

Highlights

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| Global | <p>The mood in Wall Street was a bit sombre amid soft earnings (namely from Chipotle Mexican Grill, AMD, AT&T, Boeing and Dr Pepper Snapple Group), notwithstanding that the stronger than expected US' durable goods orders data (+2.2% in Sep) sent the 10-year Treasury bond yield higher to 2.44% (highest since 20 March). Elsewhere, BOC kept its overnight rate static at 1% as widely expected but a stronger than tipped 3Q17 UK GDP print also raised the hawkish expectations ahead of next week's BOE policy decision.</p> <p>For today, investors will be primed for any ECB announcements to taper its policy stimulus, notably a paring of its monthly asset purchase rate from EUR60b to around EUR30-40b for an extended period of time to later in 2018, as well as retain the forward guidance that interest rates would remain unchanged until "well past" the end of the asset purchases, have already been discounted. However, with ECB's Praet calling for greater communication on the reinvestment portfolio, watch Draghi's press conference as any declaration of a firm end-date to QE and reinvestment strategy could potentially shake markets.</p> <p>Asian bourses are likely to tread cautiously in the interim. Today's economic data calendar comprises US' pending home sales, initial jobless claims and wholesale inventories, HK trade for Sep and S'pore's industrial production. RBA's Debelle is also speaking.</p> |
| US | <p>As the market speculation about Trump's choice for Fec chair heats up ahead of his 3 Nov deadline, he commented "I would certainly think about it" and "I think she's terrific" when asked about re-nominating Yellen for another term. Meanwhile, a scheduled vote today on the budget resolution may fall at the so-called SALT deduction which some House Republicans are defending. Essentially House Republicans hold 239 seats and need 217 votes to adopt the budget without Democratic support.</p> |
| CN | <p>The smooth leadership transition failed to stop China's bond market from tumble further yesterday as the fragile sentiment in the bond market was rocked by rumors that CBRC asked one big joint stock bank to cut its interbank liability as percentage of total liability to 25% from currently one third by January 2018. Although it was denied by regulators in the same day, China's 10 year yield ended up at a high of 3.77%. For today, market will look at the issuance of China's dollar sovereign bond.</p> |
| CA | <p>BOC opined that "while less monetary policy stimulus will likely be required over time, Governing Council will be cautious in making future adjustments to the policy rate. In particular, the Bank will be guided by incoming data to assess the sensitivity of the economy... given our recent history with inflation running below target, we continue to be more preoccupied with the downside risks to inflation"</p> |
| SG | <p>Industrial production is expected to have expanded by 10% yoy (-7.3% mom sa) in Sep, which is a moderation from the 19.1% yoy (+0.6% mom sa) pace seen in Aug. This comes after a disappointing NODX data (-1.1% yoy amd -11.0% mom sa) in Sep, and could set the tone for potential revisions to the initial 3Q17 GDP growth estimate of 4.6% yoy (+6.3% qoq saar).</p> <p>OCBC reported 3Q net income rose 12% to \$1.06b on higher lending, wealth management and life-insurance businesses.</p> |

