

Highlights

Global	<p>The weekend brought no real surprises, albeit inconclusive election outcomes as the German Chancellor Merkel won a fourth term but saw six parties entering the Bundestag for the first time since 1953 (with projections for CDU/CSU 32.5%, SPD 20%, AfD 13.5%, FDP 10.5% and Greens 9.5%), and this weighed on the EUR. Meanwhile, NZ PM English's ruling National Party also fell short of a majority at 46% versus 35.8% for the Labour Party, which leaves New Zealand First leader Winston Peters as a kingmaker amid negotiations to form a government that may drag on for weeks if not months. Separately, BI unexpectedly cut rates again for a second time to 4.25% last Friday on "continued downward movement in inflation" and a lack of improvement in banking activity, Moody's downgraded UK's sovereign credit rating one notch to Aa2 with negative outlook, and North Korea threatened to denote a hydrogen bomb in the Pacific, according to Yonhap News.</p> <p>Asian bourses may face an uncertain start this morning amid these tricky political headlines, and await key signals from speakers including ECB president Draghi and Coeure, Japanese PM Abe's press conference (likely to announce a snap election), BOJ governor Kuroda, and Fed's Dudley. Today's economic calendar comprises US' Chicago Fed national activity index and Dallas Fed manufacturing activity, German IFO and S'pore CPI. Looking ahead, watch for BOT policy meeting on Wednesday (likely to be static at 1.5%) and RBNZ on Thursday (likely unchanged at 1.75%).</p>
US	<p>Republican tax negotiations are targeting a corporate tax rate of 20%, even though US president Trump had said he hoped "it's going to be 15 percent". Meanwhile, Trump has ordered travel restrictions for eight countries, namely Iran, Libya, Syria, Yemen, Somalia, Venezuela, North Korea and Chad from 18 October.</p>
CN	<p>China stepped up its property tightening further last week. Mortgage rate for the first-time purchasers has been increased by 5-10% in Beijing. In addition, some tier-2 cities also tightened their administrative measures. For example, residential property is not allowed to sell within two years from receiving property deeds in Chongqing.</p>
UK	<p>Post-Moody's downgrade, the UK economy's final 2Q GDP growth on 29 September amid heightened market speculation of a BOE rate hike in "coming months".</p>
SG	<p>August headline inflation likely accelerated to 0.8% yoy (0% mom nsa), up from July's reading of 0.6% yoy (-0.2% mom nsa), whilst core inflation could have risen 1.8% yoy, faster than the 1.6% yoy seen in July.</p>
CMD	<p>Oil prices continue to point north into Friday's closing. The Joint OPEC-Non-OPEC Ministerial Monitoring Committee (JMMC) meeting concluded on Friday that the producing countries had recorded their highest conformity ever. Various ministerial comments include Kuwait's "the process is working fine so far... (and) we hope that we can consume the remaining overhang in this period" and Russia's "I believe we can raise the issue of extending the deal." Elsewhere, Aluminium futures fell slightly after touching its 5-year high, though prices may continue to stay supported as market-watchers eye closely on Beijing's curtail of aluminium production amid early winters for Chinese smelters.</p>

