

Highlights

Global	Major equity markets rose overnight, with Wall Street higher after Walmart reported its best sales growth in over a decade and commodity stocks rebounded, while the USD saw its first decline in six days. The Turkish lira also rallied for a third day before paring gains after US Treasury Secretary Mnuchin warned of more Turkish sanctions if President Erdogan refuses to release an American pastor. Meanwhile, ahead of Chinese Vice Commerce Minister Wang Shouwen's visit to the US for trade talks in late August, US President Trump has opined that "we're not going to do any deal until we get one that's fair to our country". Over in Asia, Indonesia's 2019 budget targets a fiscal deficit of 1.84% of GDP, smaller than the 2.12% tipped for this year. With improved market sentiments, Asian markets may gain today. On the economic data front, watch for US' University of Michigan sentiments, Eurozone CPI, and Taiwan and Malaysia's 2Q18 GDP growth.
US	Initial jobless claims slid for a second straight week to 212k (vs est 215k, previously session 214k). Housing starts rose to 1.168mn in July, less than expected 1.264mn. Building permits rose to 1.311mn, ending 3 months of decline. UK's July retail sales received a boost from World Cup season and clothes sales, with mom growth at 0.7%. AU's unemployment rate fell to 5.30% from 5.40% last month to a 6-year low.
CH	Another 800bps intra-day move for CNH with the USDCNH retraced from high of 6.95 range down to 6.86 range. Short sellers unwound their short CNH position in the offshore market due to concerns about tightened RMB liquidity in the offshore market after the news broke out that PBoC has suspended some banks' cross border RMB deposit and interbank lending via their FTU accounts in Shanghai free trade zone.
AU	Australia RBA governor Lowe's testimony to the Economics Committee this morning flagged that "it is likely to be some time before we are at full employment and the inflation rate is comfortably within the target range on a sustained basis. We are prepared to maintain the current monetary policy stance until these benchmarks are more clearly in sight". While he sees the next move as up, "even so, the pick-up in wages growth is still expected to be fairly gradual".
IN	RBI minutes showed governor Patel's comments that "actual inflation outcomes since the last MPC resolution of June have been slightly below the projected trajectory as food inflation has continued on the downside" and could be a hint of an upcoming pause in the rate hikes.
SG	NODX rose a better-than-expected 11.8% yoy (4.3% mom sa) in July, up from June's 1.1% yoy (-10.8% mom sa). This beat both market consensus forecast and our forecast. While electronics exports continued to contract at a more modest 3.8% yoy (June: -8.6% yoy), non-electronics exports surged 18.8% yoy (June: 4.5% yoy), mainly attributable to pharmaceuticals (109.2% yoy versus 19.1% previously). This marks a healthy start for NODX to 2H18 and brought the NODX growth for the first seven months of 2018 to 6.2% yoy. However, the higher 9.7% yoy NODX growth seen for August-December 2017, and the escalating US-Sino trade war may still pose headwinds for NODX growth in the coming months. Nevertheless, our 2018 NODX growth forecast is 4-5% yoy, which is above the IE Singapore's recently upgraded forecast of 2.5-3.5% yoy.