Major Market

- **US:** Equities fell the most in weeks, after a string of weaker-than-expected earnings from Chipotle and AMD yesterday. This came after a decent run of earnings releases up till last week. The decline was broad-based, with all 11 industrial sectors in the red. The hardest hit were telecommunication and industrial stocks. Overall, the S&P 500 shed 0.47% while the Dow and Nasdaq Composite lost 0.48% and 0.52% respectively. Keep an eye on the tech space tonight as big names like Microsoft, Alphabet, Amazon and Twitter will all be announcing their earnings. The tech sector has had a very decent run this year, and investors would expect earnings to at least match up with the hype.
- Meanwhile, 10y US Treasury yields continue to push away from the 2.40% mark, closing the session at 2.43%. The 10y yield hit an intraday high of 2.47%, before seeing strong buying interest from asset managers and pushing yield back down. If the upward move for the 10y yield persists, the next key junctures will be at 2.48%, a key technical resistance level, then 2.62%, the year-to-date high. 2y benchmark yield stood at 1.60%, up 2 bps.
- **Singapore:** The STI rose 0.28% to close up at 3343.88 yesterday, but may range trade with a soft tone today, amid overnight slippage in Wall Street and morning declines in Kospi. The STI resistance and support are tipped at 3350 and 3330 respectively. With the UST bond yields trading slightly higher overnight, the SGS bond yields may also sustain its upward bias for now.
- **Korea:** Economic growth in 3Q17 surprised higher at 3.6% y/y (vs mkt est: 3.0%, OCBC est: 3.1%). A stellar external environment was once again attributed to as a key driver for growth, with headline GDP growth expanding at its fastest pace since 2010.
- **Indonesia:** The Indonesian parliament approved the 2018 budget proposal, with the fiscal deficit expected to reduce to 2.19% on 2018, compared to 2.67% this year.
- **Commodities:** A surprise gain in US crude oil stocks pressured WTI prices lower (-0.55%) to yesterday's closing of \$52.18/bbl. Crude output reportedly rebounded back after Tropical Storm Nate receded. Note that falling US refinery utilisation (down to 84.5% in recent print vs Aug's 96.3%) rates are expected to trough soon into the 42nd week of the year when refineries gradually restart post their maintenance period. Regardless, the massive fall in US gasoline stocks (-5.5 million barrels) defied market consensus (mkt est: +1.7 million barrels), suggesting that overall energy demand in the US remains supported. Closer to Asia, crude palm oil prices rose past its MYR2,800/MT once again, fueled by a uptick in overall demand amid rising alternative oil prices. Note cargo surveyor Societe Generale de Surveillance reported Malaysia's palm oil product exports growth at 8.3% m/m in the first 25 days of October.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 3-9bps higher across all tenors. This followed the rise in UST yields on Tuesday. In the broader dollar space, the spread on JACI IG Corp fell 1bps to 177bps, while the yield on JACI HY Corp rose 2bps to 6.84%. 10Y UST yields rose 1bps to 2.43%, after dip-buying helped yields ease off session highs of 2.47% and the 5Y auction came in soft.

- **New Issues:** RBC Investor Services Trust Singapore Limited (in its capacity as trustee of ESR-REIT) has priced a SGD150 Perp NC5 at 4.60%. The Government of Mongolia has priced a USD800mn 5.5-year bond at 5.625%, tightening from initial guidance of 6.125%. The expected issue ratings are 'B-/B-/NR'. Korea Housing Finance Corporation has priced a USD500mn 5-year covered bond at CT5+100bps, tightening from initial guidance of CT5+125bps area. The expected issue ratings are 'NR/Aa1/NR'. Korean Air Lines Co Ltd has priced a USD30mn 3-year bond at 3mL+95bps (guaranteed by Shinhan Bank Co Ltd).
- **Rating Changes:** Moody's has assigned Heungkuk Life Insurance Co Ltd's (Heungkuk Life) an insurance financial strength rating of 'Baa1'. At the same time, Moody's assigned a 'Baa3' rating to Heungkuk's proposed subordinated capital securities issuance. The outlook is stable. The rating action reflects Heungkuk Life's low interest rate risk, balanced distribution channels and conservative investment portfolio.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.711 | -0.07% | USD-SGD | 1.3605 | -0.15% |
| USD-JPY | 113.740 | -0.14% | EUR-SGD | 1.6071 | 0.29% |
| EUR-USD | 1.1813 | 0.44% | JPY-SGD | 1.1961 | -0.01% |
| AUD-USD | 0.7704 | -0.93% | GBP-SGD | 1.8042 | 0.82% |
| GBP-USD | 1.3262 | 0.97% | AUD-SGD | 1.0481 | -1.09% |
| USD-MYR | 4.2352 | 0.08% | NZD-SGD | 0.9372 | -0.44% |
| USD-CNY | 6.6391 | 0.05% | CHF-SGD | 1.3748 | -- |
| USD-IDR | 13578 | 0.33% | SGD-MYR | 3.1062 | -0.10% |
| USD-VND | 22720 | 0.01% | SGD-CNY | 4.8778 | 0.15% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3720 | -- | O/N | 1.1844 | -- |
| 2M | -0.3390 | -- | 1M | 1.2396 | -- |
| 3M | -0.3300 | -- | 2M | 1.3043 | -- |
| 6M | -0.2740 | -- | 3M | 1.3706 | -- |
| 9M | -0.2200 | -- | 6M | 1.5644 | -- |
| 12M | -0.1830 | -- | 12M | 1.8346 | -- |

