

Highlights

Global	<p>With the start of 4Q18, financial markets are likely to be watching out for progress of the US-Canada last minute negotiations for NAFTA, UK's Conservative party annual conference and the fate of PM May, the EC's response to Italy's proposed 2.4% budget deficit, RBA and RBI policy decisions, as well as the US' September labour market report this week. Whilst China markets are out for Golden Week holidays through 7 October, the softening official and Caixin manufacturing PMI readings to 50.8 (7-month low) and 50.0 (lowest since May 2017) respectively suggest that US-China trade war have begun to hurt, albeit the non-manufacturing PMI likely benefited from recent stimulus measures and rose from 54.2 to 54.9. This morning, Japan's Tankan for large manufacturers also fell from 21 to 19 in 3Q (forecast: 22). The S&P500 ended flat on Friday while the 10-year UST bond yield closed at 3.06%.</p> <p>Asian markets today may start the new quarter with a firm tone, but is unlikely to break new ranges given the above lingering headwinds. Today's economic data calendar comprises US' manufacturing ISM and construction spending, manufacturing PMI readings across Eurozone and Asia, German retail sales, and Indonesia and Thailand's CPI. Speakers include Fed's Bostic, Kashkari and Rosengren, and ECB's Villeroy. For the week ahead, RBA is likely static at 1.5% tomorrow, while RBI may still need to be hawkish and hike 25bps.</p>
CH	<p>In its 3Q monetary policy meeting, the PBoC reiterated to keep all the asset classes stable. RMB exchange rate was mentioned twice in the statement. The PBoC aims to strike the balance among interest rate, exchange rate and balance of payment. Although China is unlikely to go back to old path of excessive easing, it seems that PBoC will go back to old path of multi-mandates. The ambitious target to keep the balance between low interest rate and stable currency against the backdrop of escalation of trade war and repricing of emerging market assets is a big challenge for PBoC.</p>
SG	<p>Electricity tariffs will rise from 23.65 cents to 24.13 cents per kwh or an average of 2.1% qoq for 1 October to 31 December period. Bank loans growth accelerated slightly from 5.5% yoy in July to 5.6% yoy in August.</p>
TH	<p>Key members of Thailand's junta government are reportedly selected to form a new political party. The party, which is named Palang Pracharath, will have Industry Minister Uttama Savanayana as the leader, in which he commented that the party "is not connected to the military... but born through the gathering of like-minded people who want to see changes".</p>
KR	<p>Export growth contracted by 8.2% y/y in September, clocking its lowest growth print since July 2016. Despite the fall, we note that it did face a high base Sept 2017 print (+35%) amid Chuseok holidays which likely inhibited trade activities.</p>
CMD	<p>Higher crude oil futures seen over the weekend appear to be driven by technical, rather than fundamentals at this juncture. To-date, market-watchers remain fixated on potential supply shortages amid OPEC's refusal to increase supply, though empirical supply prints over the same period did not reflect any severe supply shock. Do note that CFTC net-positions in crude oil remain starkly lower (582k for the week ended 25th Sept) versus Jan 2018's levels (30th Jan: 778k). Gold rallied 0.74% but still remained below its critical \$1,200/oz handle.</p>

