

Highlights

Global	<p>Turkey was the main contagion on EM markets last week, with S&P effecting a one notch downgrade to B+/Stable from BB-/Stable. However, risk sentiments appeared to have stabilised somewhat on Friday - Wall Street had closed higher on Friday, with the 10-year UST bond yield at 2.87% and the USD lower. With Turkish markets closed for this week, Asian markets may tread water today as investors ponder the US-Sino trade war developments (with a WSJ report of a potential bilateral Trump-Xi summit in November) and await further market cues. Today's economic data calendar comprises of Thailand's 2Q18 GDP growth, German PPI and Taiwan's export orders. The key focus for the week ahead is likely to be the Jackson Hole symposium where Fed chair Powell is speaking on Friday on "monetary policy in a changing economy" – given the generic title it is unclear at this juncture what (if any) specific elaboration on the balance sheet or interest rate trajectory or views on the US yield curve and/or Phillips curve may be covered. Other key events to watch this week include the FOMC minutes on 23 August, the next US\$16b tranche of US tariffs on Chinese imports to come into effect from 23 August, and US' durable goods orders data on 24 August.</p>
US	<p>University of Michigan sentiments unexpectedly softened from 97.9 in July to 95.3 (lowest since September 2017) in August, mainly dragged down by the current conditions gauge which fell from 114.4 to 107.8 whereas the expectations gauge was unchanged at 87. This suggested that 2H consumer spending may moderate. Notably, the 1-year inflation gauge was steady at 2.9%, but the 5-10 year gauge edged up from 2.4% to 2.5% after a surprising fall last month. That said, the leading index improved from 0.5% to 0.6%</p>
CH	<p>China's banking and insurance regulator unveiled a new regulation to further ease the credit to serve the real economy more efficiently. The new regulation requires banks not to withdraw the credit support to corporate facing operating difficulty but meeting lending condition. This shows that de-leverage has taken a backseat for now with the focus shifts to easing monetary and credit policies. This should provide some supports to the real economy.</p>
MA	<p>GDP growth for 2Q 2018 surprised on the downside coming out at 4.5% yoy, the slowest since 4Q 2016.</p>
TH	<p>Watch for Thailand's 2Q18 GDP growth print later this afternoon, where market consensus is indicating a potential 4.4% y/y print. Should that come to pass, Thailand would have grown at a remarkable 4.6% y/y print in 1H18, the strongest pace since 1H10 (+10.6% y/y).</p>
CMD	<p>There were some reprieve-buying in growth related commodities, including energy and base metals over the weekend. The West Texas Intermediate, which fell momentarily below its \$65/bbl handle in the earlier week, have in fact tested its \$66/bbl handle on Friday before closing a tad lower. On a weekly basis, note that crude oil fell the most in five weeks, led by lingering fears over US-Turkey & US-Sino tensions, which in turn led concerns of further EM demand slowdown. Elsewhere, gold prices which tumbled to its \$1,170/oz in intraday trading last week, rode on the wings of a relatively softer dollar to touch \$1,190/oz on Friday.</p>

