

**Highlights**

Global	Financial markets remained choppy overnight. The 10-year UST bond yield surged to 3.23% intraday before closing at 3.19%. Wall Street and crude oil prices closed lower overnight while the USD fell. News of a supposed China tiny chip hack into top US technology companies could also herald extra headwinds for US-China bilateral relations going forward amid the current escalating trade tensions. Note the recent US-Mexico-Canada (USMCA) agreement includes a clause that requires one member to notify the others if it launched trade talks with a non-market economy also appears targeted at China. US VP Pence also had tough words for China's alleged election interference, citing "whole-of-government approach" and "there can be no doubt...China is meddling in America's democracy". Broad-based selling pressure was seen across many Asian markets yesterday, especially for Indian and Indonesian equity bourses and currencies, and market sentiments are likely to remain fragile today. Market focus will be on RBI's policy decision (likely to hike 25bps for the repo rate and the reverse repo rate to 6.75% and 6.5% respectively) as well as tonight's US' September nonfarm payrolls, unemployment rate and average hourly earnings (forecast: 185k, 3.8% and 0.3% mom respectively, compared to August's 201k, 3.9% and 0.4%, partly due to the skew from last year's Hurricane Florence). Other economic data releases comprise of Malaysia and US' Aug trade data, German factory orders, Taiwan and Philippines' CPI, and foreign reserves data from Indonesia and Malaysia. Speakers include RBA's Heath, ECB's Klaas and Guindos, and Fed's Kaplan and Bostic.
EU	ECB's Coeure opined that "a bit of time is still needed for inflation to stabilise sustainably" so "monetary policy should remain accommodative and interest rates should remain low to ensure the return of inflation toward 2 percent". Meanwhile, Nowotny warned that "there are many signs that the risk of a hard Brexit will become relevant" and "we are working on all scenarios including a disorderly exit".
UK	PM May promised "better times ahead" which could lift market expectations for the upcoming budget on 29 October.
CH	The US-China relationship turned from bad to worse after US Vice President Mike Pence delivered his most hawkish criticism against China on a broad range of topics such as China's alleged meddling on US elections, China's unfair trade practices, Taiwan issues as well as freedom of religion etc
SG	Watch for the potential announcement today for the MAS MPS and 3Q18 GDP growth release day which could be next Friday 12 October. We tip 3Q18 GDP growth to be 2.3% yoy (4.6% qoq saar), which will be a moderation from 2Q's 3.9% yoy (0.6% qoq saar).
CMD	Yet another day of profit-taking in the commodity space was seen after the climb in the previous trading day. Market-watchers shrugged off Russia's comment that oil prices could hit \$100/bbl given uncertainties surrounding Iran's supplies, even as Saudi Arabia Minister Khalid Al-Falih responded "We're doing everything we can (to cushion the Iranian-led supply shortage)". Elsewhere, gold fell 0.11% but remain firmed above the \$1,200/oz support handle. Note that the latest Bloomberg Gold survey across traders and analysts suggest that most participants expect gold prices to rise into the next week.

## Major Markets

- **US:** Factory orders rebounded more than expected by 2.3% in Aug, versus a revised -0.5% in July, while excluding transportation, orders rose 0.1% (same as July). Initial jobless claims unexpectedly fell 8k to 207k, while the August durable goods orders were revised from 4.5% to 4.4%.
- Wall Street fell on Thursday, with the S&P500 (-0.82%) dipping to a 3-week low. The Nasdaq composite plunged 1.81% on news that China engaged in hardware hacking of top American tech companies.
- Amazon (-2.22%) and Apple (-1.76%) were among the tech giants that were reportedly affected by the chip manipulation used for infiltration of the firms.
- Barnes & Noble shares soared 21.79% as the company's board of directors agreed to enter a strategic review of its business operations after receiving acquisition offers from several parties.
- **Singapore:** The STI retreated 1.10% to close at 3231.59 yesterday amid the broad-based selling across most Asian bourses, and may continue to chop around a 3200-3267 range, given weak cues from Wall Street overnight and declines in Nikkei this morning. Similar to yesterday, with the overnight steepening in the UST yield curve led by the longer tenor sell-off, SGS bonds are likely to recalibrate as well today. The 10-year SGS bond yield has breached our 2.58% target to close at 2.6% and may try for the year-to-date high of 2.68%. The 10-year UST-SGS yield gap has widened out to 68bps on 3 October and a stronger-than-expected US labor market report tonight (especially on the wage inflation front) may fuel the 10-year UST yield further.
- **China:** It looks like the recent US-China trade war is the skirmish of the whole saga. It has moved beyond the trade issue. Whether Pence's speech marked the official start of new "cold war" in the 21st century is still too early to say. Market should closely watch out for two events including the APEC meeting in mid-November and G20 meeting in late November to see whether President Xi will meet his US counterparty such as Pence in APEC or Trump in G20 to de-escalate the tensions.
- **South Korea:** CPI rose 1.9% in September, higher than market estimate of 1.6%. This is the fastest inflation pace seen since Sept 2017 when prices rose 2.1%. Note BOK Governor Lee Ju-yeol cited financial imbalances have been growing given faster household debt growth vis-à-vis income levels.
- **Indonesia:** According to the Jakarta Post, Bank Indonesia Governor Perry Warjiyo has called on the public not to worry about the IDR depreciation. He was quoted as saying, "We have to compare the rupiah exchange rate with other currencies. Don't think it is doomsday if the rupiah hits Rp15,000 per US dollar." He also said, "But we are still doing better than Turkey, Brazil, South Africa and India." Foreign reserves data will be out today.

