

Highlights

Global	<p>After last week's surprise market rally despite US president Trump's levying 10% additional tariffs on another US\$200b of Chinese exports which became effective today, it would be interesting to watch if global risk sentiments stand up to the onslaught of central bank meetings later this week. Key developments over the weekend were Chinese pulling out of US trade talks post-Trump's latest salvo, UK PM May's Brexit impasse with EU leaders despite the informal October deadline for a deal (which raised speculation of a November snap election), and OPEC's decision to boost output only if demand requires (notwithstanding Trump's earlier push for OPEC action to lower oil prices).</p> <p>Given tepid Friday signals from Wall Street, Asian markets may trade with a listless tone today, especially with China markets closed. Today's economic data calendar comprises of Singapore's August inflation data, German IFO business climate, US' Chicago Fed national activity and Dallas Fed manufacturing activity. ECB's Draghi is also speaking at the 3rd Monetary Dialogue which will focus on "abundant liquidity and bank lending activity: an assessment of the risks" and "central bank communication at times of non-standard monetary policies". Key central bank meetings to watch this week sees most of the action on 27 September from the FOMC, BSP (likely to hike 50bps to 4.5% for the overnight borrowing rate), and BI (potential 25bps hike following in the FOMC footsteps to ward off IDR pressure), whereas RBNZ (with rhetoric likely still somewhat dovish) and CBC are likely to be static at 1.75% and 1.375% respectively. For FOMC, the next 25bps hike to 2-2.25% has been fully priced in, but market watchers on awaiting any changes in the median dots plot (specifically if 2019 now sees an additional rate hike and if the extension to 2021 still portends a rate hike or pause), a potential tweak in the FOMC statement language to remove the "accommodative" reference and Powell's rhetoric pertaining to where the neutral or terminal rate may be.</p>
CH	Local governments increased the issuance of local government debt in August as total issuance hit CNY882.97 billion. Local governments issued CNY526.6 billion special bonds in August.
SG	Headline CPI inflation is tipped to rise 0.7% yoy (0.4% mom nsa), but MAS core inflation is likely to accelerate to 2.1% yoy (previously 1.9% yoy in July) which if sustained could pose a conundrum to the MAS at the upcoming MPS decision in early-mid October.
TH	Thailand's latest trade prints in August continue to paint an encouraging backdrop. Exports expanded better-than-expected at 6.7% in August, up from a market-expected 4.5% print even as the Baht appreciated and remains to be the best performer among major Asian currencies. Note that the Commerce Industry commented that the export growth target of 8.0% is still achievable, and may even be as high as 9.0% this year.
CMD	Energy prices remained mixed in the last week's closing, even as WTI fell 0.03% while Brent held firm at \$78.8/bbl (+0.13%). Moreover, base metal prices staged a strong comeback with Copper (+4.3%), Nickel (+5.0%) and Aluminium (+2.5%) gaining some lost ground suggesting that further risk-taking appetite persisted in the previous week.

