

Highlights

Global	Both the ECB and BOE kept policy settings unchanged, while Turkey's central bank hiked by a larger than expected 625bps to 24% (even after president Erdogan called for lower borrowing costs). US president Trump also tweeted that there is "no pressure" to reach a trade agreement with China, but this did not significantly douse market hopes for the next US-Sino trade talks. Wall Street rose, led by tech stocks, while the UST bonds traded in a range (10-year yield rose 1bp to 2.97%) and the USD slipped amid softer than expected US inflation data (headline CPI rose 0.2% mom and 2.7% yoy in August, with core CPI up just 0.1% mom and 2.2% yoy). Crude oil prices also eased in line with Hurricane Florence's expected supply impact. Asian markets are likely to trade with a firmer tone today, but keep an eye on the deluge of Chinese economic data including industrial production, retail sales and FAI later this morning. Other economic data to watch include US' August retail sales, industrial production, and University of Michigan sentiment index. Speakers include ECB's Nowotny, BOE's Carney, Fed Evans and Rosengren.
US	The dovish inflation prints were dragged down by lower apparel prices and medical costs, which could douse any premature imputed hawkishness for the FOMC post-Friday's wage data. Still, initial jobless claims unexpectedly fell 1k to a 48-year low of 204k, underscoring the tight labour market.
EU	Market is currently pricing in one BOE hike in 2019. ECB president Draghi remained upbeat about the wage and inflation outlook. He opined that "we are observing an underlying strength of the economy that makes us think that the downside risks are going to be mitigated by the improvement in the labor market and rising wages" and "the major source of uncertainty that we see in global output comes from the rise of protectionism". The ECB updated growth forecasts for 2018 and 2019 to 2.0% (previously 2.1%) and 1.8% (previously 1.9%) respectively, while the inflation forecasts were unchanged at 1.7% for both years. The ECB also reiterated that it will pare the asset purchases to EUR15b from October and phase out by end-year. Meanwhile, BOE unanimously kept its benchmark rate unchanged at 0.75% but hiked its growth forecast and reiterated that "limited" and "gradual" rate hikes will be necessary to control inflation.
SG	The overall unemployment rate rose slightly from 2.0% in 1Q18 to 2.1% in 2Q18, while the unemployment rate for resident and citizens also edged up marginally to 2.9% (previously 2.8%) and 3.1% (previously 3.0%) respectively as more people entered the labour force.
CMD	Initial fervour for higher oil prices dissipated on profit-taking as Hurricane Florence hit North Carolina's coast, and investors dismissed IEA's warning that oil prices could break above \$80/bbl should other producers do not offset deepening supply losses seen in Iran and Venezuela. Palm oil prices bucked its four-day consecutive loss to rise 0.27% to MYR2,243/MT at closing yesterday, although further upside in palm oil prices may be capped into the new week given (1) sustained strong Malaysia's palm oil inventories and (2) falling palm oil demand from India based on the latest Bloomberg estimate which suggest that import growth could contract for its fourth consecutive month in August.