**Bond Market Updates**

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for the shorter tenors trading 5-7bps higher while the longer tenors traded 8-12bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 137bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 5bps to 467bps. While 10Y UST yields traded little changed at 3.19%, yields rose 3bps to 3.23% in the earlier part of the trading session, its highest since May 2011 on the back of increasing expectations that the monthly US job data on Friday would be stronger-than-expected. Yields subsequently fell 4bps to close at 3.19%.
- **New Issues:** Macquarie Group Ltd has priced a USD850mn 11.25NC10.25 Fxd-to-FRN at CT11.25+185bps, tightening from its initial price guidance of CT11.25+190bps area.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	95.751	-0.01%	<b>USD-SGD</b>	1.3808	0.08%
<b>USD-JPY</b>	113.910	-0.54%	<b>EUR-SGD</b>	1.5900	0.40%
<b>EUR-USD</b>	1.1514	0.31%	<b>JPY-SGD</b>	1.2123	0.64%
<b>AUD-USD</b>	0.7076	-0.38%	<b>GBP-SGD</b>	1.7981	0.72%
<b>GBP-USD</b>	1.3021	0.63%	<b>AUD-SGD</b>	0.9771	-0.30%
<b>USD-MYR</b>	4.1465	0.17%	<b>NZD-SGD</b>	0.8948	-0.43%
<b>USD-CNY</b>	6.8688	--	<b>CHF-SGD</b>	1.3926	0.17%
<b>USD-IDR</b>	15179	0.69%	<b>SGD-MYR</b>	3.0029	-0.27%
<b>USD-VND</b>	23346	0.05%	<b>SGD-CNY</b>	4.9780	-0.22%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	--	<b>O/N</b>	2.1681	--
<b>2M</b>	-0.3380	--	<b>1M</b>	2.2793	--
<b>3M</b>	-0.3180	--	<b>2M</b>	2.3193	--
<b>6M</b>	-0.2670	--	<b>3M</b>	2.4083	--
<b>9M</b>	-0.2080	--	<b>6M</b>	2.6089	--
<b>12M</b>	-0.1570	--	<b>12M</b>	2.9273	--

#### 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	76.4%	73.8%	2.6%	0.0%	0.0%
01/30/2019	77.7%	71.0%	6.5%	0.1%	0.0%
03/20/2019	94.0%	35.4%	53.7%	4.8%	0.1%
05/01/2019	94.8%	31.4%	51.2%	11.4%	0.7%
06/19/2019	97.5%	18.0%	41.1%	31.7%	6.2%

