Research Monitor (October)

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Wednesday, October 03, 2018

Key Themes

1. September started out choppy, but there was some risk recovery towards the end of 3Q18. US equities continued to plough ahead, but Emerging Markets (EM) had a much more volatile ride. For the year-to-date, EM bonds have seen a net outflow of US$2.0b, but EM equities still have a net inflow of US$39.6b bonds. The picture for Asia-Pacific ex-Japan is similar with a net US$35.9b equity inflow and US$6.8b bond outflow. This essentially is a market repricing given the stronger USD and rising USD interest rates, rather than a EM crisis per se. Note the US FOMC reiterated their intentions of a fourth hike in December this year, followed by another three hikes in 2019, and one in 2020 with none in 2021. EM central banks, including some in Asia, have also tightened monetary policy in response to the narrowing yield differentials and their currencies have borne the brunt of the adjustments.
2. The escalation of US-China trade war, with the recent implementation of 10% tariffs on US$200 billion of Chinese imports, is likely to continue to contribute to the wax and wane of global risk appetite in this region. News that the US and Canada had struck a new NAFTA trade deal together with Mexico (renamed as the US-Mexico-Canada Agreement) gave market some hope for more US concessions, we remain doubtful that US conciliation will extend to its strategic technology and economic leadership challenge by China for now. Global manufacturing and trade data have softened into 3Q18, nevertheless, it has not been as acute as initially feared as some ASEAN economies have probably benefited from some realignment of production chains to bypass the US-China tariffs. Still, with no near-term resolution likely and China settling in for a long trade battle, this gels with our "slow burn" scenario for 2019 where the trade war continues to pose a drag on the Chinese economy, with potential spillover effects into investments and manufacturing activities in Asia. Even IMF's Lagarde suggested a potential downgrade of the 3.9% global growth forecast for 2018-19, citing "signs that global growth has plateaued" and risks that trade disputes may exacerbate China's slowdown and hurt emerging markets through uncertainty.
3. We continue to see evolving global risk sentiments as a driver in the FX markets in October. On top of this, we add higher UST yields as another theme to note. At this juncture, these global and US-centric cues may pull the dollar in opposite directions, thus leaving us with a lack of significant traction in terms of broad dollar directionality. In this context, we keep close watch on two issues. Firstly, how the market attention shift between pro-dollar and anti-dollar imperatives, and secondly, any other idiosyncratic factors that drive specific pairs as the broad dollar directionality remain diffused.
4. With the escalation of US-China trade war, China's economy started to feel pain with the latest September manufacturing PMI slowed notably dragged by the decline of new export orders. However, market sentiment rebounded in the second half of September on the back of China's commitment for stability. China's interest rates declined after PBoC did not follow the Fed to hike its interest rate. It seems China is unwilling to support currency at the expense of interest rate stability. China may rely more on administrative measures to keep currency stable in the near term.

