

Highlights

Global	<p>Wall Street slipped overnight as industrials weakness offset tech stock gains and the USD also fell amid news of Michael Cohen's guilty plea that alleged president Trump directed him to use campaign funds as hush money. Meanwhile, the FOMC minutes suggested that the central bank is on track to hike rates in September amidst a discussion of the yield curve and also hinting at a tweak of the FOMC post-meeting statement as many participants agreed that the statement's language that "the stance of monetary policy remains accommodative" would, at some point fairly soon, no longer be appropriate. However, the 10-year UST bond yield still ended at a six week low of 2.82%, with the 2-10 year yield curve narrowing to 22bps, amid dampened hopes of the mid-level US-Sino trade discussions between Treasury Undersecretary Malpass and Chinese Commerce Vice Minister Wang Shouwen – note president Trump had already suggested there would be no real progress and the next US\$16b tranche of US tariffs on Chinese imports kicks in today.</p> <p>Asian markets may trade today. Key to focus for today's economic data calendar are US' new home sales and initial jobless claims, Eurozone's consumer confidence, manufacturing/services/composite PMIs, and S'pore's July CPI. Speakers include RBA's Bouton and Bundesbank's Weidmann. Market players are awaiting FOMC chair Powell's speech at the Jackson Hole symposium tomorrow.</p>
US	<p>Existing home sales unexpectedly fell 0.7% mom (-1.5% yoy) for a fourth month to a 2-year low of 5.34m annual pace amid a shortage of inventories. Some interesting highlights in the FOMC minutes were that some participants noted that stronger underlying momentum in the economy was an upside risk" whilst "some participants suggested that, in the event of a major escalation in trade disputes, the complex nature of trade issues, including the entire range of their effects on output and inflation, presented a challenge in determining the appropriate monetary policy response".</p>
CH	<p>China's State Council reiterated its commitment to solve the funding difficulties for SMEs although it said prudent monetary policy tone has not changed. The State Council will develop the high yield bond market for SMEs. Meanwhile, it will also assist the financial institutions to issue asset backed securities to support SMEs financing.</p>
SG	<p>MAS will re-open \$2.7b of the 2-year SGS bond maturing September 2020, with MAS taking \$200m. The auction will close at noon on 29 August.</p>
TH	<p>Exports growth accelerated further at 8.3% y/y in July 2018 (up from 8.2% in June), according to the latest data from the Customs Department. This marks Thailand's 17th consecutive month of positive export growth and underlines its relatively rosy growth prospects into 2018. Accounting for the higher imports seen in July, overall trade deficit settled at \$516.2 million.</p>
CMD	<p>Market-players continue to take oil prices higher yesterday while gold prices rallied above \$1,205/oz at intraday trading despite hawkish Fed minutes. In the energy space, investors shrugged off further increases in overall US oil production to 11 million barrels per day (bpd) and focused on the unexpected fall in crude oil inventories of 5.8 million barrels for the week ended 17th August aided crude oil's climb, on the back of higher refinery utilisation rate.</p>