Major Markets

- **US:** The Trump administration and China are reportedly mapping out trade talks in a bid to end their trade standoff by November, ahead of the G20 summit in Buenos Aires, Argentina where Trump and Xi Jinping will meet.
- US dropped a demand to impose barriers against seasonal imports on a range of Mexican farm goods, in a NAFTA renegotiation. Mexican Economy Minister had said that outstanding bilateral issues could possibly be resolved by this week.
- Wall Street closed higher on Friday on upbeat trade sentiment, with the S&P500 rising by 0.33%. However, Tesla stocks notably slumped 8.9% on Friday as CEO Elon Musk with scrutiny over reports of his use of drugs and the validity of his Saudi funding claims. Meanwhile, the VIX Index fell to 12.64 on Friday, as compared to 13.45 on Thursday.
- **Singapore:** PM Lee in his NDR speech announced a new Merdeka Generation Package to help Singaporeans born in 1950s with healthcare needs, and all Singaporeans with chronic conditions will qualify for Community Health Assist Schemes, while a new voluntary scheme will be introduced in 20 years' time to allow residents to vote on redeveloping housing estates before the 99-year lease expires, amongst others.
- The STI closed -0.08% at 3209.44 on Friday, but may trade with a firmer tone today as Turkish concerns fade and Friday cues from Wall Street look positive. The STI's support is at 3200 with resistance at 3230 range today. With UST bond yields slightly softer on Friday, the SGS bond market's Friday gains may also extend today. MAS will announce the issue size for the upcoming 2-year SGS re-opening tomorrow with the auction on 29 August for issue on 3 September.
- **Malaysia:** Both private and government consumption strengthened to 8.0% yoy (1Q 2018: 6.9% yoy) and 3.1% yoy (1Q 2018: 0.4% yoy) respectively. Gross fixed capital formation also grew more strongly at 2.2% yoy (1Q 2018: 0.1% yoy). However, supply disruptions in both the mining & quarrying and agriculture sector hurt growth. Meanwhile, Bank Negara Malaysia (BNM) has reduced their growth forecast for 2018 from the range of 5.5% - 6.0% yoy to 5.0% yoy.
- **Indonesia:** The government is targeting a fiscal deficit at 1.84% for 2019 whilst they forecast the deficit to be at 2.12% for 2018. The authorities expect spending to rise by 10% whilst revenue is estimated to increase by 12.6%. The government also forecasts GDP growth in 2019 to be at 5.3% yoy and for crude oil to be at US\$70 a barrel. Government spending for 2019 will be at a record level amid the presidential elections of which Joko Widodo will be facing off against Prabowo Subianto.
- **Hong Kong:** Jobless rate hovered at an over twenty-year low of 2.8% during the three months through July. Nevertheless, the unemployment rate of trade sector increased from 2.2% to 2.3%. This signals that US-China trade war concerns might have dented the hiring sentiments of the trade sector. On the other hand, the jobless rate of tourism-related sector was up to 4.0% from 3.9%, the first increase since May 2017. Due to the weaker RMB and the Asia's uncertain economic outlook, tourist spending growth might have been softening and slowing the hiring of the tourism-related sector. Moving forward, we expect China's slowdown and trade fears to continue taming business sentiments. Capital outflows from emerging market amid higher USD rates could also tighten HK's financial condition. All in all, we expect HK's economic growth to slow down in 2H18. As such, unemployment rate is likely to edge up slightly towards 3%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates trading 1-3bps lower across most tenors (with the exception of the 15-year and 30-year swap rates trading 1bps higher). Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS was unchanged at 139bps and 482bps respectively. 10Y UST yields fell 2bps to 2.85% initially as risk aversion worsened after the US threatened to impose more sanctions on Turkey. Yields subsequently recovered 1bps to close at 2.86% as investors see hopes in US-China trade negotiations.
- **New Issues:** There were no new issuance over 17 Aug 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.101	-0.56%	USD-SGD	1.3713	-0.28%
USD-JPY	110.500	-0.36%	EUR-SGD	1.5688	0.27%
EUR-USD	1.1438	0.54%	JPY-SGD	1.2407	0.04%
AUD-USD	0.7313	0.72%	GBP-SGD	1.7487	--
GBP-USD	1.2749	0.26%	AUD-SGD	1.0031	0.46%
USD-MYR	4.1055	0.07%	NZD-SGD	0.9099	0.42%
USD-CNY	6.8775	-0.11%	CHF-SGD	1.3772	-0.17%
USD-IDR	14593	--	SGD-MYR	2.9876	0.22%
USD-VND	23303	-0.05%	SGD-CNY	5.0104	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	-0.0010	O/N	1.9169	-0.0031
2M	-0.3370	--	1M	2.0694	-0.0080
3M	-0.3190	--	2M	2.1859	-0.0103
6M	-0.2660	--	3M	2.3119	-0.0104
9M	-0.2070	-0.0010	6M	2.5108	-0.0028
12M	-0.1670	-0.0010	12M	2.8130	-0.0036

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%	92.0%	8.0%	0.0%	0.0%
11/08/2018	100.0%	89.5%	10.3%	0.2%	0.0%
12/19/2018	100.0%	31.1%	62.0%	6.8%	0.1%
01/30/2019	100.0%	29.2%	60.1%	10.1%	0.5%
03/20/2019	100.0%	14.0%	44.1%	36.1%	5.5%
05/01/2019	100.0%	12.9%	41.6%	36.8%	8.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	65.91	0.69%	Coffee (per lb)	1.047	-0.62%
Brent (per barrel)	71.83	0.56%	Cotton (per lb)	0.8139	-0.50%
Heating Oil (per gallon)	2.0982	0.09%	Sugar (per lb)	0.1018	-1.17%
Gasoline (per gallon)	1.9809	-0.33%	Orange Juice (per lb)	1.5735	1.12%
Natural Gas (per MMBtu)	2.9460	1.31%	Cocoa (per mt)	2,149	-0.42%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,836.7	0.47%	Wheat (per bushel)	5.7975	3.16%
Nickel (per mt)	13,418.0	1.16%	Soybean (per bushel)	8.928	-0.47%
Aluminium (per mt)	2,018.3	-0.97%	Corn (per bushel)	3.7875	-0.26%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,184.2	0.02%	Crude Palm Oil (MYR/MT)	2,238.0	0.72%
Silver (per oz)	14.631	-0.56%	Rubber (JPY/KG)	168.0	0.00%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,669.32	110.59
S&P	2,850.13	9.44
Nasdaq	7,816.33	9.81
Nikkei 225	22,270.38	78.34
STI	3,209.44	-2.49
KLCI	1,783.47	6.20
JCI	5,783.80	--
Baltic Dry	1,723.00	3.00
VIX	12.64	-0.81

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (-0.02)	2.61 (-0.01)
5Y	2.14 (-0.01)	2.74 (--)
10Y	2.42 (-0.02)	2.86 (-0.01)
15Y	2.73 (-0.01)	--
20Y	2.75 (-0.01)	--
30Y	2.82 (-0.02)	3.02 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.42	0.53
EURIBOR-OIS	3.87	-0.06
TED	27.94	-0.48