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<tr><th></th><th colspan="2">House View</th><th colspan="2">Trading Views</th></tr>
<tr><td rowspan="2">FX</td><td colspan="2">DXY and majors: We have seen a sustained improvement in overall risk sentiments since mid-September, and the successful completion of the USMCA may also add on another layer of positivity. This has dented demand for the haven currencies, including the dollar and JPY, and leaving the cyclical currencies relatively resilient. Nevertheless, during this period, Sino-US trade tensions and political uncertainty in the UK and US continued to swirl, with no imminent end in sight. Therefore, sustained buoyancy in risk sentiments may be called question going forward. With risk sentiments looking exceptionally shifty in Q3 (our FX Sentiment Index switching repeatedly on either side of Risk-Neutral), we urge caution in excessively chasing risk-on trades.
Improved risk sentiments, on the other hand, has contributed to higher UST yields. At this juncture, the 10y UST yield consolidating above the 3.00% handle, and re-opening yield differentials between the US and other G10 economies, lend implicit support for the dollar. Nevertheless, apart from the USD-JPY, there has been limited positive traction for dollar due to yield differentials for now. Question now is whether the market attention will re-focus to this front, and re-establish the positive relationship between yield differentials and the broad dollar.
As we contend with these global and US-centric cues, we should not overlook idiosyncratic drivers, and we are not short of these in October. The Italian fiscal situation will continue to weigh on the EUR, while the GBP continue to gyrate on Brexit-related headlines as we remain no clearer on the divorce terms. Meanwhile, the CAD may continue to glow on the back of easing uncertainties after the USMCA conclusion.</td><td colspan="2">Long USD-JPY on improved risk appetite and yield differentials. However, remain nimble given stretched technical and shifty nature of risk sentiments. Negative on the EUR and constructive on the CAD on idiosyncratic drivers.</td></tr>
<tr><td colspan="2">Asian FX and SGD: The EM Asia currencies has benefited from the easing of worries over the EM space and consequent upturn risk sentiments. Nevertheless, we think the impact of these rosy conditions on EM Asia currencies may be increasingly diffused. Higher UST yields and crude prices may start to filter though and add negative pressures. At this juncture, we remain more positive on the KRW, TWD and THB, which continue to see some back-stop from still robust (though moderating) inflow momentum. On the other hand, the INR, IDR and PHP continue to suffer from outflow momentum. Any reversal of overall risk environment may see these currencies get hit further.</td><td colspan="2">Prefer KRW, TWD and THB in the EM Asia space, relative to the INR, IDR and PHP.</td></tr>
<tr><td>Rates</td><td>Global monetary policy tightening has become the norm. FOMC remains the leader. DM-EM interest differentials remain under pressure. Market focus may turn increasingly to the ECB in 2019.</td><td colspan="2">US: The 10-year UST bond yield has broken the 3% handle in mid-September and is slowly creeping towards the 3.11% year-to-date high, but progress is understandably slow due to the growing headwinds on global growth and trade for now. The September FOMC went according to plan and did not rock the boat despite upgrading its growth forecasts to 3.1% for this year and 2.5% for next year. Fed chair Powell also cautioned that dropping the “accommodative” reference does not signal a policy change and widespread and prolonged tariffs would hurt the US. Still, the extension to 2021 tips growth at trend ~1.8%. Inflation forecasts for headline and core PCE continue to suggest a very mild overshoot in 2020-21 at 2.1%-2.2%, with unemployment bottoming around 3.4% this year before rising to around 3.5-4.0% by 2021. The dispersion of the Fed Funds mid-point also grows with time: 4 votes each for 2.875%/ 3.125%/ 3.375%/3.625% for 2019, and 6 votes for 3.625% (2 at 3.375% and 4 at 3.125%) for 2021, before settling to 6 votes for 3% (4 votes for 2.75% and 3 votes for 2.5%) by 2021. The 2-10 year UST bond spread has stabilised around 25bps after hitting 19bps on 24 August, and we have to wait and see if the bear steepening bias can regain any momentum.</td><td>→</td></tr>
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		SG: The 3M SIBOR remained stable at 1.64%, but SOR dipped back to 1.64% from the recent high of 1.71% post-month/quarter end. S$NEER touched 1.4% on the stronger side of its parity band amid market speculation of a potential tightening at the October MPS, but has since retraced slightly. At this juncture, GDP growth remains on track for 3% and core inflation is still tipped higher, hence the window for another gradual tightening remains on the cards whether in October 2018 or April 2019. MAS will conduct a mini-auction which will be a re-opening of the SIGB 3.125% maturing in September 2022, with the auction size announcement on 22 October (likely capped below $1 billion) and auction on 29 October. This will be the last SGS bond auction for the year and 2018 was a remarkable year - gross SGS bond issuance has reached $19.2b for the year-to-date, up from $15.5b for the whole of 2017. Netting off redemptions, SGS bond issuance was only $5.7b, which is still higher than the $5.5b seen for the whole of last year, and is the highest since the $7.1b seen back in 2015. The average monthly turnover for SGS bonds also hit $1.9b for the year-to-date, which is up 12.6% from the same period last year, and marked the highest average turnover since at least 2010. There also appears to be little impetus for the 10-year SGS bond yield to play serious catch-up to its US counterpart for now.	→

