

**Highlights**

<b>Global</b>	<p>The twin prospects of an escalating US-Sino trade war (with president Trump threatening that the next US\$200b of tariffs on Chinese imports will “take place very soon” and “another US\$267b ready to go on short notice if I want”) as well as US wage inflation sent Wall Street lower, and UST bond yields and the USD higher on Friday. US’ nonfarm payrolls rose more than expected by 201k (forecast: 190k) in August, up from a revised 147k in July (the net 2-month revision was -50k), albeit the unemployment rate was unchanged at 3.9% (forecast: 3.8%). However, average hourly earnings surged 0.4% mom (2.9% yoy) in August, up from 0.3% mom (2.7% yoy) in July and the fastest pace since the recession ended in mid-2009, both cementing market expectations for a 25bp rate hike at the upcoming September FOMC and raising the probability pricing for another December hike to 66.9%.</p> <p>Asian markets are likely to tread cautiously amid the gathering US-Sino trade headwinds as China’s ballooning trade surplus is unlikely to go down well with the hawkish US administration, and especially given the ongoing EM contagion last week. The economic data calendar today comprises China’s CPI/PPI, Japan’s Eco Watchers survey, and UK’ July industrial production and trade deficit. RBA’s Bullock and Fed’s Bostic are also speaking. This week’s main central bank focus are ECB and BOE on 13 September – both are likely to remain static but the ECB’s forecast updates even as the ECB reiterates its plans to phase out its asset purchase program at the end of the year, and Carney’s comments especially on Brexit developments will be of market interest. The Turkish and Russian central banks are also meeting, with the former tipped to hike its one-week repo by 300bps to 20.75% on 13 September and the latter to hold at 7.25% on Friday, but with a hawkish tilt.</p>
<b>US</b>	<p>The labor force participation rate edged down from 62.9% to 62.7%, while the underemployment rate was also lower at a 17-year low of 3.9%. This suggests a very healthy US labour market heading into the mid-term elections, where the Republicans are fighting to retain control of the House. Bob Woodward’s new book “Fear” is also scheduled for release tomorrow.</p>
<b>CH</b>	<p>China’s trade surplus with the US widened further to a record high of US\$31.05 billion in August. This was mainly the result of frontloading activities ahead of the implementation of new trade tariff on 23 August. China’s domestic demand remains resilient undisrupted by the trade war as China’s imports of raw material continued to grow strongly. However, the decline of PMI to below 50 in Guangdong province, China’s manufacturing base, for the first time since Feb 2016 showed that China’s manufacturers may have felt the pain from trade war. This implied a weaker trade outlook in the coming months. China’s FX reserve fell slightly in August by US\$8.2 billion to US\$3.11 trillion mainly due to valuation effect. The FX reserve data shows that there is no evidence of disorderly capital outflows despite RMB depreciation.</p>
<b>SG</b>	<p>Finance Minister Heng Swee Keat said Singapore’s ability to understand the impact of ultra-accommodative central bank policies, adapt to structural changes in the global economic system and maintain a disciplined central bank will be important to strengthen its resilience when the next crisis hits.</p>

