

Highlights

Global	<p>Firm US economic data sent the UST bond market into another tailspin bout, with the 10-year yield up to a fresh year-to-date high of 3.18% (the highest since July 2011 and the largest single-day swing since November 2016) and steepening the curve. The US' non-manufacturing ISM data rose more than expected to 61.6 (the highest since 1997) with a strong employment component, which was reinforced by the ADP employment data which also added 230k (above expectations) and led to market optimism for Friday's labor market report. Meanwhile, Fed Powell suggested that "we're a long way from neutral at this point" but "we may go past neutral" also added to the pressure on the UST bond market and gave the USD a fresh lift, whilst the S&P500 stopped short of a record high. Crude oil prices continued to climb, with Brent above US\$86 per barrel. Over in Europe, news that Italy will commit to trim its budget deficit to 2.1% of GDP in 2020 and to 1.8% in 2021, versus the earlier 2.4% estimate for 2019, aided Italian bond yields to come off recent highs. Japan's 10-year JGB yield also climbed to 0.145% for the first time since 2 August, which prompted a surprise BOJ bond-purchase.</p> <p>Given the uptick in global risk appetite overnight, Asian equity markets may benefit, but the bond and currencies may have some repricing to do today. Today's economic data calendar comprises US' factory orders, initial jobless claims and durable goods, and Thai consumer confidence. Speakers include ECB's Nouy, Nowotny and Guindos, Fed's Quarles and BIS' Carstens.</p>
US	<p>Hawkish Fed rhetoric appeared to be the mantra for the day, with Evans suggesting that rates will reach a "slightly restrictive setting" around 3-3.25%. Mester also noted that "we're getting close to a phase where we are going to be very dependent on what the data is telling us about the outlook", but "if we end up having inflation move high up", then "we need to move policy faster". Harker, on the other hand, didn't favour another hike this year, and only tips two hikes in 2019 as "I don't think we need to rush the normalisation process". Meanwhile, Brainard opined that the USD status as a global reserve currency cannot be taken for granted even though "the role of the dollar as the world's reserve currency is very strong".</p>
SG	<p>The Nikkei whole economy PMI slipped into contraction territory at 49.6 in September (lowest since April 2016), down from 51.1 in August and 53.7 a year ago. We tip 3Q18 GDP growth at 2.3% yoy (4.6% qoq saar), lowest since 3Q16, but given the 1H18 outperformance, our full-year growth forecast of 3% yoy remains intact for now. Services growth will ease from 2.8% yoy in 2Q18 to 2.2% yoy in 3Q18 and 2.0% yoy in 4Q18, but still expand 2.7% yoy for 2018 (2017 full year: 2.8% yoy).</p>
CMD	<p>Further rally in crude oil prices were seen, an unsurprising move given the quick uptick in risk-taking appetite following positive rhetoric from Fed Chairman Powell. Investors shrugged off the strong build in US crude oil inventory of 8.0 million barrels for the week ended 28th Sept, versus market estimate of 1.5 million barrels. Further concerns over production shortfall from Iran continue to lift prices higher, especially as Asian countries including South Korea, Japan and India empirically ceases oil imports from the Islamic Republic.</p>

Major Markets

- **US:** Wall Street closed higher on Wednesday, as Treasury yields and financial equity surged on strong economic data, with notably rosy prints for the US ISM non-manufacturing index and the ADP employment changes. The S&P500 gained 0.07%, while the DJIA scored its second consecutive day of fresh highs at 26,828.39. The Nasdaq composite logged its first closing gain this week, rising by 0.32%.
- General Motors (GM) stock climbed 2.15% on news of Honda's plans to invest \$750mn in GM's Cruise autonomous vehicle division, with investment value to total up to \$2bn over the next 12 years.
- **Singapore:** The 1.5 point decline of the Nikkei whole economy PMI into contraction territory at 49.6 in September was due to the lower output gauge at 48.4 (weakest since August 2012) and the new orders (lowest reading since May 2016). Export sales fell further, reflecting softening external demand, which in turn weighed on firms' purchasing activity. However, the business outlook for the year ahead remained generally upbeat, with higher sales forecasts and the future output index unchanged at a one-year high. Anecdotal evidence suggested that manpower shortages were a factor behind the delivery delays. Despite lower input costs, firms raised selling prices again at the fastest rate in four months.
- The STI added 0.76% to close up at 3267.40 yesterday and may extend gains today given the improvement in risk appetite overnight and positive cues from Wall Street and Nikkei this morning. STI resistance is tipped at 3300. With the overnight steepening in the UST bond yields led by the longer tenor sell-off, SGS bonds are likely to recalibrate as well today. The 10-year SGS bond yield may retest the 2.58% seen recently on 26 September, with the year-to-date high eyed at 2.68%.
- **Indonesia:** According to Bloomberg, Bank Indonesia expects the selling pressure on the IDR to ease next year. The central bank Governor Perry Warjiyo was also quoted as to saying, "If we already know that interest rates abroad will increase, we can't just wait for the interest rate to increase before we respond to it." He also stated that the central bank "will only intervene if there is global shock and market mechanism doesn't work" and that "business players don't have to be in a rush if they need dollars".