	House View	Trading Views	
Commodities	**Crude Oil:** Fundamentals appear roughly balanced into 4Q18, despite lower oil supplies from Iran and Venezuela. Downside risks remain: trade war-induced risk-off appetite OPEC's effort to cushion Iran's shortfall could swing prices lower. Given the quick uptrend in oil prices of late, we upgrade our year-end outlook for WTI and Brent to $70/bbl and $80/bbl respectively.	Oversupply concerns quickly turned into undersupply threats following Iranian sanctions that will come in force into November. We note that production numbers to-date do not support the surge in oil prices to beyond $80/bbl: shortfall in Iranian oil production measured a mere 300kbpd since May 2018, while higher supplies in Saudi Arabia, Russia Iraq and UAE outweighed the shortfall. We remain cautious on the current oil rally, given the lack of persuasive fundamental drivers.	→
	Gold: We downgrade our gold outlook to $1,200/oz given the relatively stronger dollar-to-date amid the rosier US-centric data. Gold will remain slaved to dollar movement. Being a zero-yielding asset, it will likely pales in light with the higher Fed Fund rate path into 2019 as seen in the latest dot-plot chart.	ETF holdings in gold continue to slide lower into end-September, while CFTC net-position data continue to paint continued indifference to gold as a safe haven hedge. Further risk-taking seen from higher Wall Street equity prints amid a new US-Canada-Mexico trade agreement could further pale gold's shine into 4Q18.	→
	Crude Palm Oil: The El Nino scare has yet to materialize to-date, although weather forecasters point towards a potential hot weather in Southeast Asia into 4Q18/1Q19. Relatively weaker palm oil demand amid strong Indonesia's palm oil production seen year-to-date may continue to cap upside.	Some numbers to digest into 4Q18 will be Indonesia's strong palm oil production growth of 18.6% y/y in the first 8 months of 2018, while lackluster demand sent inventories surging 119.4% over the same period. Key palm oil importers including China (-42.5%), India (-24.1%) and EU (-54.6%) saw imports plummeting in August. The absence of weather extremity and poor demand are clear bearish signals for palm oil prices.	↓

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Credit	10-yr US Treasuries climbed significantly (~23bps) throughout the month to 3.05% on 28 September, reaching near the five year high of 3.11% on 17 May 2018. This is largely attributable to heightened expectations of continued rate hikes by Fed, supported by solid US economic data. This is despite trade concerns between the US and China lingering. Although bond issuance in the Asia dollar space was higher month on month in September, it fell short of expectations with volume down ~17% y/y. With rate hikes looming, issuers are expected to come to the market sooner rather than later. Issuances by financial institutions dominated the market, accounting for ~39% of total issuances while geographically, China issuers continued to be the most active in the market. We expect issuance volumes to be somewhat depressed with China out during the first week of October due to National Day. Also tempering issuance volumes in our view is the likely rise in new issue premiums required to get deals priced as seen with SocGen's USD1.25bn AT1 securities that priced on Sept 27th with a decent new issue premium of ~37bps compared to SocGen's existing curve.	**IG Pick: HSBC 4.70%-PERPc22s (Offer YTC 4.49%):** HSBC has global systemic importance as the 7th largest bank globally by asset size. Although headquartered in London, 77% of 2Q2018 adjusted PBT was generated in Asia, mostly in Hong Kong. Size is the key strength for the business profile as it gives the bank scale and diversity which translate to earnings stability with a very balanced earnings mix. Underlying performance has been resilient from stable revenues and expenses and lower impairments, leading to improved earnings with a strong liquidity and funding profile. Capital requirements are rising due to systemic importance but current Holdco MREL is not far off from its minimum 2022 requirement and current capital ratios are well above minimum stressed CET1 ratio from Bank of England stress tests. Following the issuance of the HSBC 5.0%-PERPc23s, the HSBC 4.70%-PERPc22s have dropped close to 2c (before rebounding 0.6 c). The reset spread on the HSBC 4.70%-PERPc22s is also slightly higher which adds value in our view.	↑