Major Markets

- **US:** The September preliminary manufacturing PMI surged more than expected from 54.7 in August to 55.6, but the services PMI eased from 54.8 to 52.9 and prompted the composite PMI to also moderate from 54.7 to 53.4.
- Wall Street closed mixed on Friday, as the S&P500 slid 0.04%, but the DJIA climbed higher by 0.32% to 26,743.50.
- FAANG equity dragged the Nasdaq composite lower (-0.51%) as all 5 stocks dipped more than 1%, with Facebook posting the largest drop at -1.86%.
- McDonald's stock rose 2.80% following an announcement that it was to increase dividends by 15%.
- Comcast (+0.24%) outbided 21st Century Fox (-0.54%) for Sky with \$39bn, with Comcast's 17.28 pounds per share beating the 15.67 pound offer by Fox.
- Wells Fargo & Co fell 1.01% on news that it would cut its workforce by 5-10% over the next 3 years as part of its restructuring strategy.
- **China:** As a result of the constraints to easing monetary policy, China will increasingly rely more on fiscal policy to strike the balance between steady growth and financial stability. The local governments are expected to further step up their issuance of special bond to support growth.
- **Singapore:** The STI rallied gained 1.17% to close up at 3217.68 on Friday, but it remains to be seen if it would cede the 3200 handle again given the confluence of ongoing US-China trade tensions and the 5 central bank policy decisions due later this week. STI' resistance and support are tipped at 3230 and 3190 respectively. With the impending FOMC rate hike later this week and also quarter-end funding pressures, US short-term rates are unlikely to see any near-term reprieve, but barring a further impetus for the 10-year UST bond yield to test higher, then the curve flattening bias may stay for now. Given the upcoming \$1.5b re-opening of the 15-year SGS bond maturing on September 2033, the pressure on the longer-tenor SGS bond yields may also remain. The 3-month SOR continue to climb to 1.718% (nearing its 1.72988% year-to-date high on 9 May), and short-term local funding conditions may remain tight into the quarter-end.
- **Malaysia:** Finance minister Lim Guan Eng has mentioned that there was a 96% drop in the consolidated revenue account between the 31st December 2017 and 30th April 2018. This represented a drop from RM11.86bn to RM450m. As a note, the Malaysian general election itself was held on the 9th May 2018. He also said, "imagine only RM450mil was available for paying emoluments and pensions, when in fact the government needs over RM8bil a month for this expenditure alone." Meanwhile, the contractor of the East Coast Rail Line (ECRL) project, China Communications Construction Company Limited (CCCC) has said the project will cost RM66.78bn instead of RM81bn as claimed by Lim Guan Eng.
- **Indonesia:** The government is revising a regulation on tax holidays to increase the number of beneficiaries that are eligible for the fiscal incentives. Under Finance Ministry Regulation No. 35/2018 on the investment coordinating board and Finance Ministry Regulation No. 5/2018 on tax holidays, only 17 pioneer industries can benefit from the tax holiday. "We plan to expand it to all sectors, including services that own large assets. Currently the minimum investment to get the tax holiday is Rp 500 billion (US\$33.73 million)," said Investment Coordinating Board (BKPM) facility service director Endang Supriyadi.

- **Hong Kong:** HKD jumped by the most since September 2003 during last Friday as concerns about tighter liquidity triggered stop losses and unwinding of long USDHKD positions. The over HK\$3 billion reserved for Haidilao IPO will only be released next week. Adding on upcoming quarter-end, Mid-Autumn Festival and National Daily Holiday, front-end liquidity is likely to remain tight in the near term. As such, we expect 1M HIBOR and 3M HIBOR to move higher towards 2% and 2.2% respectively by end of this month. This may keep carry trade activities on the sidelines and allow the HKD to stay away from the weak end of the trading band for some time. Nevertheless, it may be risky to chase USDHKD lower. Specifically, USD LIBOR is set to tick up following the highly possible rate hike by the Fed in September FOMC. In contrast, given the relatively sizeable aggregate balance (HK\$76.3 billion), HIBOR may come off as the HKD liquidity may improve after the seasonality abates and the IPO money returns to the market. Should US-HK yield differential widen again, it is still possible for the return of carry trade to push down HKD.
- **Macau:** Inflation decelerated slightly from 3.33% in July (the strongest level since Feb 2016) to 3.32% in August. For the two most heavily-weighted items, food inflation slowed down to 2.59% while the price index of housing & fuels grew by 3.02% yoy, the strongest level since early 2016, amid the higher residential rentals and energy prices. Despite the low-base effect, the inflation of miscellaneous goods & services decelerated to 3.55% from 3.73% in July, mainly affected by the lower prices of gold jewellery. Given the higher gasoline prices and rising parking meter rates, the price growth of transportation remained strong (+6.25% yoy). Moving forward, we expect to see a gradual inflationary pressure in Macau in the coming months, on the back of the pickup in global inflation and higher energy prices.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear flattened last Friday, with swap rates for the shorter tenors trading 3-4bps higher while the longer tenors traded 1-2bps higher (with the exception of the 12-year swap rates trading 3bps higher). 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 tightened 7bps to 475bps. 10Y UST yields rose 2bps to 3.08% in the earlier part of the trading session last Friday ahead of the Federal Reserve meeting this week. Yields subsequently fell 2bps to close at 3.06% as Brexit negotiations stalled between the UK and the European Union.
- **New Issues:** Lum Chang Holdings Limited has priced a SGD40mn 3-year bond at 5.8%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	94.220	0.33%	USD-SGD	1.3640	-0.04%
USD-JPY	112.590	0.09%	EUR-SGD	1.6027	-0.26%
EUR-USD	1.1749	-0.24%	JPY-SGD	1.2115	-0.13%
AUD-USD	0.7290	-0.03%	GBP-SGD	1.7835	-1.49%
GBP-USD	1.3072	-1.45%	AUD-SGD	0.9947	-0.03%
USD-MYR	4.1305	-0.18%	NZD-SGD	0.9112	-0.10%
USD-CNY	6.8571	0.15%	CHF-SGD	1.4227	-0.01%
USD-IDR	14817	-0.22%	SGD-MYR	3.0287	0.18%
USD-VND	23335	1.39%	SGD-CNY	5.0240	0.28%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	0.0010	O/N	1.9209	0.0035
2M	-0.3380	0.0010	1M	2.2158	0.0036
3M	-0.3190	--	2M	2.2679	0.0044
6M	-0.2680	--	3M	2.3726	0.0063
9M	-0.2080	0.0010	6M	2.5920	0.0071
12M	-0.1680	--	12M	2.9083	0.0116