CFTC Commodities Futures and Options

For the week ended: 14 Aug 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Natural Gas	-77,861	-109,165	31,304	Nymex Crude	609,143	639,606	-30,463
Copper	3,112	2,124	988	Gold	-25,349	-6,995	-18,354
Lean Hogs	-7,575	-7,456	-119	Sugar	-90,888	-75,089	-15,799
Heating Oil	36,867	38,190	-1,323	Cotton	93,234	106,561	-13,327
Palladium	1,960	3,672	-1,712	Soybean	-54,065	-41,461	-12,604
Live Cattle	73,706	76,139	-2,433	Cocoa	-462	7,231	-7,693
Platinum	-9,923	-7,387	-2,536	Silver	-2,937	4,327	-7,264
Wheat	60,592	63,219	-2,627	RBOB Gasoline	105,414	110,810	-5,396
Corn	49,178	52,204	-3,026	Coffee	-91,975	-88,251	-3,724

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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%	-11.10%
08/17/2018 08:30	SI Electronic Exports YoY	Jul	--	-3.80%	-7.90%	-8.60%
08/17/2018 08:30	SI Non-oil Domestic Exports YoY	Jul	7.40%	11.80%	1.10%	0.80%
08/17/2018 12:00	MA GDP YoY	2Q	5.20%	4.50%	5.40%	--
08/17/2018 12:00	MA GDP SA QoQ	2Q	--	0.30%	1.40%	--
08/17/2018 12:00	MA BoP Current Account Balance MYR	2Q	12.0b	3.9b	15.0b	--
08/17/2018 15:30	TH Foreign Reserves	Aug-10	--	\$203.5b	\$204.8b	--
08/17/2018 16:00	EC ECB Current Account SA	Jun	--	23.5b	22.4b	24.4b
08/17/2018 16:00	IT Current Account Balance	Jun	--	5135m	2226m	2362m
08/17/2018 16:30	TA GDP YoY	2Q F	3.30%	3.30%	3.29%	--
08/17/2018 16:30	HK Composite Interest Rate	Jul	--	0.63%	0.62%	--
08/17/2018 16:30	HK Unemployment Rate SA	Jul	2.80%	2.80%	2.80%	--
08/17/2018 17:00	EC CPI Core YoY	Jul F	1.10%	1.10%	1.10%	--
08/17/2018 17:00	EC CPI YoY	Jul F	2.10%	2.10%	2.10%	--
08/17/2018 17:00	EC CPI MoM	Jul	-0.30%	-0.30%	0.10%	--
08/17/2018 20:30	CA Int'l Securities Transactions	Jun	--	11.55b	2.18b	3.01b
08/17/2018 20:30	CA CPI NSA MoM	Jul	0.10%	0.50%	0.10%	--
08/17/2018 20:30	CA CPI YoY	Jul	2.50%	3.00%	2.50%	--
08/17/2018 22:00	US Leading Index	Jul	0.40%	0.60%	0.50%	--
08/17/2018 22:00	US U. of Mich. Sentiment	Aug P	98	95.3	97.9	--
08/17/2018 22:00	US U. of Mich. Current Conditions	Aug P	--	107.8	114.4	--
08/17/2018 22:00	US U. of Mich. Expectations	Aug P	--	87.3	87.3	--
08/17/2018 22:00	US U. of Mich. 1 Yr Inflation	Aug P	--	2.90%	2.90%	--
08/17/2018 22:00	US U. of Mich. 5-10 Yr Inflation	Aug P	--	2.50%	2.40%	--
08/20/2018 07:01	UK Rightmove House Prices MoM	Aug	--	-2.30%	-0.10%	--
08/20/2018 07:01	UK Rightmove House Prices YoY	Aug	--	1.10%	1.40%	--
08/20/2018 10:30	TH GDP YoY	2Q	4.40%	--	4.80%	--
08/20/2018 10:30	TH GDP SA QoQ	2Q	0.90%	--	2.00%	--
08/20/2018 14:00	GE PPI MoM	Jul	0.20%	--	0.30%	--
08/20/2018 14:00	GE PPI YoY	Jul	3.00%	--	3.00%	--
08/20/2018 15:00	JN Convenience Store Sales YoY	Jul	--	--	1.10%	--
08/20/2018 16:00	TA Export Orders YoY	Jul	2.10%	--	-0.10%	--
08/20/2018 16:20	TA BoP Current Account Balance	2Q	--	--	\$20079m	--
08/20/2018 17:00	EC Construction Output MoM	Jun	--	--	0.30%	--
08/20/2018 17:00	EC Construction Output YoY	Jun	--	--	1.80%	--
08/20/2018 22:00	CA Bloomberg Nanos Confidence	Aug-17	--	--	55.9	--
08/20/2018	PH BoP Overall	Jul	--	--	-\$1177m	--
08/20/2018 08/21	ID Motorcycle Sales	Jul	--	--	375034	--
08/20/2018 08/21	ID Local Auto Sales	Jul	--	--	58837	--
08/19/2018 08/24	TH Car Sales	Jul	--	--	87854	--

Source: Bloomberg

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

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