

Highlights

Global	Global risk appetite may take a backseat this morning as US president Trump came out with guns blazing in his debut address to the United Nations, saying that “if forced to defend itself or its allies, we will have no choice but to totally destroy North Korea” and “Rocket Man is on a suicide mission for himself and for his regime”. Elsewhere, news of a 7.2 magnitude earthquake struck near Mexico City. Otherwise, it was a relatively quiet session for financial markets yesterday, with Wall Street and UST bond yields higher but the USD weaker, as investors are awaiting the FOMC decision. Today’s economic data calendar comprises of US’ existing home sales, UK’ retail sales, TA export orders, and Malaysian CPI.
US	US’ housing starts unexpectedly fell 0.8% mom in August to 1180k pace, but followed an upward revision to the July data, while building permits surged 5.7% to 1300k, especially in the multi-unit permits. Meanwhile, import prices rebounded 0.6% mom in August, following a revised 0.1% dip in July, on the back of higher petroleum, metal and building material prices. The 2Q17 current account widened to US\$123.1b (2.6% of GDP), up from US\$113.5b (2.4% of GDP) in 1Q17.
EZ	Germany’s ZEW current conditions and expectations gauges both improved to 87.9 (previously 86.7) and 17.0 (previously 29.3) respectively in Sep, suggesting that concerns over the EUR strength was subsiding and that the German elections scheduled for this weekend was not a source of uncertainty.
AU	RBA minutes signalled a “gradual pickup in growth as forecast” and the AUD strength was currently weighing on growth and contributing to subdued inflationary pressure, but further appreciation would be a headwind.
SG	COE premium tender results out later today, and may not repeat the declines seen in the previous tender.
ID	New tax regulations were issued yesterday as a follow-up to the tax amnesty programme. It aims to target assets not declared in the amnesty programme, treating them as untaxed income subjected to a final tax of 30% for individuals, 25% for companies and 12.5% for special cases. The government also mentioned that it had detected onshore assets that were not reported under the amnesty programme.
CMD	Some profit-taking was likely seen in the crude oil space, with both WTI and Brent closing lower at \$49.48/bbl (-0.86%) and \$55.14/bbl (-0.61%), respectively. Crude oil prices would likely continue to range-trade as market eyes closely on US oil inventory prints later this evening, while OPEC’s 20 – 22 Sept meeting in Vienna to oversee production cuts commences today. Gold was flat at \$1,310/oz overnight as market-watchers await for the FOMC decision later tonight. Elsewhere in Asia, palm oil price touched its one-week low to MYR2,767/MT at closing, the sharpest drop in 1.5 months.

Major Market

- **US:** The S&P 500 and Dow closed 0.11% and 0.18% firmer for a third consecutive record high, while the Nasdaq Composite also joined in the fray, advancing 0.10% to close at a record of 6461.32. Telecom stocks rose the most, after it was revealed that Sprint Corp. and T-Mobile US Inc. are a step closer to their merger deal. Financials and tech stocks also led gains, while healthcare and real estate lagged. Markets appear to be relatively cautious ahead of the Fed meeting tomorrow. VIX marginally higher at 10.18.
- Meanwhile, US Treasury yields continue to drift higher, without significant conviction on directionality. 2y and 10y benchmark yields stood at 1.40% and 2.24%, up 0.5-1.5 bps. Expectations of a rate hike in December continued to build up in the run-up to FOMC tomorrow, with current market implied odds standing at 53.2%. Central banks, such as the BOC and BOE, have sounded hawkish of late, and long-end yields have also spiked up quickly over the past week. Keep an eye on the new dot plots, and Fed comments on inflation.
- **Singapore:** The STI declined 0.49% to close at 3225.95 yesterday and may range trade between 3200-3240 amid a slight notching higher in North Korean concerns post-Trump's UN speech, albeit the cues from Wall Street overnight and Kospi this morning are mildly positive. With UST bond yields creeping around 1-2bps higher yesterday, the SGS bond yield curve steepening bias remains intact as well.
- **Hong Kong:** HKD surged against the greenback by as much as 0.26% after the HKMA announced to issue HK\$40 billion of additional exchange fund bills (EFB) on Sep 9, as market frets that the HKMA may continue to drain cash from the banking system. Adding on the rising expectations that Fed will announce balance sheet reduction plan this week, 1-month HIBOR jumped from 0.42% on Sep 18 to 0.47% on Sep 19. However, even after the second round of bill sales, aggregate balance may still remain sizeable at around HK\$180 billion and reinforce expectations on a wide yield differential. Therefore, we expect the rally in HKD to be unsustainable as investors are likely to buy USD/HKD on dips. Given flush liquidity, the HKMA is likely to issue more EFBs in the foreseeable future and allow the HKD to find strong supports before 7.83 against the USD. Also, such actions by the HKMA may help to guide the local interest rates higher gradually. On the other hand, should the Fed proceed with a third rate hike and start its balance sheet reduction this year, capital may gradually flow out of HK and in turn bring the HIBOR up further in the medium term.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 3-4bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp traded little changed at 188bps, while the yield on JACI HY Corp rose 1bps to 6.80%. 10Y UST yields rose 2bps to 2.24% as markets lacked directional catalysts while awaiting Wednesday's FOMC meeting.
- **New Issues:** HSBC Institutional Trust Services (Singapore) Ltd, in its capacity as trustee of Mapletree Logistics Trust, has priced a SGD180mn Perp NC5.5 at 3.65%, tightening from initial guidance of 4% area. SP PowerAssets Ltd has priced a USD600mn 10-year bond at CT10+77.5bps, tightening from initial guidance of CT10+95bps. The expected issue ratings are 'AA/NR/NR'. Eastern Creation II Investment Holdings Ltd has priced a USD700mn 3-year bond (guaranteed by Beijing