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%	97.9%	2.1%	0.0%	0.0%
11/08/2018	100.0%	95.2%	4.7%	0.1%	0.0%
12/19/2018	100.0%	23.2%	73.2%	3.6%	0.0%
01/30/2019	100.0%	21.5%	69.5%	8.6%	0.3%
03/20/2019	100.0%	9.4%	42.5%	43.0%	5.0%
05/01/2019	100.0%	8.1%	38.0%	42.9%	10.1%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.78	-0.03%	Coffee (per lb)	0.999	0.15%
Brent (per barrel)	78.80	0.13%	Cotton (per lb)	0.7913	0.84%
Heating Oil (per gallon)	2.2260	-0.09%	Sugar (per lb)	0.1168	0.52%
Gasoline (per gallon)	2.0171	0.12%	Orange Juice (per lb)	1.4725	-0.10%
Natural Gas (per MMBtu)	2.9770	0.03%	Cocoa (per mt)	2,167	-1.54%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,299.7	4.29%	Wheat (per bushel)	5.2175	-0.43%
Nickel (per mt)	13,186.5	4.96%	Soybean (per bushel)	8.473	-0.35%
Aluminium (per mt)	2,074.5	2.52%	Corn (per bushel)	3.5725	1.35%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,201.3	-0.83%	Crude Palm Oil (MYR/MT)	2,143.0	-0.14%
Silver (per oz)	14.359	0.38%	Rubber (JPY/KG)	168.9	-0.41%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,743.50	86.52
S&P	2,929.67	-1.08
Nasdaq	7,986.96	-41.28
Nikkei 225	23,869.93	195.00
STI	3,217.68	37.25
KLCI	1,810.64	6.94
JCI	5,957.74	26.48
Baltic Dry	1,413.00	17.00
VIX	11.68	-0.12

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.02 (+0.04)	2.80 (--)
5Y	2.32 (+0.03)	2.95 (--)
10Y	2.56 (+0.04)	3.06 (--)
15Y	2.84 (+0.03)	--
20Y	2.87 (+0.03)	--
30Y	2.89 (+0.03)	3.20 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.60	0.55
EURIBOR-OIS	3.85	0.75
TED	20.95	0.14

CFTC Commodities Futures and Options

For the week ended: 18 Sep 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	-49,167	-106,501	57,334	Corn	-86,219	6,241	-92,460
Live Cattle	92,324	73,757	18,567	Nymex Crude	565,335	584,345	-19,010
Copper	-892	-8,964	8,072	Wheat	3,468	18,427	-14,959
RBOB Gasoline	105,330	98,403	6,927	Natural Gas	-83,329	-71,882	-11,447
Platinum	-1,500	-7,161	5,661	Cotton	73,930	82,663	-8,733
Heating Oil	43,565	41,018	2,547	Coffee	-106,651	-99,293	-7,358
Silver	-26,749	-28,323	1,574	Soybean	-82,487	-77,854	-4,633
Lean Hogs	21,117	19,801	1,316	Cocoa	2,376	6,563	-4,187
Palladium	7,549	6,695	854	Gold	-28,919	-28,517	-402