Major Markets

- **US:** Additionally in the FOMC August minutes, “participants noted that the federal funds rate was moving closer to the range of estimates of its neutral level” but given the “considerable uncertainty in estimates of the neutral rate of interest”, continuing to provide an explicit assessment of the federal funds rate relative to its neutral level could convey a false sense of precision.
- Note Trump’s two his former close aides faced criminal charges. His former campaign chairman Paul Manafort was convicted on 8 counts of bank and tax fraud charges, while his former lawyer Michael Cohen pleaded guilty to illegal campaign financing.
- US Customs and Border Protection confirmed on Wednesday that it would start to collect 25% duties today on \$16bn Chinese imports as identified by the Office of the US Treasury Representative (USTR). Significant products targeted include chemicals, autos and semiconductors. China has vowed to retaliate in kind.
- Meanwhile, the VIX Index fell to 12.25 on Wednesday, as compared to 12.96 on Tuesday.
- **Singapore:** The SGS bond is currently yielding around 1.87% (up from 1.61% where it started the year). While there is \$6.8b of 15-year SGS bonds maturing on 1 September, nevertheless the narrowing spread over the 3-month SIBOR (currently 26bps versus the YTD wide of 64bps) and the impending FOMC rate hike in September may lessen its appeal in the near-term. We see fair value closer to 1.93%-2.0%.
- The STI was closed yesterday due to a public holiday, but may trade in a range today given mixed cues (Wall Street slipped overnight but Kospi is opening slightly firmer this morning). The key level to watch for STI remains the recent 6 July low of 3191.82. With UST bonds little changed but generally yields around 1bp lower, SGS bonds may also tread water as investors await the US-Sino trade talks and the domestic CPI data due later today, which may anchor expectations for the 2-year SGS re-opening on 29 August for issue on 3 September.
- **Malaysia:** Finance Minister Lim Guan Eng has said the previous government had failed to refund excess income tax and real property gains tax for more than 6 years with the amount owed totalling RM16.046bn. Of particular concern, he has said that “the Federal Government revenue that was reported by the previous government is not accurate and larger than what it actually was”.
- **Indonesia:** Finance Minister Sri Mulyani has said that Indonesia should be aggressive in looking for new palm oil markets because of various problems in the traditional markets, such as negative campaigns against the commodity and the impact of the ongoing trade war. She said, “We should not act defensively or just wait and see.”
- **Korea:** Tourist arrivals continue to expand into July for the fifth consecutive month at 24.4% y/y. Across nationalities, arrivals from Vietnam (+46.9%), China (+45.9%) and Thailand (+35.8%) led the climb.
- **Commodities:** On geopolitical issues, note that the US has cited plans to release 11 million barrels of oil from its emergency stockpiles in October and November 2018, a move likely to ease market concerns over US sanctions against Iran. In a nutshell, commodity prices (especially growth-related ones) will likely stay anchored on how ongoing US-China trade talks (22-23 Aug) may pan out.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 0-2bps lower while the longer tenors traded 1.5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged 139bps overnight (tightened 1bps since Monday) while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps overnight to 490bps (widened 2bps since Monday). 10Y UST yields fell 1bps to 2.81%, its six-week low in the earlier part of the trading session on the back of safe haven demand due to the US political uncertainty. Yields subsequently recovered 1bps to close at 2.82%.
- **New Issues:** National Australia Bank Ltd has priced a EUR2bn deal across two tranches with the EUR750mn 5-year green bond priced at MS+36bps, tightening from its initial price guidance of MS+50bps area and the EUR1.25bn 10-year bond priced at MS+53bps, tightening from its initial price guidance of MS+65bps area. JGC Ventures Pte Ltd has priced a USD150mn 3NC1 bond (guaranteed by PT Modernland Realty TBK and certain of its subsidiaries) at 10.75%, in line with its initial price guidance. Fufeng Group Ltd has priced a USD350mn 3-year bond at CT3+325bps, tightening from its initial price guidance of CT3+345bps. Logan Property Holdings Co Ltd has priced a USD300mn 3NC2 bond (subsidiary guarantor: certain offshore subsidiaries of issuer) at 7.75%, tightening from its initial price guidance of the high 7% area. ABN Amro Group NV has priced a USD2bn deal across two tranches with the USD1bn 3-year bond priced at CT3+75bps tightening from its initial price guidance of CT3+low 90bps area and the USD1bn 3-year FRN at 3mL+57bps, in line with its initial price guidance. Commerzbank AG has priced a EUR1.75bn deal across two tranches with the EUR1.25bn 5-year bond priced at MS+35bps, tightening from its initial price guidance of MS+50bps area and the EUR500mn 10-year bond priced at MS+65bps, tightening from its initial price guidance of MS+80bps area. Redco Properties Group has scheduled for investor calls on 22 Aug for its potential USD bond issuance. Korea Expressway Corp has hired banks for its potential USD bond issuance. Central Japan Railway Co Ltd has scheduled for investors meetings from 28 Aug for its potential 5-year USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.146	-0.12%	USD-SGD	1.3664	0.05%
USD-JPY	110.560	0.23%	EUR-SGD	1.5846	0.27%
EUR-USD	1.1597	0.22%	JPY-SGD	1.2360	-0.19%
AUD-USD	0.7348	-0.27%	GBP-SGD	1.7643	0.12%
GBP-USD	1.2911	0.08%	AUD-SGD	1.0042	-0.20%
USD-MYR	4.0968	--	NZD-SGD	0.9151	0.09%
USD-CNY	6.8418	-0.08%	CHF-SGD	1.3899	0.27%
USD-IDR	14574	--	SGD-MYR	2.9970	-0.02%
USD-VND	23275	0.04%	SGD-CNY	5.0051	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9196	--
2M	-0.3380	--	1M	2.0659	--
3M	-0.3190	--	2M	2.1914	--
6M	-0.2660	--	3M	2.3103	--
9M	-0.2060	--	6M	2.5129	--
12M	-0.1670	--	12M	2.8078	--