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	The SGD primary market saw nine bond issues totaling SGD3.7bn, with banks – DBS, HSBC, Commerzbank, ICICI, and CCB contributing ~69% of the issuances volume. However, new issuances have been repricing the secondaries, in particular HSBC 5% NC5 Perp, which may deter further issuances. Interestingly, we also saw our first SGD corporate perpetual following a hiatus with Soilbuild REIT issuing a 6% NC3 perp in the month though this was anchored by the business owner who took up ~50% of the issuance. Meanwhile, prices of corporates perps have been drifting downwards as investors steer clear given the negative market sentiments on long-dated maturities. While we saw some picking up of secondary activity for selected corporate perps by end-September, it is still too early to herald stabilization in our view. Further, we have also observed some restructuring activity within the SGD bond space. ASL Marine, for instance, is looking to extend maturity, reduce interest and ease some covenants. Bondholders of Pacific Andes Resources Development are mulling legal action against HSBC in a bid to claw back monies from a defaulted SGD bond. The market also continues to await updates from Hyflux. Overall, we advocate that investors go for quality by selecting on names with stronger credit fundamentals – moderately leveraged balance sheets, adequate liquidity and consider bonds with shorter duration. This may protect against pressure in secondary markets from the steepening yield curve.	**HY Pick: GUOLSP 4.1% 13/05/2020 (Offer YTM 3.19%):** GuocoLand Ltd ("GUOL") (Issuer profile: Neutral (5)) is a Singapore-based property developer focusing on residential, commercial and integrated developments. GUOL's properties are located in Singapore, China, Malaysia and Vietnam. It is 68%-owned by Guoco Group, which is listed on the Hong Kong Stock Exchange, and in turn a member of the Hong Leong Group conglomerate. While net gearing remains somewhat elevated at 0.87x (as at 30 June 2018), short term debt coming due had shrunk considerably to SGD1.6bn from end-March's SGD3.2bn. Capital markets continue to be accessible for GUOL which should help with refinancing of the remaining debt due in the short term. Recurring income from Tanjong Pagar Centre (an integrated development in Singapore's CBD) also weighs positively for GUOL.	↑

Macroeconomic Views

	House View	Key Themes
US	FOMC is primed to hike for a fourth time on 20 December. GDP growth remains resilient despite the ongoing trade spats and ahead of mid-term elections in Nov.	The US economy grew by 4.2% annualised (fastest pace since 3Q14), and up from 2.2% for 1Q, bringing 1H18 growth to 3.2%. Consumer spending aided by the US$1.5t tax cuts contributed 2.57 points. Unsurprisingly, the FOMC upgraded both 2018-19 growth forecasts to 3.1% and 2.5%. US has renegotiated NAFTA with Canada and Mexico, but the stand-off with China on trade remains. For the upcoming mid-term elections, , the odds are 4 in 5 that Democrats will win control of the House, but 1 in 3 to win the Senate as of 30 Sep, according to Pojects538. Controversy over high court nominee Kavanaugh may bode ill for GOP going into the mid-term elections.
EU	ECB will end asset purchases by end-2018, but will hesitate to signal any rate hikes before summer of 2019. Italy risks have resurfaced again, and a defiant 2.4% budget deficit proposal sets up a confrontation with the European Commission (EC) that may hog deadlines in the interim.	Italian concerns have been elevated after the Five Star Movement-League coalition outlined a 2019 deficit target of 2.4% which may face a rebuke from EC come 15 October, as well as potentially herald sovereign rating downgrades from Moody's and/or S&P later this month. Meanwhile, market speculation of a snap election in November is likely to dog UK PM May as she tries to garner support for her Chequers proposal.
Japan	BOJ had signalled some policy flexibility (+/-20bps from its current 10-year JGB target of around 0% and will conduct JGB purchases in a "flexible manner" around the annual JPY80t target) and introduced forward guidance in the form of its commitment to keep rates low for "an extended period of time".	With October seeing the first cuts in purchase ranges for bonds due in more than a year since August 2017, the "stealth tapering" has become more transparent. In particular, BOJ will buy JPY10-100b of bonds due in more than 25 years, down from September's JPY50-150b range. Meanwhile, US' protectionism has taken a toll on Japan's Tankan print for large manufacturers which fell from 21 in 2Q18 to 19 in 3Q (forecast: 22), albeit capex plans are holding up for now.
Singapore	Our baseline remains for 3% growth for 2018. While MAS core inflation held at 1.9% yoy in August, there is still modest upside pressure for the months ahead. A further monetary policy tightening in the form of a modest slope steepening cannot be ruled out for the October MPS. If delayed, April 2019 also looks plausible.	August economic indicators remained healthy. Bank loans growth recovered 0.4% mom (Jul: -0.9% mom) and accelerated to 5.6% yoy (Jul: 5.5% yoy) in August. Business loans rose 0.6% mom (Jul: -1.4% mom), aided by building and construction segment (+2.5% mom) which more than offset FI weakness (down for the fourth straight month by 1.7% mom). Consumer loans was flat mom (July: -0.1%) even as housing loans rose 0.1% mom (3.7% yoy) post-cooling measures. 3Q flash private home sales rose 0.5% qoq, slower than 2Q's 3.4% qoq. However, 2H growth is tipped to slow – the manufacturing and electronics PMI eased to 52.4 (-0.2 points) and 51.4 (-0.6 points), while the Nikkei whole economy PMI slipped into contraction territory at 49.6 in September. Electricity tariffs will rise 2.1% qoq for 4Q, which may add to domestic inflation pressure.
Indonesia	Our growth forecast stands at 5.1% yoy for 2018. We are expecting moderate private consumption growth whilst investment growth to be strong - fueled by a rise in commodities prices. At this point, we see that BI will also undertake an at least 25bps rate hike in December just at the same time as another widely anticipated Fed rate hike.	The IDR breached the 15,000 mark in early October, for the first time since the 1998 Asian Financial Crisis. Relative to other key ASEAN peers, Indonesia's fundamentals are generally weaker. At the same time, the surplus in goods in the current account drastically fell in 2Q 2018 as goods imports continue to rise. Regardless, the country's fundamentals are still much stronger compared to other periods of stress such as the 1998 Asian Financial Crisis. We still though continue to see that the currency will remain under pressure for the rest of this year. The government has unveiled multiple measures to both curb imports and stabilize the IDR but we will have to watch closely in subsequent months if these measures can have any effect. Meanwhile, BI raised rates by 25bps in their latest policy meeting which comes just after the Fed similarly hiked rates by 25bps too.

