

Highlights

Global	With US markets closed for Labor day holiday yesterday, market focus turned elsewhere - Argentina announced emergency measures yesterday including halving the number of ministries and imposing new export taxes, while its Treasury minister Dujovne is meeting IMF director Largarde to request faster payments from a US\$50b credit line. Meanwhile, The Euro Stoxx 50 and FTSE 100 closed in positive territory despite the sea of red ink across most of EM and Asia. The key focus today will be RBA's rate decision (likely to be static at 1.5% but watch for governor Lowe's comments), BOE governor Carney's testimony on the August inflation report, and US Congress' rush to pass multiple spending bills to avoid a shutdown on 30 September. Today's economic releases include US' manufacturing ISM and construction spending, and Thai consumer confidence.
PMI	China's official manufacturing PMI rose from 51.2 in July to 51.3 in August, partly due to the recent coordinated policy loosening in monetary and fiscal settings to mitigate the downside growth risks. Similar PMI improvements were also seen in Malaysia (51.2 versus 49.7), Indonesia (51.9 versus 50.5), Philippines (51.9 versus 50.9) which could be partly due to the economies being likely beneficiaries from the realignment of regional production lines amid the escalating US-Sino trade war and tit-for-tat retaliatory moves. Other regional economies like South Korea (49.9 versus 48.3), Taiwan (53.0 versus 53.1), India (51.7 versus 52.3) and Thailand (49.9 versus 50.1) were a little more mixed at this juncture. With the next tranche of US tariffs on US\$200 billion of Chinese imports likely to come into force soon after the public comment period ends on 6 September, it remains to be seen if the August PMI optimism will sustain into 4Q18. With US President Trump planning to skip the November ASEAN summit in S'pore and the APEC summit in PNG and send VP Mike Pence instead, this has largely dashed initial market hopes for a Trump-Xi summit deal on trade in November. Given the likely hardening of trade rhetoric going into the upcoming US mid-term elections in November, the prospects for a prolonged trade war is increasingly likely.
SG	S'pore's manufacturing and electronics PMIs both improved in August to 52.6 (+0.3 points) and 52.0 (+0.4 points), and marked the 24th and 25th consecutive month of expansions, aided by higher new orders and new export orders. Our manufacturing growth forecast for 3Q18 is 3.9% yoy, which is a moderation from the double-digit growth seen in 1H18. Still our full-year manufacturing growth forecast is at 7.0% yoy. Even with services growth likely to sustain at 2+% yoy in 2H18, top-line GDP growth is tipped to ease from the 3.9% yoy seen in 2Q18 to around 2.3% yoy in 3Q18. Transport fares will also rise by up to 4.3%.
KR	South Korea's 2Q18 GDP growth was slightly short of market expectations, rising 0.6% qoq (vs est. 0.7%), and 2.8% yoy (vs est. 2.9%). Meanwhile, CPI rose 0.5% mom (vs est. 0.4%), and 1.4% yoy in line with market consensus.
CH	China's financial stability and development committee organized a meeting with panel of financial experts, who are mainly former PBoC officials, to discuss how to manage market expectation. This raised the speculation that China may move towards forward guidance. Active media commentators such as former SAFE official Guan Tao and former PBoC official Sheng Songcheng are also in the panel.