Major Markets

- **US:** Wall Street ended flat on Friday, which was the last trading day of 3Q18, with the S&P500 holding at 2,913.98.
- Facebook equity dipped 2.59% on its disclosure of a security breach at the firm, with about 50 million user accounts affected.
- Intel stock rose 3.07% after interim CEO Bob Swan wrote on the company's website that the firm will produce sufficient chips to achieve its full-year revenue target, while its main competitor AMD plunged 5.22% on the news.
- Tesla shares plummeted 13.90% after SEC filed a lawsuit against CEO Elon Musk, who has since resigned as chairman of the firm in a \$40mn settlement with the SEC, while staying on as the chief executive.
- **Singapore:** The STI added 0.64% to close up at 3257.05 on Friday, and may range trade between 3230-3275 for now. With the UST bond market trading in a range on Friday, albeit with a steepening bias, the SGS bond market may extend gains amid a strengthening SGD NEER ahead of the upcoming MAS MPS decision.
- **Malaysia:** Securities Commission have announced the retirement of its chairman, Tan Sri Ranjit Ajit Singh, effective 15th October 2018. He will be replaced by Syed Zaid Albar, who has over 38 years of experience in the legal field and had previously worked at Skrine & Co aside establishing his own law firm, Albar & Partners. Meanwhile, the manufacturing PMI rose to 51.5 in September from 51.2 in the previous month amid a faster rate of job creation.
- **Indonesia:** State-owned energy holding company Pertamina's oil imports stood at an average of 393,000 barrels per day (bpd) up to August 2018, 6 percent higher than the average for the entire year of 2017, at 370,000 bpd. Meanwhile, the manufacturing PMI slowed to 50.7 in September from 51.9 in the previous month amid slower rises in output, new orders and employment whilst currency weakness against the USD contributed to a sharper rise in average input costs.
- **Hong Kong:** Total loans and advances grew at the slowest pace since Dec 2016 by 8.4% yoy to HK\$9.7 trillion in Aug 2018. Zooming in, the growth of loans for use in Hong Kong (excluding trade finance), which takes up 65% of total loans and advances, also decelerated from 9.2% yoy in Jul to 8.6% yoy in Aug. This is mainly attributed to sluggish business sentiment amid trade war concerns, China's economic slowdown and prospects of higher borrowing costs. Besides, demand for mortgage loans may also take a hit as housing transactions and prices retreated and all major banks kick-started a new cycle of prime rate hike. On the other hand, loans for use outside of HK increased by 8.8% yoy, the weakest pace since Jan 2017. Given the PBOC's easing bias and the Fed's gradual rate hikes, offshore financing may become less attractive to Mainland companies. All in all, we expect the growth of total loans and advances will slow down to 3%-5% yoy by end of this year.
- Total HKD deposits dropped by 0.1% mom in Aug to HK\$6.7 trillion. HKD savings deposits decreased for the second consecutive month by 2.8% yoy to HK\$2.97 trillion. In contrast, HKD time deposits registered double-digit growth for the third straight month by 16.7% yoy to HK\$2.59 trillion. As a result, the share of HKD CASA in total HKD deposits lowered further to 61.4% while that of HKD fixed deposits rose to 38.6%, both reaching the level last seen in Jun 2014. Taken all together, it suggests that banks' funding costs continued to increase due to higher HIBOR and rising fixed deposit rates. It also justifies banks' move to lift prime rate despite ample liquidity.

- **Macau:** Unemployment rate stabilized at the lowest level since 2015 of 1.8% unchanged over the three months through August. Though overall jobless rate remained low, it may be due to fewer people looking for jobs in the past three months. Specifically, the labor force reduced from 392600 to 392100 while labor force participation rate sliding to 71%. Also, the employment situation was mixed across different sectors. As the World Cup ended in July, the return of gamblers helped to revive the hiring sentiment of gaming industry where employment grew by 1.2% mom. Nevertheless, as a strong MOP and trade war concerns clouded the outlook of the tourism-related sectors, the employment of hotels, restaurants and similar activities dropped by 1.59% mom. Meanwhile, the employment of retail sector retreated by 0.7% mom. Moving forward, China's economic slowdown, stronger MOP and trade war fears may continue to weigh down Macau's economic outlook and the major sectors' employment. Therefore, though the upcoming completion of the HK-Zhuhai-Macau Bridge may help to weather some downside risks for both tourism and gaming sectors' employment, we expect the unemployment rate to rise slightly towards 1.9% in the coming months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed last Friday, with swap rates trading within 1bps across most tenors (with the exception of the 12-year and 15-year swap rates trading 1-2bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 466bps. 10Y UST yields fell 2bps to 3.02% in the earlier part of the trading session as the USD15.3 trillion bond sector recorded its worst month since January due to rising interest rates and government debt supply. Yields subsequently rose 4bps to close at 3.06% on the back of safe haven demand due to concerns over the Italy's proposed 2019 budget which envisaged a large deficit and investors rebalancing their month end portfolios.
- **New Issues:** There were no new issuances over 28 Sept 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.132	0.25%	USD-SGD	1.3670	-0.07%
USD-JPY	113.700	0.28%	EUR-SGD	1.5864	-0.38%
EUR-USD	1.1604	-0.32%	JPY-SGD	1.2019	-0.38%
AUD-USD	0.7224	0.22%	GBP-SGD	1.7809	-0.46%
GBP-USD	1.3031	-0.37%	AUD-SGD	0.9878	0.18%
USD-MYR	4.1383	-0.04%	NZD-SGD	0.9054	0.04%
USD-CNY	6.8688	-0.31%	CHF-SGD	1.3927	-0.51%
USD-IDR	14903	-0.13%	SGD-MYR	3.0252	-0.26%
USD-VND	23315	-0.13%	SGD-CNY	5.0270	-0.31%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	2.1714	-0.0025
2M	-0.3380	--	1M	2.2606	0.0046
3M	-0.3180	--	2M	2.3108	0.0070
6M	-0.2680	--	3M	2.3984	0.0024
9M	-0.2080	--	6M	2.6039	0.0034
12M	-0.1590	0.0020	12M	2.9186	0.0012

