

Highlights

Global	<p>The fall seen in Wall Street and gains in Treasuries overnight could only mean one thing: risk appetite took a backseat likely as market-watchers eye closely on US President Trump's decision to name the new Fed chair "very shortly", fueling expectations that he could give a concrete decision before his trip to Asia on 3rd November. In the same vein, while many expects US FOMC to keep monetary policy static in their November meeting, implied probability for a December rate hike has risen starkly to 83.6%, up from >70% just two weeks ago. Elsewhere in Europe, Deutsche Bundesbank commented that Germany's economic growth is likely held up at a high growth print in the third quarter, led by strong industrial orders despite an expected dip in construction and private consumption activity.</p> <p>Expect a relatively lighter economic calendar for today; a slew of manufacturing PMI prints out from the US, Japan and Europe is expected today, as well as Euro Area's 2Q17 government deficit print.</p>
US	<p>Equities slid on Monday, ahead of a key week of earnings featuring tech mega-caps like Alphabet and Microsoft, and also industrial giants like Boeing and Ford. The Nasdaq Composite led declines, down 0.64%, while the S&P 500 and Dow fell 0.40% and 0.23% respectively. VIX saw a spike up to 11.07, from 9.97 previously. US Treasury yields reversed once again as the 10y yield neared the key level of 2.40%, standing at 2.37% at NY close. 2y benchmark yields also slid 1 bp to 1.56%. Continue to watch as 10y yields test the 2.40%, moving pass it convincingly may herald a new upswing in US yields.</p>
CN	<p>China's property tightening measures are taking effect with property prices in some key cities starting to fall. Prices in Beijing and Guangzhou fell by 0.1% mom and 0.5% mom respectively in September while prices in Shanghai and Shenzhen stayed flat. We expect China's property prices to soften further in the coming months.</p>
SG	<p>CPI rose just 0.4% y/y in September, similar to August's print and suggesting that inflation pressures is essentially non-existent. Prices were supported by education, healthcare and food prices, although housing & utilities prices fell for its fourth month.</p> <p>LTA announced few COE supply for all vehicles (except motorcycles) from November to January quota period, specifically with COE supply to fall from 9,122 to 8,635 (-5.3%). Moreover, the authorities also revealed that vehicle growth rate will be reduced to 0.25% to 0% from February 2018 onwards for category A, B and D in a bid to encourage a car-lite society. The reduction in vehicle growth rate from February will not affect commercial vehicle supply.</p>
CMD	<p>Crude oil prices were mixed overnight, with WTI rising 0.84% to \$51.9/bbl while Brent fell 0.66% to \$57.37/bbl, while gasoline was flat, as market-players gauge the potential supply disruption from oil-rich Kurdish region of Iraq. Note that gold prices were flat as well, as market-watchers position themselves ahead of the Nov FOMC meeting (tipped no change to monetary policy), though implied probability for a Dec rate hike has risen to 83.6% as of yesterday, up from >70% two weeks ago. Closer to Asia, palm oil prices gained 1.68%, the strongest climb in almost four weeks on the back of improved demand prospects given Malaysia's palm oil exports growth of 11.6% m/m in the first twenty days of October.</p>