## Major Markets

- **US:** Wall Street fell on Friday as US tariffs continued to dominate the headlines. President Trump threatened to impose an additional \$267bn worth of tariffs on Chinese imports.
- The S&P500 and Nasdaq composite slipped 0.22% and 0.25% respectively on Friday, both marking their 4<sup>th</sup> consecutive session of decline.
- Tesla stock plunged 6.30% on Friday's close due to a flurry of concerns surrounding the firm's leadership, including the resignation of chief accounting officer Dave Morton and chief of human resource Gaby Toledano.
- Apple shares dipped 1.04% as it warned that US tariffs may affect products costs due to dependence on manufacturing processes in China.
- **Singapore:** The STI slipped 0.42% to close at 3134.39 on Friday and may extend declines given the risk-off sentiments and escalating US-Sino trade tensions. The morning cues from Kospi are also softer. STI looks like it is headed to the 3100 support handle. With UST bond yields higher by up to 7bps on US wage inflation concerns and the imminent FOMC rate hike, its remains to be seen if the flight to quality will dominate for the SGS bond market today.
- **Malaysia:** Prime Minister Mahathir Mohamad has mentioned regarding the 2019 budget that "the budget is of sacrifice" and "the budget has to be careful" with a further emphasis that "we can't spend more than our earnings". The 2019 budget will be released on the 2nd November 2018 and it will come in the backdrop of the government's claim that debts and liabilities stood at over RM1 trillion.
- **Indonesia:** The IDR ended last Friday slightly stronger against the USD at 14,820 from 14,893. Meanwhile, foreign reserves for August declined to US\$117.90bn from US\$118.31bn in July. Since January 2018, foreign reserves have fallen by about US\$14.08bn.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading within 1bps while the longer tenors traded 1-2bps lower (with the exception of the 20-year swap rates trading 4bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 491bps. 10Y UST yields rose 7bps to close at 2.94% on Friday, the highest in almost a month on the back of a better-than-expected US non-farm payrolls report as well as data showing the largest annual increase in wages since 2009.
- **New Issues:** China Construction Bank Corporation has scheduled for investor meetings from 10 Sept for its potential USD and EUR bond issuance. Fuqing Investment Management Ltd has scheduled for investor meetings from 10 Sept for its potential USD Perp bond issuance (guaranteed by Pingan Real Estate Capital Ltd, keepwell deed provider: Ping An Real Estate Company Ltd). Xingsheng (BVI) Company Ltd has scheduled for investor meetings from 10 Sept for its potential USD bond issuance (guaranteed by JIC Leasing Company Ltd, keepwell provider: China Jianyin Investment Ltd). CSSC Capital One Ltd and CSSC Capital Two Ltd have scheduled for investor meetings from 10 Sept for their potential USD 3-year and EUR 5-year bond issuances respectively (keepwell provider: China State Shipbuilding Corporation Ltd).

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	95.365	0.36%	<b>USD-SGD</b>	1.3786	0.25%
<b>USD-JPY</b>	110.990	0.22%	<b>EUR-SGD</b>	1.5928	-0.34%
<b>EUR-USD</b>	1.1553	-0.60%	<b>JPY-SGD</b>	1.2421	0.07%
<b>AUD-USD</b>	0.7107	-1.29%	<b>GBP-SGD</b>	1.7813	0.19%
<b>GBP-USD</b>	1.2920	-0.08%	<b>AUD-SGD</b>	0.9797	-1.06%
<b>USD-MYR</b>	4.1460	0.04%	<b>NZD-SGD</b>	0.9006	-0.60%
<b>USD-CNY</b>	6.8438	0.12%	<b>CHF-SGD</b>	1.4224	-0.14%
<b>USD-IDR</b>	14820	-0.49%	<b>SGD-MYR</b>	3.0138	-0.02%
<b>USD-VND</b>	23305	-0.04%	<b>SGD-CNY</b>	4.9689	-0.04%

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	25,916.54	-79.33
<b>S&amp;P</b>	2,871.68	-6.37
<b>Nasdaq</b>	7,902.54	-20.18
<b>Nikkei 225</b>	22,307.06	-180.88
<b>STI</b>	3,134.39	-13.30
<b>KLCI</b>	1,799.17	0.60
<b>JCI</b>	5,851.47	75.37
<b>Baltic Dry</b>	1,490.00	6.00
<b>VIX</b>	14.88	0.23

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3720	-0.0010	<b>O/N</b>	1.9188	0.0004
<b>2M</b>	-0.3390	-0.0010	<b>1M</b>	2.1310	-0.0016
<b>3M</b>	-0.3190	--	<b>2M</b>	2.2109	0.0014
<b>6M</b>	-0.2690	--	<b>3M</b>	2.3313	0.0042
<b>9M</b>	-0.2070	--	<b>6M</b>	2.5415	-0.0027
<b>12M</b>	-0.1670	--	<b>12M</b>	2.8455	-0.0036