Major Market

- **US:** Equities ended largely unchanged in a directionless session last Friday. The S&P 500 and Nasdaq Composite nudged marginal gains, while the Dow closed slightly lower. Gains in energy and phone companies were offset by declines elsewhere. VIX continued to shed, closing at 9.59 compared to 9.67 previously. UST Treasury yield curve flattened from the long end. 10y benchmark yield shed 3 bps to 2.25%, with investors seeking out safe havens as Trump traded barbs with North Korea. 2y benchmark yield steady at 1.43%. Week ahead, watch for any continued escalation of tensions in North Korea, especially if there are movements to signal yet another hydrogen bomb test. Meanwhile, a deluge of Fed speakers to note, with Yellen on Wednesday being the key.
- **Singapore:** The STI gained 0.20% to close at 3220.25 on Friday, and may continue to range trade today amid mixed cues as Wall Street ended flat on Friday but Nikkei and Kospi are opening firmer this morning. STI support and resistance are tipped at 3200 and 3240. UST bond yields rallied on Friday and may add fuel to SGS bonds, ahead of Wednesday's tender for the re-opening of \$2.4b 2-year SGS bonds maturing 1 October 2019 (with MAS taking \$300m).
- **Hong Kong:** Though S&P downgraded HK's sovereign rating, the HKD assets did not give much response to it as the market has already priced in the downgrade when Moody's downgraded China and Hong Kong subsequently in May while S&P cut China's rating on Sep 21. Compared with the downgrade, Hang Seng Index dropped more on the rising conflicts between North Korea and the US, in tandem with its peers across the globe. For the HKD, it retreated mainly due to improved liquidity after the funding locked up by ZhongAn IPO this week is released. Also, USDHKD 12-month swap points edged down again to -535 on Sep 22 from -475 on Sep 21. After ZhongAn Insurance's IPO and the end of 3Q, HKD rates may retreat slightly amid flush liquidity and in turn reinforce market expectations on a wide yield differential. This could drive USDHKD back above 7.81.
- **Macau:** Visitor arrivals decreased by 0.56% yoy in August as two typhoons scared tourists away, despite the effect of summer holidays. Same-day visitors decreased further by 6.2% yoy while the increase in overnight visitors slowed notably to 4.8% yoy as typhoons disrupted the operations of hotels and the government required travel agencies to suspend group tour arrangements. As September is normally considered the off-season month while the city was still struggling to recover from the typhoon's destruction in early September, we believe that revival of the tourism sector will be rather moderate in September but may accelerate in October when Golden Week Holiday is set to bring more tourists back to the gambling hub.
- **Indonesia:** Bank Indonesia (BI) cut rates for the second consecutive meeting, lowering the 7-day reverse repo rate to 4.25%. The experience since the August cut, when inflows picked up in anticipation for further cuts and the IDR strengthened, may have given the BI sufficient confidence to cut again this time. The future rate movements will depend heavily on the fund flow situation and inflation data.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mostly downwards on Friday, with swap rates trading 1-2bps lower across most tenors. The 12-year tenor was an exception as it traded 9bps higher. In the broader dollar space, the spread on JACI IG Corp traded little changed at 185bps, while the yield on JACI HY Corp fell 2bps to 6.79%. 10Y UST yields fell 3bps to 2.25%, as tensions with North Korea rose and yields of gilts fell during UK PM May's Brexit speech.
- **New Issues:** Tianjin Real Estate Group Co Ltd has priced a USD100mn 3-year bond at 4.5%, in line with earlier guidance of 4.5%.
- **Rating Changes:** S&P has affirmed The Colonial Mutual Life Assurance Society Ltd's (CMLA) 'A+' financial strength and issuer credit rating. At the same time, S&P has affirmed Colonial Holding Co Ltd's (CHC) 'A' issuer credit rating. The outlook on the ratings is stable. The rating action reflects S&P's view that CMLA's strong competitive position and extremely strong capital adequacy continue to support its stand-alone credit profile. S&P also expects CMLA's potential new owner, AIA Group Ltd, to provide support to CMLA given that CMLA's services are complementary to AIA's existing capabilities. Following the downgrade of the sovereign ratings of China, S&P has downgraded the ratings of Agricultural Bank of China, China Huarong Asset Management Co Ltd, China International Holdings Ltd, China Life Insurance Co Ltd, China Life Insurance (Overseas) Co Ltd, China Reinsurance Corp Ltd, China Minsheng Banking Corp Ltd, China Mobile Ltd, China National Offshore Oil Corp, China National Petroleum Corp, China Petrochemical Corp, China Petroleum & Chemical Corp, China Property & Casualty Reinsurance Co Ltd, China Reinsurance (Group) Corp, China Shenhua Energy Co Ltd, China Southern Power Grid Co Ltd, China Three Gorges Corp, CNOOC Ltd, CRRC Corp Ltd, Kunlun Energy Co Ltd, Lionbridge Capital Co Ltd, Shenhua Hong Kong Ltd, Sinopec Century Bright Capital Investment Ltd, Sinopec Insurance Ltd, State Development & Investment Corp and State Grid Corp of China. In addition to the rating downgrade, S&P has placed the ratings on China Life Insurance Co Ltd's (China Life) and China Life Insurance (Overseas) Co Ltd on CreditWatch with negative implications as S&P views that China Life's capital adequacy would likely weaken due to the insurer's increasingly aggressive investment appetite. Following the downgrade of the sovereign ratings of Hong Kong, S&P has downgraded the ratings of the Airport Authority Hong Kong, Kowloon Canton Railway Corp, MTR Corp Ltd and Urban Renewal Authority. Moody's has assigned Nan Hai Corporation Limited (Nan Hai) a corporate family rating of 'B1'. The outlook is stable. The rating action reflects Nan Hai's profitable property development operations and the strong market position of its cinema operations. Moody's has affirmed Fubon Property & Casualty Insurance Co Ltd's (Fubon P&C) 'A3' insurance financial strength. The outlook is stable. The rating action reflects Fubon P&C's strong shareholder support, liquid investment portfolio and short-tail-focused product mix with low reserving risk. However, these strengths are offset by the insurer's weak profitability, as evidenced by its continued net losses. Fitch has assigned PT Wijaya Karya (Persero) Tbk's (WIKA) an Issuer Default Rating (IDR) of 'BB'. The outlook is stable. The rating action reflects WIKA's profile as one of the largest and a diversified state-controlled construction company, as well as its importance to the government's plans for infrastructure growth.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	92.171	-0.10%	USD-SGD	1.3459	-0.27%
USD-JPY	111.990	-0.44%	EUR-SGD	1.6082	-0.21%
EUR-USD	1.1951	0.08%	JPY-SGD	1.2019	0.18%
AUD-USD	0.7962	0.42%	GBP-SGD	1.8172	-0.84%
GBP-USD	1.3504	-0.56%	AUD-SGD	1.0716	0.12%
USD-MYR	4.1980	--	NZD-SGD	0.9880	0.18%
USD-CNY	6.5901	0.00%	CHF-SGD	1.3886	-0.14%
USD-IDR	13312	-0.20%	SGD-MYR	3.1139	0.20%
USD-VND	22734	0.03%	SGD-CNY	4.9026	0.43%