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China	The economy slowed slightly to 6.8% yoy in the first half of 2018 from 6.9% in 2017 and is expected to decelerate further to around 6.6% in 2018 due to rising uncertainty as a result of US-China trade war and looming financial risk.	With the escalation of US-China trade war, China's economy started to feel pain with the latest September manufacturing PMI slowed notably dragged by the decline of new export orders. However, market sentiment rebounded in the second half of September on the back of China's commitment for stability. China's interest rates declined after PBoC did not follow the Fed to hike its interest rate. It seems China is unwilling to support currency at the expense of interest rate stability. As such, RMB weakened again with RMB index slipping towards 92. China may rely more on administrative measures to keep currency stable in the near term. China's commitment to reform and opening remains on track despite trade war. China announced to cut import tariff for 1585 products effective from 1 November. China's opening of its financial market paid off. Net portfolio investment jumped to US$61 billion in 2Q, highest in record. Meanwhile, the latest data from IMF shows that global FX reserve in RMB surged further by 32.6% qoq to US$193.38 billion in 2Q from US$145.88 billion in 1Q. Given the global index provider FTSE Russell will include China's A-share into its benchmark from June 2019; we should expect more passive inflows into China's onshore equity market.
Hong Kong	Fiscal stimulus, a stable labour market, improved tourism activities and resilient external demand may continue to support the economy. As such, we revise our forecasts for 2018 GDP from 2.9% to 3.6%. Still, we will closely monitor two downside risks including global monetary tightening and the prolonged trade war. Should trade war escalate, the possibility of GDP showing a slower growth of 3.2% cannot be ruled out. Elsewhere, recent rounds of HKD weakness are unlikely to cause market turmoil. With HIBOR to tick up gradually, HKD may rebound, while housing growth could moderate.	HKD jumped by the most since Sep 2003 on 21 Sep as concerns about tighter liquidity triggered stop losses and unwinding of long USDHKD positions. Due to IPOs, seasonality and prime rate hike talks, front-end liquidity got very tight with one-month HIBOR rising to a decade-high of 2.27% on 27 Sep. After the HKMA followed the Fed to lift the base rate by 25bps to 2.5%, all major commercial banks announced to raise prime rate by 12.5bps or 25bps as expected, the first time since 2006 amid higher cost of funds including higher HIBOR and rising fixed-deposit rates. Despite that, as aggregate balance stabilizes at a relatively high level of HK$76.3 billion, market players may "buy the rumour, sell the fact" and in turn help ease HKD liquidity. HKD liquidity may also improve after quarter-end and the National Daily Holiday. All in all, we expect HIBORs will retrace some of their recent gains whereas USD LIBOR will climb gradually with Fed's gradual rate hikes. Should US-HK yield differential widen again, HKD's recent robustness may prove to be unstainable. Elsewhere, with the start of prime rate hike cycle, stock market correction, trade war fears, muted economic outlook and new housing measures, the housing market may continue to cool down (CCL index which tracks secondary housing prices dropped to a three-month low).
Macau	With a strong MOP and Asia's muted economic outlook on trade war concerns, the growth of exports of goods and services may decelerate. On the other hand, the VIP-segment may succumb to policy risks. Adding on sluggish private investment and a high base effect, we expect GDP growth will slow down in 2H18 and print 5%-7% for 2018.	Macau's gaming centres closed for 33-hour amid Typhoon MangKhut. We estimate this to reduce the casino operators' revenue by about MOP1.15 billion. Despite that, gaming revenue (+17.1% yoy to the highest since last Oct at MOP26.6 billion in Aug) may still grow at a slower pace in the coming months due to high-base effect, a stronger MOP against major currencies including RMB, Asia's muted economic outlook on trade concerns as well as the looming policy risks regarding anti-money laundering. All in all, we expect gaming revenue to grow by about 15% yoy in 2018 and 2%-5% yoy in 2019. On a positive note, Mid-Autumn Festival, National Day Holiday and the upcoming completion of HK-Zhuhai-Macau Bridge may ease the slowdown of the gaming and tourism activities.

