

Highlights

Global	<p>With US president Trump threatening to proceed with the next tranche of US\$200b of tariffs on Chinese imports, this is likely to put a dampener on Treasury Secretary Mnuchin's overtures to the restart US-Sino trade talks. China is also considering rejecting the US trade talk offer later this month, according to a Wall Street Journal report. Chinese economic data also pointed to stability in August. Wall Street closed flat on Friday, whilst the 10-year UST bond yield hit 3% for the first time since start of August. Elsewhere, the Bank of Russia hiked 25bps to 7.5% on Friday, and extended the pause in foreign-currency purchases for reserves until end-December, while raising the inflation goal to 5-5.5% by end-2019 amid the sanctions pressure.</p> <p>Asian markets are likely to trade with a softer tone today to start the week, with investors still keenly watching China's RMB fixing and range today as well as ongoing US-Sino trade developments. Japan is closed for a holiday, while Typhoon Mangkhut is headed for China after hitting Hong Kong. Key economic data to watch today include Indonesia's trade data, Eurozone's CPI and US' Empire manufacturing. Speakers include ECB's Coeure and Praet. For the week ahead, keep an eye on the South Korean President Moon Jae-in's summit with Kim Jong Un in Pyongyang tomorrow, BOT policy decision (likely unchanged at 1.5%) and BOJ (also static for now following introduction of tweaks in July) on Wednesday, and SNB on Thursday.</p>
US	<p>August retail sales rose less than expected by 0.1% mom, dragged down by weakness in autos, furniture, clothing and department store and restaurant sales, albeit the July data was revised up from 0.5% to 0.7%. Looking ahead, Hurricane Florence is also likely to weigh on the September retail sales, which could in turn impact 3Q18 GDP growth.</p>
EU	<p>UK PM May expressed her irritation at speculation about a potential leadership challenge, but defended her Brexit plans ahead of talks with the EU on Wednesday where negotiations have stalled over how to avoid a hard border with Ireland.</p>
SG	<p>NODX expanded a better-than-expected 5.0% yoy (0.4% mom sa) in August, beating our expectations for 3.9% yoy (-3.3% mom sa), but still marking a significant slowdown from July's revised 11.0% yoy (3.6% mom sa). This was partly due to the high base in August 2017, coupled with persistent electronics export contraction (August: -1.5% yoy and -5.9% yoy YTD) and NODX weakness to North Asia markets including China, HK, S. Korea and Japan. Non-electronics exports saved the day and expanded by 7.8% yoy, albeit this was also a moderation from July's 18.6% yoy) amid strong pharmaceuticals (33.4% yoy).</p>
CMD	<p>Another bout of dollar strength left greenback-denominated commodities trending lower into the previous trading day, just as market-watchers likely view the uptick in risk appetite to be temporal after the hype over further US-Sino trade talks faded. On crude oil, the WTI-Brent spread has been widening to as high as \$9.83/bbl in the previous week, before narrowing marginally to \$9.15/bbl of late given some consolidation in oil prices. Note that OPEC Secretary-General Mohammad Barkindo commented that oil demand remains robust and is able to bring stockpiles down to below its 5-year average.</p>