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.90 (-)	2.70 (+0.07)
<b>5Y</b>	2.13 (-)	2.82 (+0.08)
<b>10Y</b>	2.40 (+0.01)	2.94 (+0.07)
<b>15Y</b>	2.70 (+0.01)	--
<b>20Y</b>	2.74 (+0.01)	--
<b>30Y</b>	2.81 (-)	3.10 (+0.05)

#### 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%	96.3%	0.0%	0.0%	0.0%
11/08/2018	100.0%	93.8%	2.6%	0.0%	0.0%
12/19/2018	100.0%	30.2%	66.9%	1.9%	0.0%
01/30/2019	100.0%	28.7%	65.0%	5.2%	0.1%
03/20/2019	100.0%	12.3%	43.5%	40.6%	3.1%
05/01/2019	100.0%	11.1%	40.3%	40.9%	7.0%

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	20.77	0.80
<b>EURIBOR-OIS</b>	3.10	-0.64
<b>TED</b>	20.14	-0.58

#### Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.75	-0.03%	Coffee (per lb)	1.025	0.24%
Brent (per barrel)	76.83	0.43%	Cotton (per lb)	0.8199	0.85%
Heating Oil (per gallon)	2.2182	0.41%	Sugar (per lb)	0.1101	1.94%
Gasoline (per gallon)	1.9700	0.97%	Orange Juice (per lb)	1.5680	2.69%
Natural Gas (per MMBtu)	2.7760	0.14%	Cocoa (per mt)	2,259	-0.96%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,781.6	-0.53%	Wheat (per bushel)	5.1125	-0.49%
Nickel (per mt)	12,274.0	-0.73%	Soybean (per bushel)	8.440	0.57%
Aluminium (per mt)	2,036.3	1.41%	Corn (per bushel)	3.6700	0.20%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,200.4	-0.32%	Crude Palm Oil (MYR/MT)	2,266.0	-0.48%
Silver (per oz)	14.170	-0.08%	Rubber (JPY/KG)	165.9	-1.01%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### CFTC Commodities Futures and Options

For the week ended: 04 Sep 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	600,272	588,484	11,788	Gold	-34,256	-16,952	-17,304
Lean Hogs	17,879	8,232	9,647	Soybean	-68,856	-54,736	-14,120
Heating Oil	45,114	38,948	6,166	Silver	-30,158	-16,912	-13,246
Palladium	6,196	4,062	2,134	Wheat	38,225	46,821	-8,596
Live Cattle	79,020	78,194	826	Copper	-5,878	-89	-5,789
Natural Gas	-67,679	-68,104	425	RBOB Gasoline	103,895	108,335	-4,440
Corn	8,852	9,156	-304	Coffee	-99,303	-95,203	-4,100
Cocoa	2,411	3,330	-919	Cotton	82,692	86,181	-3,489
Platinum	-11,540	-10,533	-1,007	Sugar	-131,628	-129,275	-2,353

