to deleveraging. Moody's has assigned Lotte Shopping Business Management (Hong Kong) Limited's (Lotte) senior unsecured notes a rating of 'Aa2'. The outlook is stable. The notes are guaranteed by The Export-Import Bank of Korea (KEXIM). The rating is based on KEXIM's rating, as the guarantee effectively ranks the notes at least pari passu with KEXIM's present and future unsubordinated and unsecured obligations. Moody's has affirmed Barminco Holdings Pty Limited's 'B1' corporate family rating (CFR), Barminco Finance Pty Ltd's 'B1' senior secured notes rating, and the 'Ba3' rating on its senior secured revolving credit facility. The outlook is negative. The rating action reflects Barminco's relatively stable contract volumes but takes into account the loss of the Kundana contract, which will raise the company's financial leverage.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.622	0.09%	USD-SGD	1.3666	0.30%
USD-JPY	109.570	-0.56%	EUR-SGD	1.6021	-0.07%
EUR-USD	1.1723	-0.37%	JPY-SGD	1.2473	0.89%
AUD-USD	0.7885	-0.50%	GBP-SGD	1.7587	0.14%
GBP-USD	1.2868	-0.18%	AUD-SGD	1.0776	-0.21%
USD-MYR	4.2955	-0.07%	NZD-SGD	0.9951	-0.08%
USD-CNY	6.6755	-0.24%	CHF-SGD	1.4191	0.59%
USD-IDR	13358	-0.14%	SGD-MYR	3.1470	0.14%
USD-VND	22729	-0.18%	SGD-CNY	4.8901	-0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1789	--
2M	-0.3390	--	1M	1.2283	--
3M	-0.3290	--	2M	1.2628	--
6M	-0.2710	--	3M	1.3167	--
9M	-0.2100	--	6M	1.4594	--
12M	-0.1570	--	12M	1.7362	--

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%	99.6%	0.0%	0.0%	0.0%
11/01/2017	2.8%	96.8%	2.8%	0.0%	0.0%
12/13/2017	33.6%	66.2%	32.7%	0.9%	0.0%
01/31/2018	35.5%	64.3%	33.6%	1.8%	0.0%
03/21/2018	48.3%	51.5%	39.8%	8.2%	0.4%
05/02/2018	48.7%	51.2%	39.8%	8.4%	0.4%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.09	0.66%	Copper (per mt)	6,527.9	-0.50%
Brent (per barrel)	51.03	1.51%	Nickel (per mt)	10,687.5	-0.32%
Heating Oil (per gallon)	1.5820	0.48%	Aluminium (per mt)	2,065.3	-0.90%
Gasoline (per gallon)	1.5869	1.48%			
Natural Gas (per MMBtu)	2.9290	1.35%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,658.0	0.80%
			Rubber (JPY/KG)	217.2	1.35%
Precious Metals	Futures	% chg			
Gold (per oz)	1,292.4	0.74%			
Silver (per oz)	17.053	0.67%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,750.73	-274.14
S&P	2,430.01	-38.10
Nasdaq	6,221.92	-123.19
Nikkei 225	19,702.63	-26.65
STI	3,268.88	-10.07
KLCI	1,776.31	2.56
JCI	5,891.95	--
Baltic Dry	1,207.00	--
VIX	15.55	3.81

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-)	1.30 (-0.03)
5Y	1.56 (-0.02)	1.75 (-0.03)
10Y	2.13 (-0.02)	2.19 (-0.04)
15Y	2.34 (-0.02)	--
20Y	2.43 (-0.02)	--
30Y	2.48 (-0.02)	2.77 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.55	0.25
EURIBOR-OIS	2.84	-0.06
TED	31.04	--

Economic Calendar

<u>Date Time</u>	<u>Event</u>	<u>Survey</u>	<u>Actual</u>	<u>Prior</u>	<u>Revised</u>	
08/17/2017 06:45	NZ PPI Output QoQ	2Q	--	1.30%	1.40%	--
08/17/2017 07:50	JN Japan Buying Foreign Bonds	Aug-11	--	¥145.5b	¥1624.2b	¥1628.0b
08/17/2017 07:50	JN Foreign Buying Japan Stocks	Aug-11	--	¥302.5b	¥37.7b	--
08/17/2017 07:50	JN Trade Balance	Jul	¥327.1b	¥418.8b	¥439.9b	¥439.8b
08/17/2017 08:30	SI Non-oil Domestic Exports YoY	Jul	9.10%	8.50%	8.20%	8.80%
08/17/2017 09:30	AU Employment Change	Jul	20.0k	27.9k	14.0k	20.0k
08/17/2017 09:30	AU Unemployment Rate	Jul	5.60%	5.60%	5.60%	5.70%
08/17/2017 09:30	AU Full Time Employment Change	Jul	--	-20.3k	62.0k	69.3k
08/17/2017 09:30	AU Participation Rate	Jul	65.00%	65.10%	65.00%	--
08/17/2017 09:30	AU RBA FX Transactions Market	Jul	--	A\$984m	A\$1100m	--
08/17/2017 10:00	PH GDP YoY	2Q	6.40%	6.50%	6.40%	--
08/17/2017 16:30	UK Retail Sales Ex Auto Fuel MoM	Jul	0.10%	0.50%	0.90%	0.60%
08/17/2017 16:30	HK Unemployment Rate SA	Jul	3.20%	3.10%	3.10%	--
08/17/2017 16:30	HK Composite Interest Rate	Jul	--	0.31%	0.31%	--
08/17/2017 17:00	EC CPI YoY	Jul F	1.30%	1.30%	1.30%	--
08/17/2017 20:30	CA Manufacturing Sales MoM	Jun	-1.00%	-1.80%	1.10%	1.30%
08/17/2017 20:30	US Initial Jobless Claims	Aug-12	240k	232k	244k	--
08/17/2017 20:30	US Continuing Claims	Aug-05	1955k	1953k	1951k	1956k
08/17/2017 20:30	US Outlook	Aug	18	18.9	19.5	--
08/17/2017 20:51	US Industrial Production MoM	Jul	0.30%	0.20%	0.40%	--
08/17/2017 20:51	US Capacity Utilization	Jul	76.70%	76.70%	76.60%	76.70%
08/17/2017 21:45	US Bloomberg Consumer Comfort	Aug-13	--	52.1	51.4	--
08/17/2017 22:00	US Leading Index	Jul	0.30%	0.30%	0.60%	--
08/18/2017 12:00	MA GDP YoY	2Q	5.40%	--	5.60%	--
08/18/2017 14:00	GE PPI MoM	Jul	0.00%	--	0.00%	--
08/18/2017 15:30	TH Foreign Reserves	Aug-11	--	--	\$190.9b	--
08/18/2017 16:30	TA GDP YoY	2Q F	2.10%	--	2.10%	--
08/18/2017 20:30	CA CPI YoY	Jul	1.20%	--	1.00%	--
08/18/2017 22:00	US U. of Mich. Sentiment	Aug P	94	--	93.4	--
08/18/2017	PH BoP Overall	Jul	--	--	-\$569m	--
08/18/2017 08/31	PH Budget Balance PHP	Jul	--	--	-90.9b	--

Source: Bloomberg

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