Major Markets

- **US:** The US-China trade talks are scheduled for 22 August in Washington. However, the parties directly involved are notably lower-level officials, as compared to previous talks involving President Trump or USTR, which suggests caution on expectations of a breakthrough at this juncture. National Economic Council Director Kudlow welcomed the visit, but warned China not to underestimate Trump's determination on resolving trade disputes.
- Wall Street closed higher on Thursday as improved investor sentiment and strong earnings buoyed major indexes, notably on the back of Walmart (+9.3%) as it reported quarterly sales rising at the fastest pace in more than a decade. The VIX Index fell to 13.45 on Thursday, as compared to 14.64 on Wednesday. On the Treasury front, the 2y yield gained 0.8bp to 2.62%, while the 10y yield rose to 2.87% (+0.4bp).
- **Singapore:** The STI declined 0.69% to close at 3211.93 yesterday, but may trade with a firmer tone as Turkish concerns fade and overnight cues from Wall Street look positive. The STI could trade in a 3200-3240 range today. With UST bond yields rangebound but slightly firmer, and the yield curve flatter, the SGS bond market may also reverse yesterday's gains and steepening bias.
- **China:** CNH liquidity tightened with the CNH swap pointed moved upwards across the curve. Although the direct impact on offshore liquidity is unlikely to be significant, the signal is pretty strong that China has shifted their attention to currency stability. With the much stronger than expected daily fixing in the past few days and improving sentiment on US-China trade talk, market will be more cautious to chase the USDCNY higher in the near term.
- **Indonesia:** In President Joko Widodo's annual budget speech, he announced plans to spend a record amount on infrastructure projects next year as elections loom, raising allocation to IDR420.5tn from IDR410.7tn this year. The budget release forecasts economic growth at 5.3% in 2019 and a revised 5.2% in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was lower yesterday, with swap rates for the shorter tenors as well as the belly trading 3-4bps lower while the longer tenors traded 1-2bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 482bps. 10Y UST yields rose 4bps in the earlier part of the trading session as new trade talks between US and China reduced demand for safe havens. Yields were subsequently offset by 3bps to close at 2.87% after US Treasury Secretary Steven Mnuchin said that the United States were ready to impose more sanctions on Turkey if detained American pastor Andrew Brunson was not released.
- **New Issues:** Export-Import Bank of China has priced a USD680mn 3-year FRN at 3mL+60bps. Oversea-China Banking Corp Ltd has priced a SGD1bn Perp NC5 AT1 at 4%, tightening from its initial price guidance of 4.375%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.645	-0.05%	USD-SGD	1.3752	-0.36%
USD-JPY	110.900	0.14%	EUR-SGD	1.5646	-0.08%
EUR-USD	1.1377	0.28%	JPY-SGD	1.2402	-0.48%
AUD-USD	0.7261	0.30%	GBP-SGD	1.7487	-0.21%
GBP-USD	1.2716	0.15%	AUD-SGD	0.9985	-0.07%
USD-MYR	4.1027	-0.03%	NZD-SGD	0.9061	--
USD-CNY	6.8853	-0.71%	CHF-SGD	1.3795	-0.68%
USD-IDR	14593	0.11%	SGD-MYR	2.9811	0.26%
USD-VND	23315	0.01%	SGD-CNY	5.0110	-0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3680	--	O/N	1.9138	--
2M	-0.3360	--	1M	2.0600	--
3M	-0.3190	--	2M	2.1828	--
6M	-0.2660	--	3M	2.3118	--
9M	-0.2070	--	6M	2.5106	--
12M	-0.1660	--	12M	2.8149	--

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%	90.0%	10.0%	0.0%	0.0%
11/08/2018	100.0%	90.0%	10.0%	0.0%	0.0%
12/19/2018	100.0%	28.8%	64.4%	6.8%	0.0%
01/30/2019	100.0%	27.6%	63.0%	9.1%	0.3%
03/20/2019	100.0%	13.3%	44.6%	37.1%	4.9%
05/01/2019	100.0%	12.2%	42.0%	37.7%	7.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	65.46	0.69%	Coffee (per lb)	1.054	-0.61%
Brent (per barrel)	71.43	0.95%	Cotton (per lb)	0.8180	1.31%
Heating Oil (per gallon)	2.0964	0.29%	Sugar (per lb)	0.1030	0.68%
Gasoline (per gallon)	1.9874	-0.50%	Orange Juice (per lb)	1.5560	-0.70%
Natural Gas (per MMBtu)	2.9080	-1.09%	Cocoa (per mt)	2,158	0.84%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,768.4	2.21%	Wheat (per bushel)	5.6200	1.86%
Nickel (per mt)	13,264.0	3.70%	Soybean (per bushel)	8.970	3.22%
Aluminium (per mt)	2,038.0	1.12%	Corn (per bushel)	3.7975	1.00%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,184.0	-0.08%	Crude Palm Oil (MYR/MT)	2,222.0	1.23%
Silver (per oz)	14.713	1.79%	Rubber (JPY/KG)	168.0	-1.41%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,558.73	396.32
S&P	2,840.69	22.32
Nasdaq	7,806.52	32.41
Nikkei 225	22,192.04	-12.18
STI	3,211.93	-22.19
KLCI	1,777.27	-8.67
JCI	5,783.80	-32.79
Baltic Dry	1,727.00	--
VIX	13.45	-1.19