Infrastructure Investment (Hong Kong) Ltd) at CT3+125bps, tightening from initial guidance of CT3+140bps area. The expected issue ratings are 'NR/A1/A+'.

- **Rating Changes:** S&P has downgraded Panda Green Energy Group Ltd's (PGE) corporate credit rating to 'B+' from 'BB-'. Similarly, S&P downgraded the rating on PGE's senior unsecured debt to 'B' from 'B+'. The outlook is stable. The rating action reflects S&P's view that PGE's commitment to develop greenfield hydropower projects is beyond the company's expertise in solar power operations, thereby posing higher execution and financial risk. Moody's has upgraded DBCT Finance Pty Ltd's (DBCT) senior secured ratings to 'Ba1' from 'Ba2'. The outlook is stable. The rating action reflects DBCT's progress in renewing contracts to export coal through Dalrymple Bay Coal Terminal, which improves the visibility of its cash flow. Fitch has affirmed Jubilant Pharma Limited's (JPL) Issuer Default Rating at 'BB-'. At the same time, Fitch has affirmed JPL's senior unsecured rating at 'BB'. The outlook is stable. The rating action reflects JPL's moderate linkage with its parent, Jubilant Life Sciences Limited, which has a lower credit profile, as well as JPL's new launch pipeline which alleviates ongoing pricing pressure in the US generic pharmaceuticals market. The bond is rated above the IDR as bondholders have direct recourse to JPL's cash flow and assets, and the bond's indenture restricts the amount of prior-ranking debt JPL can take on.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	91.793	-0.28%	USD-SGD	1.3473	-0.04%
USD-JPY	111.590	0.02%	EUR-SGD	1.6159	0.30%
EUR-USD	1.1994	0.33%	JPY-SGD	1.2065	-0.12%
AUD-USD	0.8010	0.65%	GBP-SGD	1.8188	0.01%
GBP-USD	1.3503	0.06%	AUD-SGD	1.0793	0.61%
USD-MYR	4.1915	0.06%	NZD-SGD	0.9857	0.70%
USD-CNY	6.5835	0.13%	CHF-SGD	1.3995	-0.14%
USD-IDR	13279	0.18%	SGD-MYR	3.1089	-0.08%
USD-VND	22729	0.01%	SGD-CNY	4.8842	0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1789	--
2M	-0.3410	--	1M	1.2361	--
3M	-0.3290	--	2M	1.2694	--
6M	-0.2710	--	3M	1.3250	--
9M	-0.2190	--	6M	1.4744	--
12M	-0.1710	--	12M	1.7398	--