Source: CFTC, Bloomberg, OCBC Bank

### Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/07/2018 07:30	JN Household Spending YoY	Jul	-0.90%	0.10%	-1.20%	--
09/07/2018 08:00	JN Labor Cash Earnings YoY	Jul	2.40%	1.50%	3.60%	--
<b>09/07/2018 09:30</b>	<b>AU Home Loans MoM</b>	<b>Jul</b>	<b>-0.10%</b>	<b>0.40%</b>	<b>-1.10%</b>	<b>-0.80%</b>
09/07/2018 09:30	AU Owner-Occupier Loan Value MoM	Jul	--	1.30%	-1.00%	-0.90%
09/07/2018 12:00	MA Industrial Production YoY	Jul	1.40%	2.60%	1.10%	--
09/07/2018 13:00	JN Leading Index CI	Jul P	103.5	103.5	104.7	104.6
09/07/2018 14:00	GE Trade Balance	Jul	19.5b	16.5b	21.8b	--
09/07/2018 14:00	GE Current Account Balance	Jul	20.0b	15.3b	26.2b	26.6b
09/07/2018 14:00	GE Exports SA MoM	Jul	0.30%	-0.90%	0.00%	--
09/07/2018 14:00	GE Imports SA MoM	Jul	0.10%	2.80%	1.20%	--
<b>09/07/2018 14:00</b>	<b>GE Industrial Production SA MoM</b>	<b>Jul</b>	<b>0.20%</b>	<b>-1.10%</b>	<b>-0.90%</b>	<b>-0.70%</b>
09/07/2018 14:45	FR Trade Balance	Jul	-5739m	-3490m	-6248m	-6067m
<b>09/07/2018 14:45</b>	<b>FR Industrial Production MoM</b>	<b>Jul</b>	<b>0.20%</b>	<b>0.70%</b>	<b>0.60%</b>	<b>0.70%</b>
09/07/2018 14:45	FR Manufacturing Production MoM	Jul	0.20%	0.50%	0.60%	0.70%
<b>09/07/2018 15:30</b>	<b>UK Halifax House Prices MoM</b>	<b>Aug</b>	<b>0.10%</b>	<b>0.10%</b>	<b>1.40%</b>	<b>1.20%</b>
<b>09/07/2018 15:30</b>	<b>TH Foreign Reserves</b>	<b>Aug-31</b>	<b>--</b>	<b>\$204.5b</b>	<b>\$204.9b</b>	<b>--</b>
<b>09/07/2018 16:00</b>	<b>IT Retail Sales MoM</b>	<b>Jul</b>	<b>--</b>	<b>-0.10%</b>	<b>-0.20%</b>	<b>-0.10%</b>
09/07/2018 16:00	TA Trade Balance	Aug	\$3.76b	\$4.53b	\$2.24b	--
09/07/2018 16:00	TA Exports YoY	Aug	5.10%	1.90%	4.70%	--
09/07/2018 16:00	TA Imports YoY	Aug	15.60%	7.90%	20.50%	--
09/07/2018 16:11	CH Foreign Reserves	Aug	\$3115.00b	\$3109.72b	\$3117.95b	--
09/07/2018 16:30	HK Foreign Reserves	Aug	--	\$424.9b	\$431.9b	--
09/07/2018 17:00	EC Household Cons QoQ	2Q	0.30%	0.20%	0.50%	--
<b>09/07/2018 17:00</b>	<b>EC GDP SA QoQ</b>	<b>2Q F</b>	<b>0.40%</b>	<b>0.40%</b>	<b>0.40%</b>	<b>--</b>
<b>09/07/2018 17:00</b>	<b>EC GDP SA YoY</b>	<b>2Q F</b>	<b>2.20%</b>	<b>2.10%</b>	<b>2.20%</b>	<b>--</b>
<b>09/07/2018 18:05</b>	<b>ID Foreign Reserves</b>	<b>Aug</b>	<b>--</b>	<b>\$117.90b</b>	<b>\$118.31b</b>	<b>--</b>
<b>09/07/2018 20:30</b>	<b>CA Net Change in Employment</b>	<b>Aug</b>	<b>5.0k</b>	<b>-51.6k</b>	<b>54.1k</b>	<b>--</b>