	House View	Key Themes
Malaysia	Following a subdued 2Q 2018 growth at 4.5% yoy, we are now looking to lower our growth forecast for 2018 to the range of 4.8%. Our 2019 growth forecast still stands at 5.0% yoy. On the interest rate front, we also do not expect BNM to further raise the OPR this year as they continue to remain cautious and monitor the economy for the rest of this year.	The government has officially scrapped the Multi-Product Pipeline (MPP) and the Trans-Sabah Gas Pipeline (TSGP) projects. Finance Minister Lim Guan Eng however did not disclose the cancellation fee that would be incurred though. He has also told the Financial Times that the East Coast Rail Link (ECRL) is under review. At this point, the government appears to be reviewing specific projects only and there hasn't been any blanket policy on foreign investment.
Thailand	Official call for growth stands at 3.6 - 4.6% in 2018. Growth outlook remains positive, and underpinned by private consumption, investments, tourism, manufacturing, and trade. We upgrade our growth outlook to 4.4% while downgrading inflation to 1.3%, respectively. We pencil BOT rate hike to 1.75% (+25bps) into 4Q18.	Bank of Thailand kept its policy rate unchanged at 1.50% as widely expected, citing that its domestic economy is projected to gain traction driven by both external and domestic factors. The MPC report cited explicitly that the "need for currently accommodative monetary policy would be gradually reduced", thus signalling BOT's decision to eventually hike interest rates in the foreseeable future. CPI pressures slowed into Sept 2018 to 1.33% y/y (down from Aug's 1.62% print) and remains within BOT's target zone (specifically 1 – 4%) for the sixth month. The Commerce Ministry expects inflation to increase gradually for the rest of 2018, and pencils an average of 1.25% this year.
Korea	We remain cautious over on Korea's economic prospects; growth may print at a respectable 3.0% in 2018 following easing geopolitical tensions. Inflation is likely to stay tame at ~2.0%. BOK will likely stand pat at 1.50% for the year ahead.	Further disappointment in Korea's exports were seen in September (-8.2% y/y), lowest growth since July 2016. Industrial production growth rose higher than expected by 2.5% y/y (vs est 1.3%), while manufacturers' business confidence in Sept rose by 1pt to 78 (up from 77 in Sept). Still, overall confidence continues to stay in pessimistic area given that the reading remains below 100.
PH	The BSP looks to remain on a hawkish trajectory, especially with inflation still not under control. PHP may underperform EM Asian peers on current account concerns	BSP hiked another 50bps in September, to 4.5%, as expected and upgraded inflation forecasts for 2018 and 2019. Inflation is clearly not under control as yet, with price pressures sustained and broadening. The fight to anchor inflation expectations still underway. Expect further hikes ahead.
Myanmar	Retain a general sense of optimism around Myanmar. Keep close watch on legislative and reform developments to find opportunities.	New guidelines allow for up to 80% foreign investment in the agriculture sector, up from 49%. Opportunities aplenty in this sector, which accounts for 40% of the economy but sees a negligible amount of foreign participation. Easing of visa requirements expected to boost tourism sector.