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%	32.4%	61.2%	6.4%	0.0%
01/30/2019	100.0%	31.1%	60.0%	8.6%	0.3%
03/20/2019	100.0%	16.8%	46.7%	32.3%	4.1%
05/01/2019	100.0%	15.1%	43.6%	33.8%	7.0%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.86	0.76%	Coffee (per lb)	1.009	-0.88%
Brent (per barrel)	74.78	2.96%	Cotton (per lb)	0.8229	-1.15%
Heating Oil (per gallon)	2.1683	2.10%	Sugar (per lb)	0.1018	0.10%
Gasoline (per gallon)	2.0680	2.48%	Orange Juice (per lb)	1.5545	0.19%
Natural Gas (per MMBtu)	2.9560	-0.81%	Cocoa (per mt)	2,313	2.39%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,938.1	-0.66%	Wheat (per bushel)	5.4525	-0.46%
Nickel (per mt)	13,459.5	-0.24%	Soybean (per bushel)	8.703	-1.78%
Aluminium (per mt)	2,052.0	0.51%	Corn (per bushel)	3.6675	-2.00%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,203.3	0.28%	Crude Palm Oil (MYR/MT)	2,241.0	--
Silver (per oz)	14.850	-0.07%	Rubber (JPY/KG)	178.8	3.47%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,733.60	-88.69
S&P	2,861.82	-1.14
Nasdaq	7,889.10	29.92
Nikkei 225	22,362.55	142.82
STI	3,199.89	--
KLCI	1,798.11	--
JCI	5,944.30	--
Baltic Dry	1,736.00	--
VIX	12.25	-0.61