Equity and Commodity

Index	Value	Net change
DJIA	22,349.59	-9.64
S&P	2,502.22	1.62
Nasdaq	6,426.92	4.23
Nikkei 225	20,296.45	-51.03
STI	3,220.25	6.43
KLCI	1,771.04	--
JCI	5,911.71	5.13
Baltic Dry	1,502.00	32.00
VIX	9.59	-0.08

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	0.0010	O/N	1.1789	--
2M	-0.3400	0.0010	1M	1.2383	0.0011
3M	-0.3290	0.0010	2M	1.2722	-0.0011
6M	-0.2710	0.0010	3M	1.3294	0.0011
9M	-0.2200	-0.0010	6M	1.4968	0.0058
12M	-0.1710	--	12M	1.7754	0.0078

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.34 (--)	1.43 (-0.01)
5Y	1.60 (--)	1.86 (-0.02)
10Y	2.09 (-0.01)	2.25 (-0.03)
15Y	2.39 (-0.01)	--
20Y	2.35 (--)	--
30Y	2.41 (--)	2.78 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
11/01/2017	0.8%	99.2%	0.8%	0.0%	0.0%
12/13/2017	63.2%	36.8%	62.7%	0.5%	0.0%
01/31/2018	63.9%	36.1%	62.2%	1.6%	0.0%
03/21/2018	76.7%	23.3%	53.0%	23.1%	0.6%
05/02/2018	76.8%	23.2%	52.8%	23.3%	0.7%
06/13/2018	83.7%	16.3%	43.9%	32.1%	7.5%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.69	0.48
EURIBOR-OIS	2.99	0.10
TED	30.92	0.75

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	50.66	0.22%	Copper (per mt)	6,491.5	0.34%
Brent (per barrel)	56.86	0.76%	Nickel (per mt)	10,361.0	-5.37%
Heating Oil (per gallon)	1.8163	0.06%	Aluminium (per mt)	2,141.5	-0.48%
Gasoline (per gallon)	1.6684	1.50%			
Natural Gas (per MMBtu)	2.9590	0.44%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,737.0	--
			Rubber (JPY/KG)	210.5	0.14%
Precious Metals	Futures	% chg			
Gold (per oz)	1,297.5	0.21%			
Silver (per oz)	16.984	-0.20%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodity Positioning Update

For the week ended: 19 Sep 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	476,813	434,661	42,152	Gold	252,776	274,420	-21,644
Natural Gas	-25,585	-53,681	28,096	Copper	32,536	46,556	-14,020
Sugar	-23,568	-47,735	24,167	Corn	-53,995	-42,213	-11,782
Soybean	21,211	3,898	17,313	Silver	67,070	73,953	-6,883
Coffee	-10,059	-23,381	13,322	Platinum	31,855	38,645	-6,790
Cocoa	-29,294	-36,067	6,773	Cotton	77,115	83,262	-6,147
Live Cattle	110,513	104,496	6,017	Lean Hogs	46,847	49,407	-2,560
Heating Oil	47,540	43,234	4,306	Palladium	20,610	22,395	-1,785
RBOB Gasoline	81,277	80,179	1,098	Wheat	-48,976	-49,745	769