FX/Rates Forecast

USD Interest Rates	4Q18	1Q19	2Q19	3Q19
Fed Funds Target Rate	2.50%	2.75%	2.75%	3.00%
1-month LIBOR	2.58%	2.76%	2.94%	3.12%
2-month LIBOR	2.67%	2.84%	3.01%	3.18%
3-month LIBOR	2.75%	2.91%	3.08%	3.24%
6-month LIBOR	2.85%	3.00%	3.15%	3.30%
12-month LIBOR	3.05%	3.16%	3.28%	3.39%
1-year swap rate	3.00%	3.14%	3.28%	3.41%
2-year swap rate	3.05%	3.19%	3.33%	3.46%
3-year swap rate	3.10%	3.24%	3.38%	3.51%
5-year swap rate	3.15%	3.29%	3.44%	3.58%
10-year swap rate	3.25%	3.40%	3.54%	3.69%
15-year swap rate	3.28%	3.42%	3.57%	3.71%
20-year swap rate	3.30%	3.44%	3.59%	3.73%
30-year swap rate	3.33%	3.47%	3.62%	3.76%
SGD Interest Rates	**4Q18**	**1Q19**	**2Q19**	**3Q19**
1-month SIBOR	1.60%	1.77%	1.94%	2.11%
1-month SOR	1.67%	1.83%	1.99%	2.14%
3-month SIBOR	1.70%	1.86%	2.02%	2.17%
3-month SOR	1.75%	1.90%	2.05%	2.20%
6-month SIBOR	1.85%	1.99%	2.13%	2.26%
6-month SOR	1.88%	2.04%	2.19%	2.35%
12-month SIBOR	2.05%	2.18%	2.30%	2.43%
1-year swap rate	2.03%	2.17%	2.31%	2.44%
2-year swap rate	2.20%	2.36%	2.53%	2.69%
3-year swap rate	2.30%	2.45%	2.60%	2.75%
5-year swap rate	2.50%	2.63%	2.75%	2.88%
10-year swap rate	2.80%	2.91%	3.01%	3.12%
15-year swap rate	3.00%	3.08%	3.15%	3.23%
20-year swap rate	3.10%	3.17%	3.24%	3.30%
30-year swap rate	3.15%	3.24%	3.32%	3.41%
Malaysia	**4Q18**	**1Q19**	**2Q19**	**3Q19**
OPR	3.25%	3.25%	3.50%	3.50%
1-month KLIBOR	3.47%	3.53%	3.59%	3.64%
3-month KLIBOR	3.75%	3.78%	3.82%	3.85%
6-month KLIBOR	3.86%	3.88%	3.91%	3.93%
12-month KLIBOR	3.95%	3.96%	3.97%	3.97%
1-year swap rate	3.74%	3.78%	3.82%	3.86%
2-year swap rate	3.78%	3.83%	3.87%	3.92%
3-year swap rate	3.81%	3.88%	3.95%	4.02%
5-year swap rate	3.90%	3.98%	4.05%	4.13%
10-year swap rate	4.24%	4.31%	4.37%	4.44%
15-year swap rate	4.45%	4.49%	4.52%	4.56%

UST bond yields	4Q18	1Q19	2Q19	3Q19
2-year UST bond yield	3.00%	3.08%	3.16%	3.24%
5-year UST bond yield	3.08%	3.17%	3.26%	3.34%
10-year UST bond yield	3.11%	3.23%	3.36%	3.48%
30-year UST bond yield	3.25%	3.38%	3.50%	3.63%
SGS bond yields	**4Q18**	**1Q19**	**2Q19**	**3Q19**
2-year SGS yield	2.05%	2.18%	2.30%	2.43%
5-year SGS yield	2.35%	2.45%	2.55%	2.65%
10-year SGS yield	2.60%	2.69%	2.78%	2.86%
15-year SGS yield	2.87%	2.94%	3.01%	3.08%
20-year SGS yield	2.90%	2.99%	3.08%	3.16%
30-year SGS yield	2.95%	3.05%	3.15%	3.25%
MGS forecast	**4Q18**	**1Q19**	**2Q19**	**3Q19**
6-month yield	3.35%	3.38%	3.41%	3.44%
5-year MGS yield	3.83%	3.88%	3.93%	3.98%
10-year MGS yield	4.18%	4.23%	4.28%	4.33%