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	2.7%	2.7%	0.0%	0.0%	0.0%
12/19/2018	71.3%	69.3%	1.9%	0.0%	0.0%
01/30/2019	72.4%	67.7%	4.7%	0.1%	0.0%
03/20/2019	88.8%	43.9%	42.0%	2.8%	0.0%
05/01/2019	90.3%	39.5%	42.2%	8.1%	0.4%
06/19/2019	94.7%	26.1%	41.0%	23.5%	3.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.25	1.57%	Coffee (per lb)	1.025	3.17%
Brent (per barrel)	82.72	1.22%	Cotton (per lb)	0.7637	-1.74%
Heating Oil (per gallon)	2.3518	1.24%	Sugar (per lb)	0.1120	2.66%
Gasoline (per gallon)	2.1012	0.90%	Orange Juice (per lb)	1.4760	0.51%
Natural Gas (per MMBtu)	3.0080	-1.57%	Cocoa (per mt)	2,057	-2.70%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,184.0	0.79%	Wheat (per bushel)	5.0900	-0.78%
Nickel (per mt)	12,525.0	0.27%	Soybean (per bushel)	8.455	-1.11%
Aluminium (per mt)	2,056.0	1.78%	Corn (per bushel)	3.5625	-2.33%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,196.2	0.74%	Crude Palm Oil (MYR/MT)	2,174.0	0.37%
Silver (per oz)	14.712	2.95%	Rubber (JPY/KG)	168.0	0.54%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,458.31	18.38
S&P	2,913.98	--
Nasdaq	8,046.35	4.39
Nikkei 225	24,120.04	323.30
STI	3,257.05	20.79
KLCI	1,793.15	-5.49
JCI	5,976.55	47.34
Baltic Dry	1,540.00	16.00
VIX	12.12	-0.29

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (-0.01)	2.82 (-0.01)
5Y	2.24 (-0.01)	2.95 (--)
10Y	2.50 (-0.01)	3.06 (+0.01)
15Y	2.77 (--)	--
20Y	2.81 (-0.01)	--
30Y	2.86 (--)	3.21 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.48	0.80
EURIBOR-OIS	3.20	--
TED	20.20	-1.77

CFTC Commodities Futures and Options

For the week ended: 25 Sep 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	-39,846	-83,329	43,483	Sugar	-75,394	-49,167	-26,227
Corn	-52,332	-86,219	33,887	Cocoa	-5,530	2,376	-7,906
Soybean	-64,436	-82,487	18,051	Gold	-32,764	-28,919	-3,845
Nymex Crude	582,175	565,335	16,840	Cotton	71,097	73,930	-2,833
Copper	10,963	-892	11,855	Wheat	2,359	3,468	-1,109
RBOB Gasoline	113,820	105,330	8,490	Heating Oil	43,626	43,565	61
Platinum	3,631	-1,500	5,131	Lean Hogs	22,798	21,117	1,681
Live Cattle	97,293	92,324	4,969	Palladium	10,041	7,549	2,492
Coffee	-101,734	-106,651	4,917	Silver	-24,157	-26,749	2,592