Major Markets

- **US:** Wall Street closed higher on Thursday as trade jitters eased following confirmation from both the US and China that the Trump administration had invited Chinese officials for trade negotiations in Washington.
- The S&P500 climbed 0.53% to close up at 2,904.18, although some cautious trading was observed as it closed slightly below its intraday high amidst President Trump's tweet that the US is "under no pressure" to form a deal with China, with White House economic advisor Larry Kudlow adding that he will "guarantee nothing" about the outcome of the talks.
- Apple shares led the rebound in the technology sector as it rose 2.42%, guiding all 3 major equity indexes higher. The Nasdaq composite regained its 8,000 handle, edging up to 8,013.71 (+0.75%).
- Qualcomm jumped 3.99% on improved trade sentiment and its announcement of share buyback plans worth \$16bn.
- **Singapore:** Total employment excluding foreign domestic workers rose 6.5k (1Q18: +0.4k), driven by services (+7.2k) which offset declines in manufacturing (-100) and construction (-700). Retrenchments also rose from 2.32k to 3.03k amid business restructuring and reorganisation, even though vacancies also rose to a 3-year high of 56.7k in June. The ratio of job vacancies to unemployed persons also rose from 100 in March to 108 in June, suggesting that the domestic labour market remains resilient.
- The STI recovered 0.23% to close at 3131.77 yesterday, marching the recovery seen across Asian bourses, and may open firmer today as well given overnight cues from US markets. The STI may trade in a range of between 3109-3156 today. With UST yields slightly higher, SGS bonds may continue to be under pressure today.
- **China:** The Commerce Ministry confirmed that they have received the invitation for fresh round of trade talks though the Ministry did not specify the details. In addition, China unveiled a new guidance to control the leverage ratio of SOEs. China targets to bring down the average asset to liability ratio for SOEs by 2% by end of 2020 from the level in 2017. The SOEs are also not allowed to invest overseas as the investment may increase the leverage ratio.
- **Malaysia:** According to Bloomberg, Finance Minister Lim Guan Eng has said that the U.S. – China trade war has benefitted Malaysia in the short term. He has apparently told reporters in Hong Kong that the trade war will especially be positive for the electronics and steel production industries. He also mentioned that they had received so many inquiries from U.S. and Chinese companies that he isn't sure how to ramp up capacity. He did note the trade war would be bad for Malaysia in the long term.
- **Indonesia:** According to the Jakarta Post, the government and the House of Representatives have not yet decided on the rupiah exchange rate assumption for the 2019 state budget, as they said they have to wait for the currency to stabilize amid global market pressure. Finance Minister Sri Mulyani Indrawati had said on Monday that the rupiah exchange rate projection was last corrected last Friday, namely to Rp 14,400 per US dollar, but added that the figure had not yet been approved by House Commission XI, which oversees monetary and financial affairs. Meanwhile, according to Bloomberg, the government said it sees downside risks to their initial GDP growth estimate of 5.3% yoy for 2019 and that they now see that the economy may only expand 5.15% next year.

- **Thailand:** King Maha Vajiralongkorn has approved the legislation for the election of members of parliament and the selection of senators, highlighting the possible election to be held by earliest May 2019.
- **Korea:** Bank of Korea's senior deputy governor Yoon Myun-shik commented that policy rates are dependent on growth, inflation and financial stability (including housing prices), albeit that some imbalance in home supply and demand has recently led to the recent rise in housing prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 496bps. 10Y UST yields fell 2bps to 2.94% in the earlier part of the trading session as the US August Consumer Price Index (CPI) came in lower-than-expected. Yields subsequently reversed 3bps to close at 2.97% on the back of solid demand for the USD15bn 30-year bond auction yesterday.
- **New Issues:** China Everbright Bank Co Ltd, Hong Kong Branch has priced a USD300mn 3-year FRN at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area. Xingsheng (BVI) Company Ltd has priced a USD500mn 3-year bond (guaranteed by JIC Leasing Company Ltd, keepwell provider: China Jianyin Investment Ltd) at CT3+180bps, tightening from its initial price guidance of CT3+205bps area. Hejun Shunze Investment Co Ltd has priced a USD250mn 2-year bond (guaranteed by Sichuan Languang Development Co Ltd) at 12.0%, in line with the final price guidance. Republic of Korea has priced a USD1bn deal across two tranches, with the USD500mn 10-year bond at CT10+60bps, tightening from its initial price guidance of CT10+90bps area and the USD500mn 30-year bond at CT30+85bps, tightening from its initial price guidance of CT30+110bps area. China Construction Bank Corporation Singapore Branch has priced a SGD300mn 2-year bond at 2.643%, tightening from its initial price guidance of SOR+70bps area.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.518	-0.30%	USD-SGD	1.3704	-0.12%
USD-JPY	111.920	0.59%	EUR-SGD	1.6020	0.43%
EUR-USD	1.1690	0.55%	JPY-SGD	1.2244	-0.71%
AUD-USD	0.7195	0.36%	GBP-SGD	1.7962	0.36%
GBP-USD	1.3108	0.48%	AUD-SGD	0.9859	0.23%
USD-MYR	4.1445	-0.06%	NZD-SGD	0.9003	--
USD-CNY	6.8448	-0.10%	CHF-SGD	1.4195	0.45%
USD-IDR	14840	0.05%	SGD-MYR	3.0224	0.31%
USD-VND	23276	-0.03%	SGD-CNY	4.9920	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9190	--
2M	-0.3390	--	1M	2.1344	--
3M	-0.3190	--	2M	2.2148	--
6M	-0.2690	--	3M	2.3315	--
9M	-0.2070	--	6M	2.5606	--
12M	-0.1660	--	12M	2.8646	--