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 | 92.2% | 48.1% | 42.8% | 1.3% | 0.0% |
| 05/02/2018 | 92.6% | 46.1% | 43.1% | 3.4% | 0.1% |
| 06/13/2018 | 95.1% | 32.8% | 44.1% | 17.0% | 1.2% |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 52.18 | -0.55% | Copper (per mt) | 7,017.3 | -0.47% |
| Brent (per barrel) | 58.44 | 0.19% | Nickel (per mt) | 11,825.0 | -1.03% |
| Heating Oil (per gallon) | 1.8182 | -0.21% | Aluminium (per mt) | 2,176.8 | 1.50% |
| Gasoline (per gallon) | 1.7348 | 1.13% | | | |
| Natural Gas (per MMBtu) | 2.9190 | -1.85% | | | |
| | | | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,805.0 | 1.01% |
| | | | Rubber (JPY/KG) | 199.5 | 0.61% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,279.0 | 0.05% | | | |
| Silver (per oz) | 16.925 | -0.24% | | | |

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

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 23,329.46 | -112.30 |
| S&P | 2,557.15 | -11.98 |
| Nasdaq | 6,563.89 | -34.54 |
| Nikkei 225 | 21,707.62 | -97.55 |
| STI | 3,343.88 | 9.21 |
| KLCI | 1,739.05 | 2.91 |
| JCI | 6,025.43 | 73.36 |
| Baltic Dry | 1,588.00 | -- |
| VIX | 11.23 | 0.07 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.48 (+0.05) | 1.60 (+0.01) |
| 5Y | 1.77 (+0.06) | 2.04 (--) |
| 10Y | 2.28 (+0.05) | 2.43 (+0.01) |
| 15Y | 2.52 (+0.05) | -- |
| 20Y | 2.51 (+0.05) | -- |
| 30Y | 2.57 (+0.06) | 2.94 (+0.01) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 11.07 | -0.33 |
| EURIBOR-OIS | 2.58 | 0.05 |
| TED | 25.98 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|------------------|-----------------------------------|--------|--------|--------|---------|--------|
| 10/25/2017 08:30 | AU CPI QoQ | 3Q | 0.80% | 0.60% | 0.20% | -- |
| 10/25/2017 08:30 | AU CPI YoY | 3Q | 2.00% | 1.80% | 1.90% | -- |
| 10/25/2017 08:30 | AU CPI Trimmed Mean QoQ | 3Q | 0.50% | 0.40% | 0.50% | -- |
| 10/25/2017 08:30 | AU CPI Trimmed Mean YoY | 3Q | 2.00% | 1.80% | 1.80% | -- |
| 10/25/2017 16:00 | GE IFO Business Climate | Oct | 115.1 | 116.7 | 115.2 | 115.3 |
| 10/25/2017 16:00 | GE IFO Expectations | Oct | 107.3 | 109.1 | 107.4 | 107.5 |
| 10/25/2017 16:00 | GE IFO Current Assessment | Oct | 123.5 | 124.8 | 123.6 | 123.7 |
| 10/25/2017 16:00 | IT Industrial Orders MoM | Aug | -- | 8.70% | 0.20% | 0.40% |
| 10/25/2017 16:00 | IT Industrial Orders NSA YoY | Aug | -- | 12.20% | 10.10% | -- |
| 10/25/2017 16:30 | UK UK Finance Loans for Housing | Sep | 41800 | 41584 | 41807 | 41762 |
| 10/25/2017 16:30 | UK GDP QoQ | 3Q A | 0.30% | 0.40% | 0.30% | -- |
| 10/25/2017 16:30 | UK GDP YoY | 3Q A | 1.50% | 1.50% | 1.50% | -- |
| 10/25/2017 19:00 | US MBA Mortgage Applications | Oct-20 | -- | -4.60% | 3.60% | -- |