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 4-10bps higher across all tenors. This mirrored the surge in Treasury yields that occurred last Friday with the progress made on Trump's tax reform package. In the broader dollar space, the spread on JACI IG Corp traded little changed at 178bps, while the yield on JACI HY Corp rose 1bps to 6.83%. 10Y UST yields fell 2bps to 2.36% as investors await the Fed Chair decision, causing light future volumes and options activity.
- **New Issues:** Huaneng Hong Kong Capital Ltd has priced a USD500mn Perp NC5 (guaranteed by China Hua Neng Group Hong Kong Ltd and supported with a keepwell deed and an equity interest purchase undertaking agreement by China Huaneng Group) at 3.60%, tightening from initial guidance of 3.95% area. Press Metal (Labuan) Ltd has priced a USD400mn 5NC3 bond (guaranteed by Press Metal Aluminium Holdings Berhad and certain subsidiaries) at 4.80%, tightening from initial guidance of 5.25% area. The expected issue ratings are 'BB-/Ba3/NR'. Asian Development Bank is expected to price a 10-year benchmark bond today. The initial price guidance is set at MS+24bps area. PT Chandra Asri Petrochemical Tbk has scheduled investor meetings for potential USD bond issuance from 24 Oct. The expected issue ratings are 'B+/Ba3/NR'. Avation Group (s) Pte has scheduled investor meetings for potential USD bond issuance from 25 Oct. The expected issue ratings are 'B+/NR/B+'. ESR-REIT has hired banks to schedule investor meetings for potential SGD bond issuance.
- **Rating Changes:** S&P has affirmed MLC Ltd's (MLC) 'A+' insurer financial strength and issuer credit ratings, while revising the outlook to stable from negative. The rating action reflects S&P's expectation that MLC's capitalization will remain robust and continue to underpin its creditworthiness. S&P then withdrew the ratings at MLC's request. Moody's has affirmed Kirin Holdings Company Limited's (Kirin) 'A3' long-term issuer rating and senior unsecured rating. The outlook has been revised to stable from negative. The rating action reflects the improvement in Kirin's leverage and profitability. Fitch has affirmed Daido Life Insurance Company (Daido Life) and Taiyo Life Insurance Company's (Taiyo Life) insurer financial strength ratings at 'A'. The outlook is stable. At the same time, Fitch withdrew the rating of Taiyo Life for commercial reasons. The rating on Daido Life reflects its sound operating performance and robust capitalization, while the rating on Taiyo Life reflects its adequate performance and capitalization. Fitch has assigned Goldman Sachs Financial Markets Pty Ltd (GAUS) a long-term issuer default rating of 'A'. The outlook is stable. Fitch has equalized the rating of GAUS to that of the Goldman Sachs Group (GS) as any potential default of GAUS would constitute large reputational risk to GS, and therefore Fitch believes that GS's consolidated operations would unquestionably support the GAUS entity.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.936	0.25%	USD-SGD	1.3617	0.03%
USD-JPY	113.430	-0.08%	EUR-SGD	1.5999	-0.29%
EUR-USD	1.1749	-0.30%	JPY-SGD	1.2005	0.12%
AUD-USD	0.7807	-0.13%	GBP-SGD	1.7971	0.06%
GBP-USD	1.3198	0.06%	AUD-SGD	1.0630	-0.10%
USD-MYR	4.2373	0.29%	NZD-SGD	0.9488	0.09%
USD-CNY	6.6400	0.29%	CHF-SGD	1.3825	-0.06%
USD-IDR	13543	0.18%	SGD-MYR	3.1083	0.04%
USD-VND	22722	0.01%	SGD-CNY	4.8709	0.12%

Equity and Commodity

Index	Value	Net change
DJIA	23,273.96	-54.67
S&P	2,564.98	-10.23
Nasdaq	6,586.83	-42.23
Nikkei 225	21,696.65	239.01
STI	3,349.80	9.07
KLCI	1,741.47	0.82
JCI	5,950.03	20.48
Baltic Dry	1,578.00	--
VIX	11.07	1.10

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1844	--
2M	-0.3400	--	1M	1.2379	--
3M	-0.3290	--	2M	1.2950	--
6M	-0.2740	--	3M	1.3648	--
9M	-0.2200	--	6M	1.5549	--
12M	-0.1830	--	12M	1.8312	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.41 (--)	1.56 (-0.01)
5Y	1.67 (--)	2.00 (-0.02)
10Y	2.17 (--)	2.37 (-0.02)
15Y	2.42 (--)	--
20Y	2.41 (--)	--
30Y	2.46 (--)	2.88 (-0.01)

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	83.6%	83.4%	0.2%	0.0%	0.0%
01/31/2018	84.1%	81.5%	2.6%	0.0%	0.0%
03/21/2018	91.2%	52.1%	37.9%	1.2%	0.0%
05/02/2018	91.6%	50.0%	38.6%	3.0%	0.1%
06/13/2018	94.1%	37.6%	42.0%	13.6%	0.9%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.72	0.02
EURIBOR-OIS	2.88	-0.14
TED	26.18	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.90	0.84%	Copper (per mt)	7,028.3	0.71%
Brent (per barrel)	57.37	-0.66%	Nickel (per mt)	11,810.5	1.06%
Heating Oil (per gallon)	1.7878	-0.96%	Aluminium (per mt)	2,125.8	0.02%
Gasoline (per gallon)	1.6783	0.01%			
Natural Gas (per MMBtu)	2.9910	2.61%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,787.0	1.68%
			Rubber (JPY/KG)	196.2	-0.46%
Precious Metals	Futures	% chg			
Gold (per oz)	1,280.9	0.03%			
Silver (per oz)	17.075	-0.02%			