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across most tenors (with the exception of the 30-year swap rates trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 4bps to 462bps. Overall, 10Y UST yields rose sharply by 12bps to close at 3.18%, reaching a seven year high on the back of better-than-expected US private payrolls data for September as well as US service sector activity which hit a 21-year high.
- **New Issues:** The People's Republic of China (acting through the Ministry of Finance) has scheduled for investor meetings from 9 Oct for its potential USD bond issuance. Anhui Provincial Investment Group Holding Co Ltd has scheduled for investor meetings from 5 Oct for its potential USD bond issuance. Doosan Power Systems has scheduled for investor meetings from 8 Oct for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.762	0.27%	USD-SGD	1.3797	0.48%
USD-JPY	114.530	0.77%	EUR-SGD	1.5836	-0.12%
EUR-USD	1.1478	-0.61%	JPY-SGD	1.2046	-0.27%
AUD-USD	0.7103	-1.18%	GBP-SGD	1.7853	0.18%
GBP-USD	1.2940	-0.30%	AUD-SGD	0.9800	-0.70%
USD-MYR	4.1395	-0.02%	NZD-SGD	0.8987	-0.73%
USD-CNY	6.8688	--	CHF-SGD	1.3903	-0.38%
USD-IDR	15075	0.21%	SGD-MYR	3.0111	0.05%
USD-VND	23335	0.04%	SGD-CNY	4.9890	-0.32%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	2.1773	--
2M	-0.3390	--	1M	2.2739	--
3M	-0.3180	--	2M	2.3199	--
6M	-0.2680	--	3M	2.4075	--
9M	-0.2080	--	6M	2.6070	--
12M	-0.1570	--	12M	2.9248	--

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	3.4%	3.4%	0.0%	0.0%	0.0%
12/19/2018	73.4%	70.9%	2.5%	0.0%	0.0%
01/30/2019	75.7%	67.1%	8.4%	0.2%	0.0%
03/20/2019	93.3%	36.0%	51.0%	6.2%	0.2%
05/01/2019	94.2%	32.4%	49.2%	11.7%	0.9%
06/19/2019	97.3%	18.2%	40.2%	31.8%	6.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.41	1.57%	Coffee (per lb)	1.066	-0.98%
Brent (per barrel)	86.29	1.76%	Cotton (per lb)	0.7646	0.35%
Heating Oil (per gallon)	2.4372	1.23%	Sugar (per lb)	0.1223	1.33%
Gasoline (per gallon)	2.1378	0.51%	Orange Juice (per lb)	1.4650	-0.17%
Natural Gas (per MMBtu)	3.2300	2.02%	Cocoa (per mt)	2,019	-3.21%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,247.9	0.98%	Wheat (per bushel)	5.1525	-0.77%
Nickel (per mt)	12,691.0	2.05%	Soybean (per bushel)	8.615	-0.52%
Aluminium (per mt)	2,205.0	4.53%	Corn (per bushel)	3.6475	-0.75%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,202.9	-0.34%	Crude Palm Oil (MYR/MT)	2,199.0	1.81%
Silver (per oz)	14.670	-0.16%	Rubber (JPY/KG)	169.5	-1.68%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,828.39	54.45
S&P	2,925.51	2.08
Nasdaq	8,025.09	25.54
Nikkei 225	24,110.96	-159.66
STI	3,267.40	24.75
KLCI	1,796.30	-1.85
JCI	5,867.74	-7.88
Baltic Dry	1,570.00	--
VIX	11.61	-0.44

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (-0.01)	2.87 (+0.06)
5Y	2.25 (-0.01)	3.04 (+0.09)
10Y	2.51 (-0.02)	3.18 (+0.12)
15Y	2.79 (--)	--
20Y	2.82 (--)	--
30Y	2.87 (-0.01)	3.34 (+0.12)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	17.69	0.04
EURIBOR-OIS	3.73	--
TED	20.02	--