Major Markets

- **US:** Industrial production rose 0.4% mom in August, similar to the July pace, aided by utilities and auto production.
- The University of Michigan sentiment index improved from 96.2 in August to 100.8 (second- highest reading in this current cycle) in September, albeit the 5-10 year inflation expectation gauge eased to 2.4% (previously 2.6%) which is among the lowest prints besides December 2016's 2.3%. This should provide some comfort to the Fed that despite the strong economic growth, inflation expectations remain well-anchored.
- Wall Street ended flat on Friday, with the S&P500 and Dow Jones both inching up by 0.03%, putting the S&P500 in the green for the entire week. Nasdaq shed 0.05% to close down at 8010.04.
- Adobe shares rose 2.30% as it beat earnings estimates for an eighth consecutive quarter, with its CFO referring to the recent quarter as an “outstanding” one.
- AMD stock rose 7.35% on Friday on the back of multiple rating upgrades and increases in price targets.
- **China:** Effective from 15 Sep, qualified foreign individuals including those working in China or those working in overseas Chinese subsidiary of listed Chinese companies would be compensated by stock options as China further opens its equity market to foreign investors. The CEO of FTSE Russell, a leading global provider of benchmarks, said will decide whether to include China's domestic listed stocks into its index very soon.
- **Singapore:** The STI added 0.95% to close at 3161.42 on Friday, matching the recovery across Asian bourses late last week, but may open and trade with a softer range of 3130-3190 for now, given overshadowing market concerns about the US-Sino trade war, which has also led to KOSPI's opening lower this morning. With the 10-year UST bond yield testing 3% again, SGS bonds may follow suit to sell off, with the belly to longer-dated tenors under pressure to adjust today.
- **Malaysia:** Prime Minister Mahathir Mohamad will be visiting the US this month where he will meet up with both investors and manufacturers.
- **Indonesia:** According to the Jakarta Post, Coordinating Economic Minister Darmin Nasution has said that the construction of some infrastructure projects may be postponed for up to six years. Darmin said the duration of postponement would be different for each project. Previously, the government announced it would delay infrastructure projects to curb imports in its attempt to reduce the current account deficit. It recently postponed 15,200 megawatt (MW) electricity projects that are part of the 35,000 MW electricity program.
- **Korea:** Prime Minister Lee Nak-yeon commented that “it is now high time to seriously consider the rate hike... (or) challenges such as capital outflow (and) increase in household debt” could present themselves.
- **Commodities:** Across the commodity space, note that CFTC positions continue to highlight sustained bearish sentiment especially on crude oil, gasoline, copper and heating oil, while defensive commodities including gold, platinum were favoured.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened last Friday, with swap rates trading 2-3bps higher across most tenors (with the exception of the 20-year swap rates trading 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 10bps to 486bps. 10Y UST yields rose 3bps to close at 3.0% last Friday, breaking the key 3.0% level since 2 Aug on the back of solid US economic data and signs that the Fed is likely to raise interest rates two more times in 2018.
- **New Issues:** China Merchants Bank Co Ltd has scheduled for investor meetings from 17 Sept for its potential USD bond issuance. Haichuan International Investment Co Ltd has scheduled for investor meetings from 18-19 Sept for its potential USD bond issuance (guaranteed by Jiangsu Fang Yang Group Co Ltd). Agricultural Development Bank of China has scheduled for investor meetings from 17 Sept for its potential USD/CNH bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.927	0.43%	USD-SGD	1.3742	0.28%
USD-JPY	112.060	0.13%	EUR-SGD	1.5975	-0.28%
EUR-USD	1.1625	-0.56%	JPY-SGD	1.2263	0.16%
AUD-USD	0.7153	-0.58%	GBP-SGD	1.7957	-0.03%
GBP-USD	1.3068	-0.31%	AUD-SGD	0.9831	-0.28%
USD-MYR	4.1383	-0.15%	NZD-SGD	0.9000	-0.03%
USD-CNY	6.8675	0.33%	CHF-SGD	1.4195	--
USD-IDR	14807	-0.22%	SGD-MYR	3.0238	0.05%
USD-VND	23245	-0.13%	SGD-CNY	5.0045	0.25%

Equity and Commodity

Index	Value	Net change
DJIA	26,154.67	8.68
S&P	2,904.98	0.80
Nasdaq	8,010.04	-3.67
Nikkei 225	23,094.67	273.35
STI	3,161.42	29.65
KLCI	1,803.76	11.16
JCI	5,931.28	73.01
Baltic Dry	1,366.00	-16.00
VIX	12.07	-0.30

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	0.0010	O/N	1.9151	-0.0048
2M	-0.3390	--	1M	2.1647	0.0063
3M	-0.3190	--	2M	2.2318	0.0008
6M	-0.2690	--	3M	2.3371	0.0030
9M	-0.2070	--	6M	2.5688	0.0016
12M	-0.1680	--	12M	2.8802	0.0067

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.93 (+0.02)	2.78 (+0.02)
5Y	2.22 (+0.03)	2.90 (+0.03)
10Y	2.48 (+0.02)	3.00 (+0.03)
15Y	2.77 (+0.01)	--
20Y	2.80 (+0.01)	--
30Y	2.85 (+0.01)	3.13 (+0.02)

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%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	19.03	-0.01
EURIBOR-OIS	3.10	--
TED	19.45	-1.20

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.99	0.58%	Coffee (per lb)	0.997	-0.94%
Brent (per barrel)	78.09	-0.12%	Cotton (per lb)	0.8183	0.39%
Heating Oil (per gallon)	2.2092	-0.64%	Sugar (per lb)	0.1202	-3.45%
Gasoline (per gallon)	1.9702	-1.14%	Orange Juice (per lb)	1.5350	-0.07%
Natural Gas (per MMBtu)	2.7670	-1.77%	Cocoa (per mt)	2,219	-4.15%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,833.4	-1.38%	Wheat (per bushel)	5.1150	2.92%
Nickel (per mt)	12,573.0	0.38%	Soybean (per bushel)	8.305	-0.33%
Aluminium (per mt)	2,007.0	-1.08%	Corn (per bushel)	3.5175	0.36%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,201.1	-0.59%	Crude Palm Oil (MYR/MT)	2,222.0	-0.94%
Silver (per oz)	14.142	-0.72%	Rubber (JPY/KG)	167.9	0.18%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 11 Sep 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	-106,501	-131,628	25,127	Wheat	18,427	38,225	-19,798
Gold	-28,517	-34,256	5,739	Nymex Crude	584,345	600,272	-15,927
Platinum	-7,161	-11,540	4,379	Soybean	-77,854	-68,856	-8,998
Cocoa	6,563	2,411	4,152	RBOB Gasoline	98,403	103,895	-5,492
Lean Hogs	19,801	17,879	1,922	Live Cattle	73,757	79,020	-5,263
Silver	-28,323	-30,158	1,835	Natural Gas	-71,882	-67,679	-4,203
Palladium	6,695	6,196	499	Heating Oil	41,018	45,114	-4,096
Coffee	-99,293	-99,303	10	Copper	-8,964	-5,878	-3,086
Cotton	82,663	82,692	-29	Corn	6,241	8,852	-2,611