Major Markets

- **US:** Wall Street was closed on Monday due to the Labor Day public holiday.
- Trade negotiations between US and Canada are expected to resume tomorrow. President Trump cancelled his plans for Labor Day over the weekend to focus on calls made for trade discussions and foreign issues.
- **Singapore:** The continuous expansion of the manufacturing industry suggests that the domestic manufacturing momentum is withstanding the deterioration in the external economic environment due to the US-Sino trade war relatively well, and the broadening of manufacturing drivers beyond electronics to pharmaceuticals, especially in the run-up to the traditional Christmas season.
- The STI declined 0.20% to close at 3207.20 yesterday and given slightly firmer opening by Kospi this morning, it remains to be seen if the 3200 support handle will be tested or there will be some stabilization today. Without UST bond market cues, SGS bonds may continue to sell off today, extending yesterday's up to 3bp move higher.
- **China:** Market may need to pay more attention to the panellists' comments going forward to gauge China's direction on financial market. In addition, China will change the method of local government bond issuance. The issuance of local government bond and repayment of coupon will be done on the local level rather than by Ministry of Finance.
- **Malaysia:** Minister of economic affairs Azmin Ali has said that the high speed rail project between Singapore and Malaysia "is on hold indefinitely". He also mentioned that "there is no need to pay compensation during this period". However, according to The Star newspaper, he did add that there will be a penalty to pay if the project is cancelled. In response, Singapore's ministry of transport has said that they "hope to reach a mutually acceptable outcome soon". Meanwhile, the attorney general chambers have acquitted finance minister Lim Guan Eng of what the Malaysian Anti-Corruption Commission had described as "charges of corruption in relation to the sale of a bungalow lot and the charge of conspiring with businesswoman Phang (Phang Li Koon)".
- **Indonesia:** Bank Indonesia (BI) plans to soon introduce overnight index swaps and interest rate swaps to widen its pool of hedging tools for investors, exporters and banks. The central bank will also start offering a one-month tenor foreign exchange swap hedging facility. The IDR ended at 14,815 against the USD yesterday, the lowest it has closed since the Asian Financial Crisis in 1998.
- **Macau:** Gross gaming revenue rose by 17.1% yoy (the strongest pace since Apr) to the highest since last October at MOP26.6 billion in Aug. The buoyant growth in Aug might be led by pent-up demand as gamblers might have delayed their trip to Macau amid the World Cup. As such, we are wary that the rosy performance in Aug will not sustain into coming months due to several reasons other than high-base effect. First, a stronger MOP on USD strength and Asia's muted economic outlook on trade concerns may weigh down Macau's inbound tourism. This is unfavorable to the mass-market segment of the gaming centers. Second, China's economic slowdown as well as the looming policy risks regarding anti-money laundering may curb casual and VIP gamblers. Third, the prospects for higher interest rates could impede junket operators from extending cheap credits to high-rollers. On a positive note, infrastructure improvement and new