Source: Bloomberg, CFTC

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
09/22/2017 07:50	JN Japan Buying Foreign Bonds	Sep-15	--	¥381.8b	¥198.7b	¥200.7b
09/22/2017 07:50	JN Foreign Buying Japan Stocks	Sep-15	--	¥918.6b	¥644.6b	¥643.9b
09/22/2017 10:51	MU Visitor Arrivals	Aug	--	2866t	2918t	--
09/22/2017 14:45	FR GDP QoQ	2Q F	0.50%	0.50%	0.50%	--
09/22/2017 14:45	FR GDP YoY	2Q F	1.70%	1.80%	1.70%	--
09/22/2017 15:00	FR Markit France Manufacturing PMI	Sep P	55.5	56	55.8	--
09/22/2017 15:00	FR Markit France Services PMI	Sep P	54.8	57.1	54.9	--
09/22/2017 15:00	FR Markit France Composite PMI	Sep P	55	57.2	55.2	--
09/22/2017 15:30	TH Foreign Reserves	Sep-15	--	\$200.1b	\$199.3b	--
09/22/2017 15:30	GE Germany Manufacturing PMI	Sep P	59	60.6	59.3	--
09/22/2017 15:30	GE Markit Germany Services PMI	Sep P	53.7	55.6	53.5	--
09/22/2017 15:30	GE Markit/BME Germany Composite PMI	Sep P	55.7	57.8	55.8	--
09/22/2017 16:00	TA Unemployment Rate	Aug	3.80%	3.76%	3.78%	--
09/22/2017 16:00	TA Industrial Production YoY	Aug	1.85%	3.25%	2.38%	2.08%
09/22/2017 16:00	EC PMI	Sep P	57.2	58.2	57.4	--
09/22/2017 16:00	EC Markit Eurozone Services PMI	Sep P	54.8	55.6	54.7	--
09/22/2017 16:00	EC Markit Eurozone Composite PMI	Sep P	55.6	56.7	55.7	--
09/22/2017 16:20	PH Budget Balance PHP	Aug	--	28.8b	-50.5b	--
09/22/2017 20:30	CA CPI NSA MoM	Aug	0.20%	0.10%	0.00%	--
09/22/2017 20:30	CA CPI YoY	Aug	1.50%	1.40%	1.20%	--
09/22/2017 20:30	CA Retail Sales MoM	Jul	0.20%	0.40%	0.10%	0.00%
09/22/2017 20:30	CA Retail Sales Ex Auto MoM	Jul	0.40%	0.20%	0.70%	0.40%
09/22/2017 21:45	US Markit US Manufacturing PMI	Sep P	53	53	52.8	--
09/22/2017 21:45	US Markit US Services PMI	Sep P	55.8	55.1	56	--
09/22/2017 21:45	US Markit US Composite PMI	Sep P	--	54.6	55.3	--
09/25/2017 08:30	JN Nikkei Japan PMI Mfg	Sep P	--	--	52.2	--
09/25/2017 13:00	SI CPI Core YoY	Aug	1.60%	--	1.60%	--
09/25/2017 13:00	JN Leading Index CI	Jul F	--	--	105	--
09/25/2017 13:00	SI CPI YoY	Aug	0.60%	--	0.60%	--
09/25/2017 13:00	SI CPI NSA MoM	Aug	0.50%	--	-0.20%	--
09/25/2017 16:00	GE IFO Business Climate	Sep	116	--	115.9	--
09/25/2017 16:00	GE IFO Expectations	Sep	108	--	107.9	--
09/25/2017 16:00	GE IFO Current Assessment	Sep	124.7	--	124.6	--
09/25/2017 20:30	US Chicago Fed Nat Activity Index	Aug	-0.25	--	-0.01	--
09/25/2017 22:30	US Dallas Fed Manf. Activity	Sep	11.5	--	17	--
09/25/2017 09/30	VN CPI YoY	Sep	3.50%	--	3.35%	--
09/25/2017 09/30	VN GDP YTD YoY	3Q	--	--	5.73%	--
09/25/2017 09/30	VN Exports YTD YoY	Sep	--	--	17.90%	--

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