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/14/2018 02:00	US Monthly Budget Statement	Aug	-\$211.0b	-\$214.1b	-\$107.7b	--
09/14/2018 05:00	SK Import Price Index YoY	Aug	--	10.00%	12.20%	--
09/14/2018 05:00	SK Export Price Index YoY	Aug	--	2.10%	2.60%	2.80%
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%	9.00%	8.80%	--
09/14/2018 10:00	CH Retail Sales YTD YoY	Aug	9.30%	9.30%	9.30%	--
09/14/2018 10:00	CH Industrial Production YoY	Aug	6.10%	6.10%	6.00%	--
09/14/2018 10:00	CH Industrial Production YTD YoY	Aug	6.50%	6.50%	6.60%	--
09/14/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Aug	5.60%	5.30%	5.50%	--
09/14/2018 12:30	JN Industrial Production MoM	Jul F	--	-0.10%	-0.10%	--
09/14/2018 12:30	JN Industrial Production YoY	Jul F	--	2.20%	2.30%	--
09/14/2018 12:30	JN Capacity Utilization MoM	Jul	--	-0.60%	-2.20%	--
09/14/2018 14:30	IN Wholesale Prices YoY	Aug	4.62%	4.53%	5.09%	--
09/14/2018 15:30	TH Foreign Reserves	Sep-07	--	\$203.6b	\$204.5b	--
09/14/2018 16:00	IT CPI EU Harmonized YoY	Aug F	1.70%	1.60%	1.70%	--
09/14/2018 20:30	US Retail Sales Advance MoM	Aug	0.40%	0.10%	0.50%	0.70%
09/14/2018 20:30	US Retail Sales Ex Auto MoM	Aug	0.50%	0.30%	0.60%	0.90%
09/14/2018 20:30	US Retail Sales Ex Auto and Gas	Aug	0.50%	0.20%	0.60%	0.90%
09/14/2018 20:30	US Import Price Index MoM	Aug	-0.20%	-0.60%	0.00%	-0.10%
09/14/2018 20:30	US Import Price Index YoY	Aug	4.10%	3.70%	4.80%	4.90%
09/14/2018 21:15	US Industrial Production MoM	Aug	0.30%	0.40%	0.10%	0.40%
09/14/2018 21:15	US Capacity Utilization	Aug	78.20%	78.10%	78.10%	77.90%
09/14/2018 21:16	IN Exports YoY	Aug	--	19.20%	14.30%	--
09/14/2018 21:16	IN Imports YoY	Aug	--	25.40%	28.80%	--
09/14/2018 22:00	US Business Inventories	Jul	0.60%	0.60%	0.10%	--
09/14/2018 22:00	US U. of Mich. Sentiment	Sep P	96.6	100.8	96.2	--
09/17/2018 07:01	UK Rightmove House Prices MoM	Sep	--	0.70%	-2.30%	--
09/17/2018 07:01	UK Rightmove House Prices YoY	Sep	--	1.20%	1.10%	--
09/17/2018 08:30	SI Non-oil Domestic Exports SA MoM	Aug	-2.20%	--	4.30%	--
09/17/2018 08:30	SI Electronic Exports YoY	Aug	--	--	-3.80%	--
09/17/2018 08:30	SI Non-oil Domestic Exports YoY	Aug	3.90%	--	11.80%	--
09/17/2018 12:00	ID Exports YoY	Aug	10.00%	--	19.33%	--
09/17/2018 12:00	ID Imports YoY	Aug	25.00%	--	31.56%	--
09/17/2018 12:00	ID Trade Balance	Aug	-\$607m	--	-\$2030m	--
09/17/2018 16:00	IT Trade Balance Total	Jul	--	--	5071m	--
09/17/2018 17:00	EC CPI Core YoY	Aug F	1.00%	--	1.00%	--
09/17/2018 17:00	EC CPI YoY	Aug F	2.00%	--	2.10%	2.10%
09/17/2018 17:00	EC CPI MoM	Aug	0.20%	--	-0.30%	-0.30%
09/17/2018 20:30	CA Int'l Securities Transactions	Jul	--	--	11.55b	--
09/17/2018 20:30	US Empire Manufacturing	Sep	23	--	25.6	--
09/17/2018	PH Overseas Workers Remittances	Jul	\$2400m	--	\$2357m	--
09/17/2018	PH Overseas Remittances YoY	Jul	5.10%	--	-4.50%	--

Source: Bloomberg

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