wave of mega project openings may help to cap the downside for both tourism and gaming sectors. We expect gross gaming revenue to grow by about 15% yoy in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading within 1bps of last Friday's curve while the longer tenors were 1-2bps higher (with the exception of the 30-year swap rates trading 2bps lower). Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 140bps and 484bps respectively. 10Y UST yields remain unchanged as US markets were closed for the Labour Day public holiday.
- **New Issues:** CFLD Cayman Investment Ltd has priced a USD120mn re-tap of its CHFOTN 9%'21s at 8.993%, tightening from its final price guidance of 9.0%. First Abu Dhabi Bank PJSC has priced a CNH650mn 3-year bond at 4.5%, in line with its initial price guidance. Country Garden Holdings has priced a USD750mn 7-year bond at 5.125%. United Overseas Bank Ltd has priced a EUR500mn 5-year covered bond at MS+7bps, tightening from its final price guidance of MS+10bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.140	--	USD-SGD	1.3717	-0.03%
USD-JPY	111.070	0.04%	EUR-SGD	1.5938	0.14%
EUR-USD	1.1619	0.15%	JPY-SGD	1.2347	0.15%
AUD-USD	0.7214	0.35%	GBP-SGD	1.7654	-0.69%
GBP-USD	1.2870	-0.69%	AUD-SGD	0.9895	0.28%
USD-MYR	4.1290	0.49%	NZD-SGD	0.9052	-0.35%
USD-CNY	6.8228	-0.13%	CHF-SGD	1.4150	-0.09%
USD-IDR	14815	0.71%	SGD-MYR	3.0124	0.35%
USD-VND	23299	--	SGD-CNY	4.9741	-0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9149	--
2M	-0.3390	--	1M	2.1138	--
3M	-0.3190	--	2M	2.2061	--
6M	-0.2680	--	3M	2.3208	--
9M	-0.2080	--	6M	2.5356	--
12M	-0.1660	--	12M	2.8400	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	95.2%	0.0%	0.0%	0.0%
11/08/2018	100.0%	94.0%	1.3%	0.0%	0.0%
12/19/2018	100.0%	32.6%	65.1%	0.9%	0.0%
01/30/2019	100.0%	30.6%	63.0%	4.9%	0.1%
03/20/2019	100.0%	15.8%	46.6%	34.4%	2.5%
05/01/2019	100.0%	14.4%	43.7%	35.5%	5.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.80	--	Coffee (per lb)	1.018	--
Brent (per barrel)	78.15	0.94%	Cotton (per lb)	0.8222	--
Heating Oil (per gallon)	2.2413	--	Sugar (per lb)	0.1060	--
Gasoline (per gallon)	2.1437	--	Orange Juice (per lb)	1.5445	--
Natural Gas (per MMBtu)	2.9160	--	Cocoa (per mt)	2,336	--
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,888.5	--	Wheat (per bushel)	5.4550	--
Nickel (per mt)	12,708.5	-0.09%	Soybean (per bushel)	8.435	--
Aluminium (per mt)	2,076.3	-1.58%	Corn (per bushel)	3.6500	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,206.7	--	Crude Palm Oil (MYR/MT)	2,258.0	0.44%
Silver (per oz)	14.557	--	Rubber (JPY/KG)	169.1	-2.65%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,964.82	--
S&P	2,901.52	--
Nasdaq	8,109.54	--
Nikkei 225	22,707.38	-157.77
STI	3,207.20	-6.28
KLCI	1,813.58	-6.08
JCI	5,967.58	-50.88
Baltic Dry	1,579.00	--
VIX	12.86	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (--)	2.63 (--)
5Y	2.11 (+0.02)	2.74 (--)
10Y	2.40 (+0.02)	2.86 (--)
15Y	2.67 (+0.03)	--
20Y	2.72 (+0.03)	--
30Y	2.79 (+0.02)	3.02 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.58	0.12
EURIBOR-OIS	4.00	0.07
TED	22.69	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/03/2018 06:30	AU AiG Perf of Mfg Index	Aug --	56.7	52	--