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-0.03)	2.62 (+0.01)
5Y	2.15 (-0.02)	2.74 (+0.01)
10Y	2.45 (-0.01)	2.87 (-)
15Y	2.73 (-0.01)	--
20Y	2.76 (-0.01)	--
30Y	2.84 (-0.01)	3.03 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.95	-0.77
EURIBOR-OIS	3.93	0.83
TED	26.09	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/16/2018 04:00	US Total Net TIC Flows	Jun	--	\$114.5b	\$69.9b	\$69.2b
08/16/2018 04:00	US Net Long-term TIC Flows	Jun	--	-\$36.5b	\$45.6b	\$45.5b
08/16/2018 07:50	JN Trade Balance	Jul	¥41.2b	¥231.2b	¥721.4b	--
08/16/2018 07:50	JN Trade Balance Adjusted	Jul	¥20.7b	¥45.6b	¥66.2b	¥83.1b
08/16/2018 07:50	JN Exports YoY	Jul	6.30%	3.90%	6.70%	--
08/16/2018 07:50	JN Japan Buying Foreign Bonds	Aug-10	--	¥123.9b	¥1171.0b	¥1164.0b
08/16/2018 07:50	JN Japan Buying Foreign Stocks	Aug-10	--	¥181.7b	¥505.0b	--
08/16/2018 07:50	JN Foreign Buying Japan Bonds	Aug-10	--	¥58.9b	¥661.5b	¥663.2b
08/16/2018 07:50	JN Foreign Buying Japan Stocks	Aug-10	--	¥107.1b	¥225.2b	¥224.8b
08/16/2018 09:30	AU Employment Change	Jul	15.0k	-3.9k	50.9k	58.2k
08/16/2018 09:30	AU Unemployment Rate	Jul	5.40%	5.30%	5.40%	--
08/16/2018 09:30	AU Full Time Employment Change	Jul	--	19.3k	41.2k	43.2k
08/16/2018 09:30	AU Part Time Employment Change	Jul	--	-23.2k	9.7k	15.0k
08/16/2018 09:30	AU Participation Rate	Jul	65.70%	65.50%	65.70%	--
08/16/2018 09:30	AU RBA FX Transactions Market	Jul	--	A\$573m	A\$1752m	--
08/16/2018 11:00	NZ Non Resident Bond Holdings	Jul	--	58.70%	58.10%	--
08/16/2018 16:30	UK Retail Sales Ex Auto Fuel MoM	Jul	0.00%	0.90%	-0.60%	--
08/16/2018 16:30	UK Retail Sales Ex Auto Fuel YoY	Jul	2.80%	3.70%	3.00%	2.90%
08/16/2018 16:30	UK Retail Sales Inc Auto Fuel MoM	Jul	0.20%	0.70%	-0.50%	--
08/16/2018 16:30	UK Retail Sales Inc Auto Fuel YoY	Jul	2.90%	3.50%	2.90%	--
08/16/2018 17:00	EC Trade Balance SA	Jun	16.9b	16.7b	16.9b	--
08/16/2018 20:30	CA Manufacturing Sales MoM	Jun	1.00%	1.10%	1.40%	1.50%
08/16/2018 20:30	US Initial Jobless Claims	Aug-11	215k	212k	213k	214k
08/16/2018 20:30	US Continuing Claims	Aug-04	1738k	1721k	1755k	1760k
08/16/2018 20:30	US Philadelphia Fed Business Outlook	Aug	22	11.9	25.7	--
08/16/2018 20:30	US Housing Starts	Jul	1264k	1168k	1173k	1158k
08/16/2018 20:30	US Building Permits	Jul	1310k	1311k	1273k	1292k
08/16/2018 21:45	US Bloomberg Economic Expectations	Aug	--	57	53.5	--
08/16/2018 21:45	US Bloomberg Consumer Comfort	Aug-12	--	58.9	59.3	--
08/16/2018 22:00	US Mortgage Delinquencies	2Q	--	4.36%	4.63%	--
08/17/2018 06:45	NZ PPI Output QoQ	2Q	--	0.90%	0.20%	--
08/17/2018 06:45	NZ PPI Input QoQ	2Q	--	1.00%	0.60%	--
08/17/2018 07:00	SK Unemployment rate SA	Jul	3.70%	3.80%	3.70%	--
08/17/2018 08:30	SI Non-oil Domestic Exports SA MoM	Jul	0.80%	4.30%	-10.80%	--
08/17/2018 08:30	SI Electronic Exports YoY	Jul	--	-3.80%	-7.90%	--
08/17/2018 08:30	SI Non-oil Domestic Exports YoY	Jul	7.40%	11.80%	1.10%	--
08/17/2018 12:00	MA GDP YoY	2Q	5.20%	--	5.40%	--
08/17/2018 12:00	MA BoP Current Account Balance MYR	2Q	12.0b	--	15.0b	--
08/17/2018 15:30	TH Foreign Reserves	Aug-10	--	--	\$204.8b	--
08/17/2018 16:00	EC ECB Current Account SA	Jun	--	--	22.4b	--
08/17/2018 16:30	TA GDP YoY	2Q F	3.30%	--	3.29%	--
08/17/2018 16:30	HK Unemployment Rate SA	Jul	2.80%	--	2.80%	--
08/17/2018 17:00	EC CPI Core YoY	Jul F	1.10%	--	1.10%	--
08/17/2018 17:00	EC CPI YoY	Jul F	2.10%	--	2.00%	--
08/17/2018 17:00	EC CPI MoM	Jul	-0.30%	--	0.10%	--
08/17/2018 20:30	CA Int'l Securities Transactions	Jun	--	--	2.18b	--
08/17/2018 20:30	CA CPI NSA MoM	Jul	0.10%	--	0.10%	--
08/17/2018 20:30	CA CPI YoY	Jul	2.50%	--	2.50%	--
08/17/2018 22:00	US Leading Index	Jul	0.40%	--	0.50%	--
08/17/2018 22:00	US U. of Mich. Sentiment	Aug P	98	--	97.9	--
08/17/2018	HK Composite Interest Rate	Jul	--	--	0.62%	--

Source: Bloomberg

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