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

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
10/23/2017 05:00	SK PPI YoY	Sep	--	3.60%	3.20%	3.30%
10/23/2017 12:30	MU Visitor Arrivals	Sep	--	2486t	2866t	--
10/23/2017 13:00	SI CPI Core YoY	Sep	1.40%	1.50%	1.40%	--
10/23/2017 13:00	JN Leading Index CI	Aug F	--	107.2	106.8	--
10/23/2017 13:00	JN Coincident Index	Aug F	--	117.7	117.6	--
10/23/2017 13:00	SI CPI YoY	Sep	0.40%	0.40%	0.40%	--
10/23/2017 13:00	SI CPI NSA MoM	Sep	0.10%	0.00%	0.30%	--
10/23/2017 13:30	JN Nationwide Dept Sales YoY	Sep	--	4.40%	2.00%	--
10/23/2017 13:30	JN Tokyo Dept Store Sales YoY	Sep	--	4.60%	3.60%	--
10/23/2017 16:00	TA Unemployment Rate	Sep	3.80%	3.71%	3.76%	--
10/23/2017 16:00	TA Industrial Production YoY	Sep	5.40%	5.24%	3.25%	3.29%
10/23/2017 16:30	HK CPI Composite YoY	Sep	2.00%	1.40%	1.90%	--
10/23/2017 17:23	PH Budget Balance PHP	Sep	--	-36.9b	28.8b	--
10/23/2017 18:00	UK CBI Business Optimism	Oct	--	-11	5	--
10/23/2017 18:00	UK CBI Trends Total Orders	Oct	9	-2	7	--
10/23/2017 20:30	CA Wholesale Trade Sales MoM	Aug	0.50%	0.50%	1.50%	1.70%
10/23/2017 20:30	US Chicago Fed Nat Activity Index	Sep	-0.13	0.17	-0.31	-0.37
10/23/2017 22:00	CA Bloomberg Nanos Confidence	Oct-20	--	57.7	57.9	--
10/23/2017 22:00	EC Consumer Confidence	Oct A	-1.1	-1	-1.2	--
10/24/2017 08:30	JN Nikkei Japan PMI Mfg	Oct P	--	--	52.9	--
10/24/2017 13:00	JN Supermarket Sales YoY	Sep	--	--	-0.50%	--
10/24/2017 14:45	FR Business Survey Overall Demand	Oct	--	--	16	--
10/24/2017 14:45	FR Manufacturing Confidence	Oct	110	--	110	--
10/24/2017 14:45	FR Production Outlook Indicator	Oct	23	--	23	--
10/24/2017 14:45	FR Own-Company Production Outlook	Oct	16	--	18	--
10/24/2017 15:00	FR Markit France Manufacturing PMI	Oct P	56	--	56.1	--
10/24/2017 15:00	FR Markit France Services PMI	Oct P	56.9	--	57	--
10/24/2017 15:00	FR Markit France Composite PMI	Oct P	57	--	57.1	--
10/24/2017 15:30	GE Germany Manufacturing PMI	Oct P	60	--	60.6	--
10/24/2017 15:30	GE Markit Germany Services PMI	Oct P	55.5	--	55.6	--
10/24/2017 15:30	GE Germany Composite PMI	Oct P	57.5	--	57.7	--
10/24/2017 16:00	EC Eurozone Manufacturing PMI	Oct P	57.8	--	58.1	--
10/24/2017 16:00	EC Markit Eurozone Services PMI	Oct P	55.6	--	55.8	--
10/24/2017 16:00	EC Markit Eurozone Composite PMI	Oct P	56.5	--	56.7	--
10/24/2017 16:20	TA Money Supply M2 Daily Avg YoY	Sep	--	--	3.75%	--
10/24/2017 16:20	TA Money Supply M1B Daily Avg YoY	Sep	--	--	5.11%	--
10/24/2017 17:00	EC Euro Area 2Q Government Deficit					
10/24/2017 21:45	US Markit US Manufacturing PMI	Oct P	53.5	--	53.1	--
10/24/2017 21:45	US Markit US Services PMI	Oct P	55.2	--	55.3	--
10/24/2017 21:45	US Markit US Composite PMI	Oct P	--	--	54.8	--
10/24/2017 22:00	US Richmond Fed Manufact. Index	Oct	17	--	19	--
10/24/2017 10/31	VN CPI YoY	Oct	3.10%	--	3.40%	--

Source: Bloomberg

OCBC Treasury Research	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W