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.87 (--)	2.59 (--)
5Y	2.12 (--)	2.70 (-0.01)
10Y	2.40 (--)	2.82 (-0.01)
15Y	2.71 (--)	--
20Y	2.73 (--)	--
30Y	2.80 (--)	2.98 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.51	-0.40
EURIBOR-OIS	4.00	0.25
TED	24.89	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
08/22/2018 06:45	NZ	Retail Sales Ex Inflation QoQ	2Q	0.30%	1.10%	0.10%	0.30%
08/22/2018 08:30	AU	Westpac Leading Index MoM	Jul	--	0.01%	0.01%	0.13%
08/22/2018 09:30	AU	Construction Work Done	2Q	0.80%	1.60%	0.20%	2.40%
08/22/2018 11:30	TH	Customs Exports YoY	Jul	10.00%	8.27%	8.19%	--
08/22/2018 11:30	TH	Customs Imports YoY	Jul	10.00%	10.53%	10.83%	--
08/22/2018 11:30	TH	Customs Trade Balance	Jul	-\$30m	-\$516m	\$1579m	\$1578m
08/22/2018 12:30	JN	All Industry Activity Index MoM	Jun	-0.80%	-0.80%	0.10%	--
08/22/2018 15:27	PH	Budget Balance PHP	Jul	--	-86.4b	-54.3b	--
08/22/2018 16:00	TA	Unemployment Rate	Jul	3.70%	3.69%	3.68%	--
08/22/2018 19:00	US	MBA Mortgage Applications	Aug-17	--	4.20%	-2.00%	--
08/22/2018 20:30	CA	Retail Sales MoM	Jun	-0.20%	-0.20%	2.00%	2.20%
08/22/2018 20:30	CA	Retail Sales Ex Auto MoM	Jun	-0.10%	-0.10%	1.40%	1.70%
08/22/2018 22:00	US	Existing Home Sales	Jul	5.40m	5.34m	5.38m	--
08/22/2018 22:00	US	Existing Home Sales MoM	Jul	0.40%	-0.70%	-0.60%	--
08/23/2018 02:00	US	FOMC Meeting Minutes	Aug-01	--	--	--	--
08/23/2018 07:50	JN	Japan Buying Foreign Bonds	Aug-17	--	--	¥123.9b	--
08/23/2018 07:50	JN	Japan Buying Foreign Stocks	Aug-17	--	--	¥181.7b	--
08/23/2018 07:50	JN	Foreign Buying Japan Bonds	Aug-17	--	--	-¥58.9b	--
08/23/2018 07:50	JN	Foreign Buying Japan Stocks	Aug-17	--	--	-¥107.1b	--
08/23/2018 08:30	JN	Nikkei Japan PMI Mfg	Aug P	--	--	52.3	--
08/23/2018 13:00	SI	CPI YoY	Jul	0.60%	--	0.60%	--
08/23/2018 13:00	SI	CPI NSA MoM	Jul	-0.10%	--	0.10%	--
08/23/2018 13:00	JN	Leading Index CI	Jun F	--	--	105.2	--
08/23/2018 13:00	JN	Coincident Index	Jun F	--	--	116.3	--
08/23/2018 14:45	FR	Manufacturing Confidence	Aug	108	--	108	--
08/23/2018 14:45	FR	Production Outlook Indicator	Aug	11	--	10	--
08/23/2018 14:45	FR	Own-Company Production Outlook	Aug	--	--	22	--
08/23/2018 15:15	FR	Markit France Manufacturing PMI	Aug P	53.5	--	53.3	--
08/23/2018 15:15	FR	Markit France Services PMI	Aug P	55.1	--	54.9	--
08/23/2018 15:15	FR	Markit France Composite PMI	Aug P	54.6	--	54.4	--
08/23/2018 15:30	GE	Germany Manufacturing PMI	Aug P	56.5	--	56.9	--
08/23/2018 15:30	GE	Markit Germany Services PMI	Aug P	54.3	--	54.1	--
08/23/2018 15:30	GE	Markit/BME Germany Composite PMI	Aug P	55.1	--	55	--
08/23/2018 16:00	EC	Markit Eurozone Manufacturing PMI	Aug P	55.2	--	55.1	--
08/23/2018 16:00	TA	Industrial Production YoY	Jul	3.60%	--	0.36%	--
08/23/2018 16:00	SI	Automobile COE Open Bid Cat A	Aug-23	--	--	33798	--
08/23/2018 16:00	SI	Automobile COE Open Bid Cat B	Aug-23	--	--	34381	--
08/23/2018 16:00	SI	Automobile COE Open Bid Cat E	Aug-23	--	--	33420	--
08/23/2018 16:00	EC	Markit Eurozone Services PMI	Aug P	54.4	--	54.2	--
08/23/2018 16:00	EC	Markit Eurozone Composite PMI	Aug P	54.5	--	54.3	--
08/23/2018 20:30	US	Initial Jobless Claims	Aug-18	215k	--	212k	--
08/23/2018 20:30	US	Continuing Claims	Aug-11	1730k	--	1721k	--
08/23/2018 21:00	US	FHFA House Price Index MoM	Jun	0.30%	--	0.20%	--
08/23/2018 21:45	US	Bloomberg Consumer Comfort	Aug-19	--	--	58.9	--
08/23/2018 21:45	US	Markit US Manufacturing PMI	Aug P	55	--	55.3	--
08/23/2018 21:45	US	Markit US Services PMI	Aug P	55.8	--	56	--
08/23/2018 21:45	US	Markit US Composite PMI	Aug P	--	--	55.7	--
08/23/2018 22:00	US	New Home Sales	Jul	645k	--	631k	--
08/23/2018 22:00	US	New Home Sales MoM	Jul	2.20%	--	-5.30%	--
08/23/2018 22:00	EC	Consumer Confidence	Aug A	-0.7	--	-0.6	--
08/23/2018	MU	Visitor Arrivals	Jul	--	--	2603t	--

Source: Bloomberg

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