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%	97.5%	0.0%	0.0%	0.0%
11/08/2018	100.0%	94.9%	2.7%	0.0%	0.0%
12/19/2018	100.0%	25.0%	72.4%	2.0%	0.0%
01/30/2019	100.0%	23.5%	69.5%	6.4%	0.1%
03/20/2019	100.0%	9.3%	40.9%	45.5%	4.0%
05/01/2019	100.0%	8.0%	36.7%	44.9%	9.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.59	-2.53%	Coffee (per lb)	1.007	-1.42%
Brent (per barrel)	78.18	-1.96%	Cotton (per lb)	0.8151	-1.37%
Heating Oil (per gallon)	2.2235	-1.51%	Sugar (per lb)	0.1245	0.97%
Gasoline (per gallon)	1.9929	-2.06%	Orange Juice (per lb)	1.5360	-0.16%
Natural Gas (per MMBtu)	2.8170	-0.42%	Cocoa (per mt)	2,315	-0.43%

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,915.0	0.26%	Wheat (per bushel)	4.9700	-1.92%
Nickel (per mt)	12,526.0	-0.13%	Soybean (per bushel)	8.333	-0.80%
Aluminium (per mt)	2,029.0	0.05%	Corn (per bushel)	3.5050	-0.57%

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,208.2	-0.22%	Crude Palm Oil (MYR/MT)	2,243.0	0.27%
Silver (per oz)	14.244	-0.34%	Rubber (JPY/KG)	167.6	0.18%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,145.99	147.07
S&P	2,904.18	15.26
Nasdaq	8,013.71	59.48
Nikkei 225	22,821.32	216.71
STI	3,131.77	7.12
KLCI	1,792.60	7.35
JCI	5,858.27	60.12
Baltic Dry	1,411.00	--
VIX	12.37	-0.77

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.91 (+0.01)	2.76 (+0.01)
5Y	2.19 (+0.02)	2.87 (+0.01)
10Y	2.46 (+0.02)	2.97 (+0.01)
15Y	2.76 (+0.01)	--
20Y	2.79 (+0.01)	--
30Y	2.84 (+0.01)	3.11 (-)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.68	-1.50
EURIBOR-OIS	3.10	-0.80
TED	20.12	--