| 10/25/2017 20:30 | US Durable Goods Orders | Sep P | 1.00% | 2.20% | 2.00% | -- |
| 10/25/2017 20:30 | US Durables Ex Transportation | Sep P | 0.50% | 0.70% | 0.50% | 0.70% |
| 10/25/2017 20:30 | US Cap Goods Orders Nondef Ex Air | Sep P | 0.30% | 1.30% | 1.10% | 1.30% |
| 10/25/2017 20:30 | US Cap Goods Ship Nondef Ex Air | Sep P | 0.10% | 0.70% | 1.10% | 1.20% |
| 10/25/2017 21:00 | US FHFA House Price Index MoM | Aug | 0.40% | 0.70% | 0.20% | 0.40% |
| 10/25/2017 22:00 | CA Bank of Canada Rate Decision | Oct-25 | 1.00% | 1.00% | 1.00% | -- |
| 10/25/2017 22:00 | US New Home Sales | Sep | 554k | 667k | 560k | 561k |
| 10/25/2017 22:00 | US New Home Sales MoM | Sep | -1.10% | 18.90% | -3.40% | -3.60% |
| 10/26/2017 05:45 | NZ Trade Balance NZD | Sep | -900m | -1143m | -1235m | -1179m |
| 10/26/2017 05:45 | NZ Exports NZD | Sep | 3.90b | 3.78b | 3.69b | 3.68b |
| 10/26/2017 05:45 | NZ Imports NZD | Sep | 4.88b | 4.92b | 4.92b | 4.86b |
| 10/26/2017 07:00 | SK GDP SA QoQ | 3Q P | 0.90% | 1.40% | 0.60% | -- |
| 10/26/2017 07:00 | SK GDP YoY | 3Q P | 3.00% | 3.60% | 2.70% | -- |
| 10/26/2017 13:00 | SI Industrial Production YoY | Sep | 10.00% | -- | 19.10% | -- |
| 10/26/2017 13:00 | SI Industrial Production SA MoM | Sep | -7.30% | -- | 0.60% | -- |
| 10/26/2017 14:00 | GE GfK Consumer Confidence | Nov | 10.8 | -- | 10.8 | -- |
| 10/26/2017 16:00 | EC M3 Money Supply YoY | Sep | 5.00% | -- | 5.00% | -- |
| 10/26/2017 16:00 | IT Economic Sentiment | Oct | -- | -- | 108 | -- |
| 10/26/2017 16:00 | IT Manufacturing Confidence | Oct | 110 | -- | 110.4 | -- |
| 10/26/2017 16:00 | IT Consumer Confidence Index | Oct | 114.9 | -- | 115.5 | -- |
| 10/26/2017 16:30 | HK Exports YoY | Sep | 5.90% | -- | 7.40% | -- |
| 10/26/2017 16:30 | HK Imports YoY | Sep | 5.00% | -- | 7.70% | -- |
| 10/26/2017 19:45 | EC ECB Main Refinancing Rate | Oct-26 | 0.00% | -- | 0.00% | -- |
| 10/26/2017 19:45 | EC ECB Marginal Lending Facility | Oct-26 | 0.25% | -- | 0.25% | -- |
| 10/26/2017 19:45 | EC ECB Deposit Facility Rate | Oct-26 | -0.40% | -- | -0.40% | -- |
| 10/26/2017 20:30 | US Initial Jobless Claims | Oct-21 | 235k | -- | 222k | -- |
| 10/26/2017 20:30 | US Continuing Claims | Oct-14 | 1890k | -- | 1888k | -- |
| 10/26/2017 20:30 | US Wholesale Inventories MoM | Sep P | 0.40% | -- | 0.90% | -- |
| 10/26/2017 21:45 | US Bloomberg Consumer Comfort | Oct-22 | -- | -- | 51.1 | -- |
| 10/26/2017 22:00 | US Pending Home Sales MoM | Sep | 0.40% | -- | -2.60% | -- |
| 10/25/2017 10/31 | VN CPI YoY | Oct | 3.10% | -- | 3.40% | -- |
| 10/25/2017 10/31 | VN Exports YTD YoY | Oct | 20.60% | -- | 19.80% | -- |

Source: Bloomberg

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