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	1.4%	98.6%	1.4%	0.0%	0.0%
11/01/2017	2.1%	97.9%	2.1%	0.0%	0.0%
12/13/2017	53.6%	46.4%	52.4%	1.1%	0.0%
01/31/2018	54.0%	46.0%	52.4%	1.6%	0.0%
03/21/2018	68.9%	31.1%	50.3%	18.0%	0.5%
05/02/2018	69.1%	30.9%	50.2%	18.2%	0.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.48	-0.86%	Copper (per mt)	6,546.6	0.02%
Brent (per barrel)	55.14	-0.61%	Nickel (per mt)	11,089.5	-0.67%
Heating Oil (per gallon)	1.7726	-0.39%	Aluminium (per mt)	2,103.8	2.11%
Gasoline (per gallon)	1.6550	-0.82%			
Natural Gas (per MMBtu)	3.1220	-0.76%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,767.0	-1.35%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	213.4	-3.53%
Gold (per oz)	1,310.6	-0.02%			
Silver (per oz)	17.279	0.72%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,370.80	39.45
S&P	2,506.65	2.78
Nasdaq	6,461.32	6.68
Nikkei 225	20,299.38	389.88
STI	3,225.95	-15.90
KLCI	1,776.66	-7.00
JCI	5,901.33	16.72
Baltic Dry	1,398.00	--
VIX	10.18	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-)	1.40 (+0.01)
5Y	1.57 (+0.01)	1.83 (+0.01)
10Y	2.08 (+0.01)	2.24 (+0.02)
15Y	2.40 (+0.02)	--
20Y	2.36 (+0.02)	--
30Y	2.41 (+0.02)	2.82 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.44	-0.29
EURIBOR-OIS	2.50	-0.38
TED	29.32	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/19/2017 04:00	US Total Net TIC Flows	Jul	--	-\$7.3b	\$7.7b	\$5.9b
09/19/2017 04:00	US Net Long-term TIC Flows	Jul	--	\$1.3b	\$34.4b	--
09/19/2017 05:00	SK PPI YoY	Aug	--	3.20%	3.00%	--
09/19/2017 16:28	HK Composite Interest Rate	Aug	--	0.30%	0.31%	--
09/19/2017 17:00	GE ZEW Survey Current Situation	Sep	86.2	87.9	86.7	--
09/19/2017 17:00	EC ZEW Survey Expectations	Sep	--	31.7	29.3	--
09/19/2017 17:00	GE ZEW Survey Expectations	Sep	12	17	10	--
09/19/2017 20:22	PH BoP Overall	Aug	--	-\$7m	-\$678m	--
09/19/2017 20:30	CA Manufacturing Sales MoM	Jul	-1.90%	-2.60%	-1.80%	-1.90%
09/19/2017 20:30	US Housing Starts	Aug	1174k	1180k	1155k	1190k
09/19/2017 20:30	US Building Permits	Aug	1220k	1300k	1223k	1230k
09/19/2017 20:30	US Current Account Balance	2Q	-\$116.0b	-\$123.1b	-\$116.8b	-\$113.5b
09/19/2017 20:30	US Import Price Index MoM	Aug	0.40%	0.60%	0.10%	-0.10%
09/20/2017 06:45	NZ BoP Current Account Balance NZD	2Q	-0.900b	-0.618b	0.244b	0.221b
09/20/2017 07:50	JN Trade Balance	Aug	¥104.4b	--	¥418.8b	¥421.7b
09/20/2017 07:50	JN Trade Balance Adjusted	Aug	¥404.5b	--	¥337.4b	--
09/20/2017 08:30	AU Westpac Leading Index MoM	Aug	--	--	0.12%	--
09/20/2017 12:00	MA CPI YoY	Aug	3.40%	--	3.20%	--
09/20/2017 14:00	GE PPI MoM	Aug	0.10%	--	0.20%	--
09/20/2017 14:00	GE PPI YoY	Aug	2.50%	--	2.30%	--
09/20/2017 16:00	TA Export Orders YoY	Aug	8.50%	--	10.50%	--
09/20/2017 16:00	SI Automobile COE Open Bid Cat A	Sep-20	--	--	36001	--
09/20/2017 16:00	SI Automobile COE Open Bid Cat B	Sep-20	--	--	49000	--
09/20/2017 16:30	UK Retail Sales Ex Auto Fuel MoM	Aug	0.10%	--	0.50%	--
09/20/2017 16:30	UK Retail Sales Ex Auto Fuel YoY	Aug	1.40%	--	1.50%	--
09/20/2017 16:30	UK Retail Sales Inc Auto Fuel MoM	Aug	0.20%	--	0.30%	--
09/20/2017 16:30	UK Retail Sales Inc Auto Fuel YoY	Aug	1.10%	--	1.30%	--
09/20/2017 19:00	US MBA Mortgage Applications	Sep-15	--	--	9.90%	--
09/20/2017 22:00	US Existing Home Sales	Aug	5.45m	--	5.44m	--
09/20/2017 22:00	US Existing Home Sales MoM	Aug	0.20%	--	-1.30%	--
09/19/2017 09/29	PH Budget Balance PHP	Aug	--	--	-50.5b	--

Source: Bloomberg

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