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/21/2018 05:00	SK PPI YoY	Aug	--	3.00%	3.00%
09/21/2018 07:30	JN Natl CPI YoY	Aug	1.10%	1.30%	0.90%
09/21/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Aug	0.90%	0.90%	0.80%
09/21/2018 07:50	JN Japan Buying Foreign Bonds	Sep-14	--	¥2312.0b	¥297.6b
09/21/2018 07:50	JN Japan Buying Foreign Stocks	Sep-14	--	¥233.0b	¥97.6b
09/21/2018 07:50	JN Foreign Buying Japan Bonds	Sep-14	--	¥266.3b	¥329.9b
09/21/2018 07:50	JN Foreign Buying Japan Stocks	Sep-14	--	¥1481.7b	¥1063.2b
09/21/2018 08:30	JN Nikkei Japan PMI Mfg	Sep P	--	52.9	52.5
09/21/2018 11:00	NZ Credit Card Spending YoY	Aug	--	7.70%	3.20%
09/21/2018 11:00	TH Customs Exports YoY	Aug	4.50%	6.68%	8.27%
09/21/2018 11:00	TH Customs Imports YoY	Aug	11.10%	22.80%	10.53%
09/21/2018 11:00	TH Customs Trade Balance	Aug	\$1190m	-\$588m	-\$516m
09/21/2018 11:58	MU CPI Composite YoY	Aug	--	3.32%	3.33%
09/21/2018 12:30	JN All Industry Activity Index MoM	Jul	0.10%	0.00%	-0.80%
09/21/2018 13:30	JN Nationwide Dept Sales YoY	Aug	--	-0.20%	-6.10%
09/21/2018 13:30	JN Tokyo Dept Store Sales YoY	Aug	--	1.60%	-4.50%
09/21/2018 14:45	FR Wages QoQ	2Q F	0.40%	0.40%	0.40%
09/21/2018 14:45	FR GDP QoQ	2Q F	0.20%	0.20%	0.20%
09/21/2018 14:45	FR GDP YoY	2Q F	1.70%	1.70%	1.70%
09/21/2018 15:09	MA Foreign Reserves	Sep-14	--	\$103.9b	\$104.4b
09/21/2018 15:15	FR Markit France Manufacturing PMI	Sep P	53.3	52.5	53.5
09/21/2018 15:15	FR Markit France Services PMI	Sep P	55.3	54.3	55.4
09/21/2018 15:15	FR Markit France Composite PMI	Sep P	54.6	53.6	54.9
09/21/2018 15:30	GE Markit/BME Germany Manufacturing PMI	Sep P	55.7	53.7	55.9
09/21/2018 15:30	TH Foreign Reserves	Sep-14	--	\$204.3b	\$203.6b
09/21/2018 15:30	GE Markit Germany Services PMI	Sep P	55	56.5	55
09/21/2018 15:30	GE Markit/BME Germany Composite PMI	Sep P	55.4	55.3	55.6
09/21/2018 16:00	EC Markit Eurozone Manufacturing PMI	Sep P	54.5	53.3	54.6
09/21/2018 16:00	EC Markit Eurozone Services PMI	Sep P	54.4	54.7	54.4
09/21/2018 16:00	EC Markit Eurozone Composite PMI	Sep P	54.5	54.2	54.5
09/21/2018 16:30	UK Public Finances (PSNCR)	Aug	--	3.1b	-19.2b
09/21/2018 16:30	UK Public Sector Net Borrowing	Aug	3.0b	5.9b	-2.9b
09/21/2018 16:30	UK PSNB ex Banking Groups	Aug	3.4b	6.8b	-2.0b
09/21/2018 20:30	CA Retail Sales MoM	Jul	0.30%	0.30%	-0.20%
09/21/2018 20:30	CA Retail Sales Ex Auto MoM	Jul	0.60%	0.90%	-0.10%
09/21/2018 20:30	CA CPI NSA MoM	Aug	-0.10%	-0.10%	0.50%
09/21/2018 20:30	CA CPI YoY	Aug	2.80%	2.80%	3.00%
09/21/2018 21:45	US Markit US Manufacturing PMI	Sep P	55	55.6	54.7
09/21/2018 21:45	US Markit US Services PMI	Sep P	55	52.9	54.8
09/21/2018 21:45	US Markit US Composite PMI	Sep P	--	53.4	54.7
09/24/2018 13:00	SI CPI YoY	Aug	0.70%	--	0.60%
09/24/2018 13:00	SI CPI NSA MoM	Aug	0.50%	--	-0.10%
09/24/2018 16:00	GE IFO Business Climate	Sep	103.2	--	103.8
09/24/2018 16:00	GE IFO Expectations	Sep	100.5	--	101.2
09/24/2018 16:00	GE IFO Current Assessment	Sep	106	--	106.4
09/24/2018 20:30	CA Wholesale Trade Sales MoM	Jul	0.40%	--	-0.80%
09/24/2018 20:30	US Chicago Fed Nat Activity Index	Aug	0.2	--	0.13
09/24/2018 22:30	US Dallas Fed Manf. Activity	Sep	31	--	30.9
09/24/2018	PH Budget Balance PHP	Aug	--	--	-86.4b
09/24/2018	MU Visitor Arrivals	Aug	--	--	3034t

Source: Bloomberg

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

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