<b>09/07/2018 20:30</b>	<b>US Change in Nonfarm Payrolls</b>	<b>Aug</b>	<b>190k</b>	<b>201k</b>	<b>157k</b>	<b>147k</b>
<b>09/07/2018 20:30</b>	<b>CA Unemployment Rate</b>	<b>Aug</b>	<b>5.90%</b>	<b>6.00%</b>	<b>5.80%</b>	<b>--</b>
09/07/2018 20:30	US Change in Manufact. Payrolls	Aug	23k	-3k	37k	18k
<b>09/07/2018 20:30</b>	<b>US Unemployment Rate</b>	<b>Aug</b>	<b>3.80%</b>	<b>3.90%</b>	<b>3.90%</b>	<b>--</b>
<b>09/08/2018</b>	<b>CH Trade Balance</b>	<b>Aug</b>	<b>\$31.00b</b>	<b>\$27.91b</b>	<b>\$28.05b</b>	<b>--</b>
<b>09/08/2018</b>	<b>CH Exports YoY</b>	<b>Aug</b>	<b>10.00%</b>	<b>9.80%</b>	<b>12.20%</b>	<b>--</b>
09/08/2018	CH Imports YoY	Aug	17.70%	20.00%	27.30%	--
<b>09/10/2018 07:50</b>	<b>JN GDP SA QoQ</b>	<b>2Q F</b>	<b>0.70%</b>	<b>--</b>	<b>0.50%</b>	<b>--</b>
<b>09/10/2018 07:50</b>	<b>JN GDP Annualized SA QoQ</b>	<b>2Q F</b>	<b>2.60%</b>	<b>--</b>	<b>1.90%</b>	<b>--</b>
<b>09/10/2018 07:50</b>	<b>JN GDP Deflator YoY</b>	<b>2Q F</b>	<b>0.10%</b>	<b>--</b>	<b>0.10%</b>	<b>--</b>
<b>09/10/2018 07:50</b>	<b>JN BoP Current Account Balance</b>	<b>Jul</b>	<b>¥1893.2b</b>	<b>--</b>	<b>¥1175.6b</b>	<b>--</b>
09/10/2018 07:50	JN Trade Balance BoP Basis	Jul	¥47.7b	--	¥820.5b	--
<b>09/10/2018 09:30</b>	<b>CH PPI YoY</b>	<b>Aug</b>	<b>4.00%</b>	<b>--</b>	<b>4.60%</b>	<b>--</b>
<b>09/10/2018 09:30</b>	<b>CH CPI YoY</b>	<b>Aug</b>	<b>2.10%</b>	<b>--</b>	<b>2.10%</b>	<b>--</b>
09/10/2018 14:30	FR Bank of France Ind. Sentiment	Aug	102	--	101	--
09/10/2018 16:30	UK Visible Trade Balance GBP/Mn	Jul	£11,740	--	£11,383	--
09/10/2018 16:30	UK Trade Balance	Jul	£2,100	--	£1,861	--
<b>09/10/2018 16:30</b>	<b>UK Industrial Production MoM</b>	<b>Jul</b>	<b>0.20%</b>	<b>--</b>	<b>0.40%</b>	<b>--</b>
09/10/2018 16:30	UK Industrial Production YoY	Jul	1.10%	--	1.10%	--
<b>09/10/2018 16:30</b>	<b>UK Manufacturing Production MoM</b>	<b>Jul</b>	<b>0.20%</b>	<b>--</b>	<b>0.40%</b>	<b>--</b>
<b>09/10/2018 09/15</b>	<b>CH Money Supply M2 YoY</b>	<b>Aug</b>	<b>8.60%</b>	<b>--</b>	<b>8.50%</b>	<b>--</b>
<b>09/10/2018 09/13</b>	<b>VN Domestic Vehicle Sales YoY</b>	<b>Aug</b>	<b>--</b>	<b>--</b>	<b>3.60%</b>	<b>--</b>
<b>09/10/2018 09/14</b>	<b>NZ REINZ House Sales YoY</b>	<b>Aug</b>	<b>--</b>	<b>--</b>	<b>0.70%</b>	<b>--</b>
09/10/2018 09/15	CH New Yuan Loans CNY	Aug	1370.0b	--	1450.0b	--

Source: Bloomberg

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