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
10/03/2018 00:00	NZ QV House Prices YoY	Sep	--	4.60%	4.80%	--
10/03/2018 06:30	AU AiG Perf of Services Index	Sep	--	52.5	52.2	--
10/03/2018 08:00	NZ ANZ Commodity Price	Sep	--	-1.80%	-1.10%	--
10/03/2018 08:30	JN Nikkei Japan PMI Services	Sep	--	50.2	51.5	--
10/03/2018 08:30	JN Nikkei Japan PMI Composite	Sep	--	50.7	52	--
10/03/2018 09:30	AU Building Approvals MoM	Aug	1.00%	-9.40%	-5.20%	-4.60%
10/03/2018 09:30	AU Building Approvals YoY	Aug	-2.50%	-13.60%	-5.60%	-5.40%
10/03/2018 11:11	MU Hotel Occupancy Rate	Aug	--	93.3	88.7	--
10/03/2018 15:45	IT Markit/ADACI Italy Services PMI	Sep	52.8	53.3	52.6	--
10/03/2018 15:45	IT Markit/ADACI Italy Composite PMI	Sep	51.8	52.4	51.7	--
10/03/2018 15:50	FR Markit France Services PMI	Sep F	54.3	54.8	54.3	--
10/03/2018 15:50	FR Markit France Composite PMI	Sep F	53.6	54	53.6	--
10/03/2018 15:55	GE Markit Germany Services PMI	Sep F	56.5	55.9	56.5	--
10/03/2018 15:55	GE Markit/BME Germany Composite PMI	Sep F	55.3	55	55.3	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat A	Oct-03	--	28457	28000	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat B	Oct-03	--	31301	31307	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat E	Oct-03	--	32552	32000	--
10/03/2018 16:00	EC Markit Eurozone Services PMI	Sep F	54.7	54.7	54.7	--
10/03/2018 16:00	EC Markit Eurozone Composite PMI	Sep F	54.2	54.1	54.2	--
10/03/2018 16:30	UK Official Reserves Changes	Sep	--	-\$127m	\$437m	--
10/03/2018 16:30	UK Markit/CIPS UK Services PMI	Sep	54	53.9	54.3	--
10/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Sep	53.9	54.1	54.2	--
10/03/2018 17:00	EC Retail Sales MoM	Aug	0.20%	-0.20%	-0.20%	-0.60%
10/03/2018 17:00	EC Retail Sales YoY	Aug	1.70%	1.80%	1.10%	1.00%
10/03/2018 19:00	US MBA Mortgage Applications	Sep-28	--	0.00%	2.90%	--
10/03/2018 20:15	US ADP Employment Change	Sep	184k	230k	163k	168k
10/03/2018 21:45	US Markit US Services PMI	Sep F	53	53.5	52.9	--
10/03/2018 21:45	US Markit US Composite PMI	Sep F	--	53.9	53.4	--
10/03/2018 22:00	US ISM Non-Manufacturing Index	Sep	58	61.6	58.5	--
10/04/2018 05:00	SK Foreign Reserves	Sep	--	\$403.00b	\$401.13b	--
10/04/2018 07:50	JN Japan Buying Foreign Bonds	Sep-28	--	--	¥1505.0b	--
10/04/2018 07:50	JN Japan Buying Foreign Stocks	Sep-28	--	--	¥297.1b	--
10/04/2018 07:50	JN Foreign Buying Japan Bonds	Sep-28	--	--	¥2297.6b	--
10/04/2018 07:50	JN Foreign Buying Japan Stocks	Sep-28	--	--	¥519.8b	--
10/04/2018 08:30	HK Nikkei Hong Kong PMI	Sep	--	--	48.5	--
10/04/2018 09:30	AU Trade Balance	Aug	A\$1450m	--	A\$1551m	--
10/04/2018 11:30	TH Consumer Confidence Economic	Sep	--	--	70.2	--
10/04/2018 13:00	IN Nikkei India PMI Services	Sep	--	--	51.5	--
10/04/2018 13:00	IN Nikkei India PMI Composite	Sep	--	--	51.9	--
10/04/2018 15:30	GE Markit Germany Construction PMI	Sep	--	--	51.5	--
10/04/2018 16:00	UK New Car Registrations YoY	Sep	--	--	23.10%	--
10/04/2018 19:30	US Challenger Job Cuts YoY	Sep	--	--	13.70%	--
10/04/2018 20:30	US Initial Jobless Claims	Sep-29	215k	--	214k	--
10/04/2018 20:30	US Continuing Claims	Sep-22	1665k	--	1661k	--
10/04/2018 21:45	US Bloomberg Consumer Comfort	Sep-30	--	--	61.2	--
10/04/2018 22:00	CA Ivey Purchasing Managers Index SA	Sep	--	--	61.9	--
10/04/2018 22:00	US Factory Orders	Aug	2.10%	--	-0.80%	--
10/04/2018 22:00	US Durable Goods Orders	Aug F	4.50%	--	4.50%	--
10/04/2018 22:00	US Durables Ex Transportation	Aug F	--	--	0.10%	--
10/04/2018 22:00	US Cap Goods Orders Nondef Ex Air	Aug F	--	--	-0.50%	--
10/04/2018 22:00	US Cap Goods Ship Nondef Ex Air	Aug F	--	--	0.10%	--
10/04/2018	ID Consumer Confidence Index	Sep	--	--	121.6	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

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).