Economic Calendar

Date	Time	Event	Survey	Actual	Prior	Revised
09/13/2018	02:00	US Federal Reserve Releases Beige Book				
09/13/2018	05:00	NZ REINZ House Sales YoY	Aug	--	3.10%	0.70%
09/13/2018	06:45	NZ Food Prices MoM	Aug	--	-0.50%	0.70%
09/13/2018	07:01	UK RICS House Price Balance	Aug	2%	2%	4%
09/13/2018	07:50	JN PPI YoY	Aug	3.10%	3.00%	3.10%
09/13/2018	07:50	JN Core Machine Orders MoM	Jul	5.50%	11.00%	-8.80%
09/13/2018	07:50	JN Japan Buying Foreign Bonds	Sep-07	--	¥297.6b	¥543.4b
09/13/2018	07:50	JN Foreign Buying Japan Stocks	Sep-07	--	¥1063.2b	¥4.6b
09/13/2018	09:30	AU Employment Change	Aug	18.0k	44.0k	-3.9k
09/13/2018	09:30	AU Unemployment Rate	Aug	5.30%	5.30%	5.30%
09/13/2018	09:30	AU Full Time Employment Change	Aug	--	33.7k	19.3k
09/13/2018	09:30	AU Participation Rate	Aug	65.60%	65.70%	65.50%
09/13/2018	10:30	JN Tokyo Condominium Sales YoY	Aug	--	-28.50%	-12.80%
09/13/2018	14:00	GE CPI MoM	Aug F	0.10%	0.10%	0.10%
09/13/2018	14:00	GE CPI YoY	Aug F	2.00%	2.00%	2.00%
09/13/2018	14:00	GE CPI EU Harmonized MoM	Aug F	0.00%	0.00%	0.00%
09/13/2018	14:00	GE CPI EU Harmonized YoY	Aug F	1.90%	1.90%	1.90%
09/13/2018	14:45	FR CPI EU Harmonized YoY	Aug F	2.60%	2.60%	2.60%
09/13/2018	14:45	FR CPI YoY	Aug F	2.30%	2.30%	2.30%
09/13/2018	19:00	UK Bank of England Bank Rate	Sep-13	0.75%	0.75%	0.75%
09/13/2018	19:00	UK BOE Asset Purchase Target	Sep	435b	435b	435b
09/13/2018	19:45	EC ECB Main Refinancing Rate	Sep-13	0.00%	0.00%	0.00%
09/13/2018	19:45	EC ECB Marginal Lending Facility	Sep-13	0.25%	0.25%	0.25%
09/13/2018	19:45	EC ECB Deposit Facility Rate	Sep-13	-0.40%	-0.40%	-0.40%
09/13/2018	20:30	US CPI MoM	Aug	0.30%	0.20%	0.20%
09/13/2018	20:30	CA New Housing Price Index MoM	Jul	0.10%	0.10%	0.10%
09/13/2018	20:30	US CPI Ex Food and Energy MoM	Aug	0.20%	0.10%	0.20%
09/13/2018	20:30	US CPI YoY	Aug	2.80%	2.70%	2.90%
09/13/2018	20:30	US Initial Jobless Claims	Sep-08	210k	204k	203k
09/13/2018	20:30	US Continuing Claims	Sep-01	1710k	1696k	1707k
09/13/2018	21:45	US Bloomberg Consumer Comfort	Sep-09	--	59	58
09/14/2018	02:00	US Monthly Budget Statement	Aug	-\$211.0b	-\$214.1b	-\$107.7b
09/14/2018	06:30	NZ BusinessNZ Manufacturing PMI	Aug	--	52	51.2
09/14/2018	10:00	CH Retail Sales YoY	Aug	8.80%	--	8.80%
09/14/2018	10:00	CH Industrial Production YoY	Aug	6.10%	--	6.00%
09/14/2018	10:00	CH Fixed Assets Ex Rural YTD YoY	Aug	5.60%	--	5.50%
09/14/2018	12:30	JN Industrial Production MoM	Jul F	--	--	-0.10%
09/14/2018	12:30	JN Industrial Production YoY	Jul F	--	--	2.30%
09/14/2018	12:30	JN Capacity Utilization MoM	Jul	--	--	-2.20%
09/14/2018	14:30	IN Wholesale Prices YoY	Aug	4.62%	--	5.09%
09/14/2018	15:30	TH Foreign Reserves	Sep-07	--	--	\$204.5b
09/14/2018	16:00	IT CPI EU Harmonized YoY	Aug F	1.70%	--	1.70%
09/14/2018	20:30	US Retail Sales Advance MoM	Aug	0.40%	--	0.50%
09/14/2018	20:30	US Import Price Index MoM	Aug	-0.20%	--	0.00%
09/14/2018	21:15	US Industrial Production MoM	Aug	0.30%	--	0.10%
09/14/2018	21:15	US Capacity Utilization	Aug	78.20%	--	78.10%
09/14/2018	22:00	US U. of Mich. Sentiment	Sep P	96.6	--	96.2
09/12/2018	09:15	IN Exports YoY	Aug	--	--	14.30%
09/12/2018	09:15	IN Imports YoY	Aug	--	--	28.80%

Source: Bloomberg

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