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.33	-2.72%	Coffee (per lb)	1.070	0.33%
Brent (per barrel)	84.58	-1.98%	Cotton (per lb)	0.7600	-0.60%
Heating Oil (per gallon)	2.3997	-1.54%	Sugar (per lb)	0.1233	0.82%
Gasoline (per gallon)	2.1004	-1.75%	Orange Juice (per lb)	1.4460	-1.30%
Natural Gas (per MMBtu)	3.1650	-2.01%	Cocoa (per mt)	2,010	-0.45%
<b>Base Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Grains</b>	<b>Futures</b>	<b>% chg</b>
Copper (per mt)	6,123.3	-1.99%	Wheat (per bushel)	5.1800	0.53%
Nickel (per mt)	12,410.5	-2.21%	Soybean (per bushel)	8.593	-0.26%
Aluminium (per mt)	2,171.5	-1.52%	Corn (per bushel)	3.6750	0.75%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
Gold (per oz)	1,201.6	-0.11%	Crude Palm Oil (MYR/MT)	2,230.0	1.41%
Silver (per oz)	14.590	-0.55%	Rubber (JPY/KG)	169.5	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,627.48	-200.91
<b>S&amp;P</b>	2,901.61	-23.90
<b>Nasdaq</b>	7,879.51	-145.58
<b>Nikkei 225</b>	23,975.62	-135.34
<b>STI</b>	3,231.59	-35.81
<b>KLCI</b>	1,790.11	-6.19
<b>JCI</b>	5,756.62	-111.12
<b>Baltic Dry</b>	1,574.00	--
<b>VIX</b>	14.22	2.61

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	2.02 (+0.06)	2.87 (--)
<b>5Y</b>	2.34 (+0.09)	3.05 (--)
<b>10Y</b>	2.60 (+0.09)	3.19 (+0.01)
<b>15Y</b>	2.88 (+0.09)	--
<b>20Y</b>	2.92 (+0.09)	--
<b>30Y</b>	2.96 (+0.09)	3.35 (+0.01)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	17.07	-0.62
<b>EURIBOR-OIS</b>	3.78	0.05
<b>TED</b>	19.86	--

### Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
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	--	¥379.9b	¥1505.0b	¥1503.0b
10/04/2018 07:50	JN Foreign Buying Japan Bonds	Sep-28	--	¥179.7b	¥2297.6b	¥2300.7b
10/04/2018 07:50	JN Foreign Buying Japan Stocks	Sep-28	--	¥835.7b	¥519.8b	¥517.5b
10/04/2018 08:30	HK Nikkei Hong Kong PMI	Sep	--	47.9	48.5	--
<b>10/04/2018 09:30</b>	<b>AU Trade Balance</b>	<b>Aug</b>	<b>A\$1450m</b>	<b>A\$1604m</b>	<b>A\$1551m</b>	<b>A\$1548m</b>
10/04/2018 13:00	IN Nikkei India PMI Services	Sep	--	50.9	51.5	--
10/04/2018 13:00	IN Nikkei India PMI Composite	Sep	--	51.6	51.9	--
10/04/2018 15:30	GE Markit Germany Construction PMI	Sep	--	50.2	51.5	--
<b>10/04/2018 20:30</b>	<b>US Initial Jobless Claims</b>	<b>Sep-29</b>	<b>215k</b>	<b>207k</b>	<b>214k</b>	<b>215k</b>
10/04/2018 20:30	US Continuing Claims	Sep-22	1665k	1650k	1661k	1663k
10/04/2018 21:45	US Bloomberg Consumer Comfort	Sep-30	--	61.6	61.2	--
<b>10/04/2018 22:00</b>	<b>US Factory Orders</b>	<b>Aug</b>	<b>2.10%</b>	<b>2.30%</b>	<b>-0.80%</b>	<b>-0.50%</b>
<b>10/04/2018 22:00</b>	<b>US Durable Goods Orders</b>	<b>Aug F</b>	<b>4.50%</b>	<b>4.40%</b>	<b>4.50%</b>	--
10/04/2018 22:00	US Durables Ex Transportation	Aug F	--	0.00%	0.10%	--
10/04/2018 22:00	US Cap Goods Orders Nondef Ex Air	Aug F	--	-0.90%	-0.50%	--
10/04/2018 22:00	US Cap Goods Ship Nondef Ex Air	Aug F	--	-0.20%	0.10%	--
<b>10/05/2018 07:00</b>	<b>SK CPI MoM</b>	<b>Sep</b>	<b>0.30%</b>	<b>0.70%</b>	<b>0.50%</b>	--
<b>10/05/2018 07:00</b>	<b>SK CPI YoY</b>	<b>Sep</b>	<b>1.60%</b>	<b>1.90%</b>	<b>1.40%</b>	--
10/05/2018 07:30	JN Household Spending YoY	Aug	0.10%	--	0.10%	--
10/05/2018 08:00	JN Labor Cash Earnings YoY	Aug	1.30%	--	1.50%	1.60%
<b>10/05/2018 09:00</b>	<b>PH CPI YoY 2012=100</b>	<b>Sep</b>	<b>6.80%</b>	--	<b>6.40%</b>	--
<b>10/05/2018 09:30</b>	<b>AU Retail Sales MoM</b>	<b>Aug</b>	<b>0.20%</b>	--	<b>0.00%</b>	--
10/05/2018 12:00	MA Trade Balance MYR	Aug	9.00b	--	8.30b	--
10/05/2018 12:00	MA Exports YoY	Aug	8.00%	--	9.40%	--
10/05/2018 13:00	JN Leading Index CI	Aug P	104.2	--	103.9	--
<b>10/05/2018 14:00</b>	<b>GE Factory Orders MoM</b>	<b>Aug</b>	<b>0.80%</b>	--	<b>-0.90%</b>	--
10/05/2018 14:00	GE Factory Orders WDA YoY	Aug	-3.00%	--	-0.90%	--
10/05/2018 14:00	GE PPI MoM	Aug	0.20%	--	0.20%	--
10/05/2018 14:00	GE PPI YoY	Aug	2.90%	--	3.00%	--
10/05/2018 14:45	FR Trade Balance	Aug	-4848m	--	-3490m	--
10/05/2018 15:00	MA Foreign Reserves	Sep-28	--	--	\$103.9b	--
<b>10/05/2018 15:30</b>	<b>UK Halifax House Prices MoM</b>	<b>Sep</b>	<b>0.20%</b>	--	<b>0.10%</b>	--
10/05/2018 15:30	UK Halifax House Price 3Mths/Year	Sep	3.40%	--	3.70%	--
<b>10/05/2018 15:30</b>	<b>TH Foreign Reserves</b>	<b>Sep-28</b>	--	--	<b>\$205.5b</b>	--
<b>10/05/2018 16:00</b>	<b>IT Retail Sales MoM</b>	<b>Aug</b>	<b>0.10%</b>	--	<b>-0.10%</b>	--
<b>10/05/2018 16:00</b>	<b>IT Retail Sales YoY</b>	<b>Aug</b>	<b>0.20%</b>	--	<b>-0.60%</b>	--
<b>10/05/2018 16:00</b>	<b>TA CPI YoY</b>	<b>Sep</b>	<b>1.82%</b>	--	<b>1.53%</b>	--
10/05/2018 16:20	TA Foreign Reserves	Sep	--	--	\$459.88b	--
<b>10/05/2018 17:00</b>	<b>IN RBI Repurchase Rate</b>	<b>Oct-05</b>	<b>6.75%</b>	--	<b>6.50%</b>	--
10/05/2018 17:00	IN RBI Reverse Repo Rate	Oct-05	6.50%	--	6.25%	--
10/05/2018 17:00	IN RBI Cash Reserve Ratio	Oct-05	4.00%	--	4.00%	--
10/05/2018 20:30	CA Int'l Merchandise Trade	Aug	-0.50b	--	-0.11b	--
<b>10/05/2018 20:30</b>	<b>US Trade Balance</b>	<b>Aug</b>	<b>-\$53.6b</b>	--	<b>-\$50.1b</b>	--
<b>10/05/2018 20:30</b>	<b>CA Net Change in Employment</b>	<b>Sep</b>	<b>25.0k</b>	--	<b>-51.6k</b>	--
<b>10/05/2018 20:30</b>	<b>US Change in Nonfarm Payrolls</b>	<b>Sep</b>	<b>185k</b>	--	<b>201k</b>	--
<b>10/05/2018 20:30</b>	<b>CA Unemployment Rate</b>	<b>Sep</b>	<b>5.90%</b>	--	<b>6.00%</b>	--
10/05/2018 20:30	US Change in Manufact. Payrolls	Sep	15k	--	-3k	--
<b>10/05/2018 20:30</b>	<b>US Unemployment Rate</b>	<b>Sep</b>	<b>3.80%</b>	--	<b>3.90%</b>	--
10/05/2018	HK Foreign Reserves	Sep	--	--	\$424.9b	--
<b>10/05/2018</b>	<b>ID Foreign Reserves</b>	<b>Sep</b>	--	--	<b>\$117.90b</b>	--
10/05/2018	PH Foreign Reserves	Sep	--	--	\$77.8b	\$77.9b

Source: Bloomberg

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