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/28/2018 06:45	NZ	Building Permits MoM	Aug	–	7.80%	-10.30%	-10.80%
09/28/2018 07:30	JN	Job-To-Applicant Ratio	Aug	1.63	1.63	1.63	--
09/28/2018 07:30	JN	Jobless Rate	Aug	2.50%	2.40%	2.50%	--
09/28/2018 07:30	JN	Tokyo CPI YoY	Sep	1.10%	1.30%	1.20%	--
09/28/2018 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Sep	0.90%	1.00%	0.90%	--
09/28/2018 07:50	JN	Industrial Production MoM	Aug P	1.40%	0.70%	-0.10%	--
09/28/2018 07:50	JN	Industrial Production YoY	Aug P	1.50%	0.60%	2.20%	--
09/28/2018 10:00	VN	CPI YoY	Sep	4.00%	3.98%	3.98%	--
09/28/2018 10:47	MU	Unemployment Rate	Aug	–	1.80%	1.80%	--
09/28/2018 14:45	FR	CPI YoY	Sep P	2.30%	2.20%	2.30%	--
09/28/2018 15:30	TH	Foreign Reserves	Sep-21	–	\$205.5b	\$204.3b	--
09/28/2018 15:30	TH	Exports YoY	Aug	--	5.80%	8.30%	--
09/28/2018 15:30	TH	BoP Current Account Balance	Aug	\$1359m	\$753m	\$1086m	--
09/28/2018 15:55	GE	Unemployment Change (000's)	Sep	-9k	-23k	-8k	-10k
09/28/2018 15:55	GE	Unemployment Claims Rate SA	Sep	5.20%	5.10%	5.20%	--
09/28/2018 16:30	UK	GDP QoQ	2Q F	0.40%	0.40%	0.40%	--
09/28/2018 16:30	UK	GDP YoY	2Q F	1.30%	1.20%	1.30%	--
09/28/2018 17:00	EC	CPI Core YoY	Sep A	1.10%	0.90%	1.00%	--
09/28/2018 17:00	EC	CPI Estimate YoY	Sep	2.10%	2.10%	2.00%	--
09/28/2018 17:00	IT	CPI EU Harmonized MoM	Sep P	1.80%	1.80%	-0.10%	--
09/28/2018 17:00	IT	CPI NIC incl. tobacco MoM	Sep P	-0.20%	-0.40%	0.50%	--
09/28/2018 17:00	IT	CPI NIC incl. tobacco YoY	Sep P	1.70%	1.50%	1.70%	--
09/28/2018 17:00	IT	CPI EU Harmonized YoY	Sep P	1.70%	1.60%	1.60%	--
09/28/2018 20:30	US	Personal Income	Aug	0.40%	0.30%	0.30%	--
09/28/2018 20:30	CA	GDP MoM	Jul	0.10%	0.20%	0.00%	--
09/28/2018 20:30	US	Personal Spending	Aug	0.30%	0.30%	0.40%	--
09/28/2018 21:45	US	Chicago Purchasing Manager	Sep	62	60.4	63.6	--
09/28/2018 22:00	US	U. of Mich. Sentiment	Sep F	100.6	100.1	100.8	--
09/30/2018 09:00	CH	Non-manufacturing PMI	Sep	54	54.9	54.2	--
09/30/2018 09:00	CH	Manufacturing PMI	Sep	51.2	50.8	51.3	--
09/30/2018 09:45	CH	Caixin China PMI Mfg	Sep	50.5	50	50.6	--
10/01/2018 07:50	JN	Tankan Large Mfg Index	3Q	22	–	21	--
10/01/2018 07:50	JN	Tankan Large Mfg Outlook	3Q	20	–	21	--
10/01/2018 07:50	JN	Tankan Large Non-Mfg Index	3Q	23	–	24	--
10/01/2018 07:50	JN	Tankan Large Non-Mfg Outlook	3Q	21	–	21	--
10/01/2018 07:50	JN	Tankan Large All Industry Capex	3Q	13.90%	–	13.60%	--
10/01/2018 08:00	SK	Exports YoY	Sep	-5.50%	–	8.70%	--
10/01/2018 11:00	TH	CPI YoY	Sep	1.23%	–	1.62%	--
10/01/2018 12:00	ID	CPI YoY	Sep	3.06%	–	3.20%	--
10/01/2018 13:00	IN	Nikkei India PMI Mfg	Sep	–	–	51.7	--
10/01/2018 15:45	IT	Markit/ADACI Italy Manufacturing PMI	Sep	50.2	–	50.1	--
10/01/2018 15:50	FR	Markit France Manufacturing PMI	Sep F	52.5	–	52.5	--
10/01/2018 15:55	GE	Markit Germany Manufacturing PMI	Sep F	53.7	–	53.7	--
10/01/2018 16:00	EC	Markit Eurozone Manufacturing PMI	Sep F	53.3	–	53.3	--
10/01/2018 16:30	UK	Mortgage Approvals	Aug	64.5k	–	64.8k	--
10/01/2018 16:30	UK	Markit UK PMI Manufacturing SA	Sep	52.5	–	52.8	--
10/01/2018 17:00	EC	Unemployment Rate	Aug	8.10%	--	8.20%	--
10/01/2018 21:30	CA	Markit Canada Manufacturing PMI	Sep	–	–	56.8	--
10/01/2018 21:45	US	Markit US Manufacturing PMI	Sep F	55.6	–	55.6	--
10/01/2018 22:00	US	Construction Spending MoM	Aug	0.40%	–	0.10%	--
10/01/2018 22:00	US	ISM Manufacturing	Sep	60	–	61.3	--

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 Alan Lau AlanLau@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com Seow Zhi Qi ZhiQiSeow@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 Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).