09/03/2018 06:45	NZ Terms of Trade Index QoQ	2Q 1.00%	0.60%	-1.90%	-2.00%
09/03/2018 07:50	JN Capital Spending YoY	2Q 6.50%	12.80%	3.40%	--
09/03/2018 08:30	JN Nikkei Japan PMI Mfg	Aug F --	52.5	52.5	--
09/03/2018 08:30	SK Nikkei South Korea PMI Mfg	Aug --	49.9	48.3	--
09/03/2018 08:30	TA Nikkei Taiwan PMI Mfg	Aug --	53	53.1	--
09/03/2018 08:30	ID Nikkei Indonesia PMI Mfg	Aug --	51.9	50.5	--
09/03/2018 09:00	AU Melbourne Institute Inflation MoM	Aug --	0.10%	0.10%	--
09/03/2018 09:00	AU Melbourne Institute Inflation YoY	Aug --	2.10%	2.00%	--
09/03/2018 09:30	AU ANZ Job Advertisements MoM	Aug --	-0.60%	1.50%	1.40%
09/03/2018 09:30	AU Retail Sales MoM	Jul 0.30%	0.00%	0.40%	--
09/03/2018 09:45	CH Caixin China PMI Mfg	Aug 50.7	50.6	50.8	--
09/03/2018 11:00	TH CPI YoY	Aug 1.51%	1.62%	1.46%	--
09/03/2018 11:00	TH CPI NSA MoM	Aug 0.20%	0.26%	-0.05%	--
09/03/2018 11:00	TH CPI Core YoY	Aug 0.80%	0.75%	0.79%	--
09/03/2018 12:00	ID CPI NSA MoM	Aug 0.06%	-0.05%	0.28%	--
09/03/2018 12:00	ID CPI Core YoY	Aug 2.89%	2.90%	2.87%	--
09/03/2018 12:00	ID CPI YoY	Aug 3.33%	3.20%	3.18%	--
09/03/2018 13:00	IN Nikkei India PMI Mfg	Aug --	51.7	52.3	--
09/03/2018 13:00	JN Vehicle Sales YoY	Aug --	-0.20%	1.20%	--
09/03/2018 14:30	AU Commodity Index SDR YoY	Aug --	6.70%	7.60%	7.50%
09/03/2018 14:30	AU Commodity Index AUD	Aug --	113.6	111.7	111.5
09/03/2018 15:30	TH Business Sentiment Index	Aug --	51.4	52	--
09/03/2018 15:45	IT Markit/ADACI Italy Manufacturing PMI	Aug 51.2	50.1	51.5	--
09/03/2018 15:50	FR Markit France Manufacturing PMI	Aug F 53.7	53.5	53.7	--
09/03/2018 15:55	GE Markit Germany Manufacturing PMI	Aug F 56.1	55.9	56.1	--
09/03/2018 16:00	EC Markit Eurozone Manufacturing PMI	Aug F 54.6	54.6	54.6	--
09/03/2018 16:30	UK Markit UK PMI Manufacturing SA	Aug 53.9	52.8	54	53.8
09/03/2018 21:00	SI Electronics Sector Index	Aug --	52	51.6	--
09/03/2018 21:00	SI Purchasing Managers Index	Aug 52.2	52.6	52.3	--
09/04/2018 00:00	IT New Car Registrations YoY	Aug --	9.46%	4.42%	4.68%
09/04/2018 01:20	IT Budget Balance	Aug --	1.3b	10.6b	--
09/04/2018 07:00	SK GDP SA QoQ	2Q F 0.70%	0.60%	0.70%	--
09/04/2018 07:00	SK GDP YoY	2Q F 2.90%	2.80%	2.90%	--
09/04/2018 07:00	SK CPI MoM	Aug 0.40%	0.50%	0.20%	--
09/04/2018 07:00	SK CPI YoY	Aug 1.40%	1.40%	1.50%	--
09/04/2018 07:50	JN Monetary Base YoY	Aug --	--	7.00%	--
09/04/2018 08:30	VN Nikkei Vietnam PMI Mfg	Aug --	--	54.9	--
09/04/2018 09:30	AU BoP Current Account Balance	2Q -A\$11.0b	--	-A\$10.5b	--
09/04/2018 11:30	TH Consumer Confidence Economic	Aug --	--	69.1	--
09/04/2018 12:30	AU RBA Cash Rate Target	Sep-04 1.50%	--	1.50%	--
09/04/2018 16:30	UK Markit/CIPS UK Construction PMI	Aug 54.9	--	55.8	--
09/04/2018 17:00	EC PPI MoM	Jul 0.30%	--	0.40%	--
09/04/2018 17:00	EC PPI YoY	Jul 3.90%	--	3.60%	--
09/04/2018 21:30	CA Markit Canada Manufacturing PMI	Aug --	--	56.9	--
09/04/2018 21:45	US Markit US Manufacturing PMI	Aug F 54.5	--	54.5	--
09/04/2018 22:00	US Construction Spending MoM	Jul 0.40%	--	-1.10%	--
09/04/2018 22:00	US ISM Manufacturing	Aug 57.6	--	58.1	--
09/04/2018 22:00	US ISM Prices Paid	Aug 69.5	--	73.2	--
09/04/2018 09/05	US Wards Total Vehicle Sales	Aug 16.80m	--	16.68m	--

Source: Bloomberg

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