FX	Spot	Oct 18	4Q18	1Q19	2Q19
USD-JPY	113.96	114.78	115.37	113.91	112.46
EUR-USD	1.1587	1.1499	1.1433	1.1622	1.1811
GBP-USD	1.3031	1.2917	1.2856	1.3048	1.324
AUD-USD	0.7209	0.7108	0.7055	0.704	0.7138
NZD-USD	0.6609	0.6507	0.6416	0.6377	0.6489
USD-CAD	1.2837	1.2726	1.2672	1.2591	1.2511
USD-CHF	0.982	0.9895	0.9827	0.9725	0.9624
USD-SGD	1.371	1.3769	1.3831	1.3748	1.3605
USD-CNY	6.8688	6.8845	6.9022	6.8344	6.7606
USD-THB	32.26	32.07	31.89	31.61	31.34
USD-IDR	14905	14985	15057	15010	14870
USD-MYR	4.1430	4.1637	4.1920	4.1368	4.0759
USD-KRW	1111.7	1119.87	1124.78	1106.52	1088.26
USD-TWD	30.521	30.630	30.740	30.493	30.247
USD-HKD	7.8283	7.8500	7.8500	7.8133	7.7767
USD-PHP	54.13	54.36	54.57	54.25	53.92
USD-INR	72.80	73.22	73.68	73.12	72.56
EUR-JPY	132.04	131.99	131.9	132.39	132.82
EUR-GBP	0.8892	0.8902	0.8893	0.8907	0.8921
EUR-CHF	1.1378	1.1378	1.1235	1.1303	1.1367
EUR-SGD	1.5886	1.5833	1.5813	1.5978	1.6069
GBP-SGD	1.7865	1.7785	1.7781	1.7938	1.8013
AUD-SGD	0.9883	0.9787	0.9758	0.9679	0.9711
NZD-SGD	0.9061	0.8959	0.8874	0.8767	0.8828
CHF-SGD	1.3961	1.3915	1.4074	1.4136	1.4137
JPY-SGD	1.2031	1.1996	1.1988	1.2069	1.2098
SGD-MYR	3.022	3.024	3.0309	3.009	2.9959
SGD-CNY	5.0110	5.0000	4.9904	4.9712	4.9692

Macroeconomic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/01/2018 15:50	FR	Markit France Manufacturing PMI	Sep F	52.5	52.5	52.5	--
10/01/2018 22:00	US	ISM Manufacturing	Sep	60	59.8	61.3	--
10/02/2018 12:30	AU	RBA Cash Rate Target	Oct-02	1.50%	--	1.50%	--
10/02/2018 16:30	HK	Retail Sales Value YoY	Aug	8.00%	--	7.80%	--
10/04/2018 20:30	US	Initial Jobless Claims	Sep-29	215k	--	214k	--
10/05/2018 16:00	TA	CPI YoY	Sep	1.84%	--	1.53%	--
10/05/2018 17:00	IN	RBI Repurchase Rate	Oct-05	6.75%	--	6.50%	--
10/05/2018 20:30	US	Change in Nonfarm Payrolls	Sep	184k	--	201k	--
10/08/2018 14:00	GE	Industrial Production SA MoM	Aug	--	--	-1.10%	--
10/09/2018 07:50	JN	BoP Current Account Balance	Aug	--	--	¥2009.7b	--
10/10/2018 07:50	JN	Core Machine Orders MoM	Aug	--	--	11.00%	--
10/11/2018 14:45	FR	CPI YoY	Sep F	--	--	2.20%	--
10/11/2018 20:30	US	CPI MoM	Sep	0.20%	--	0.20%	--
10/11/2018 20:30	US	Initial Jobless Claims	Oct-06	--	--	--	--
10/12/2018 22:00	US	U. of Mich. Sentiment	Oct P	99.6	--	100.1	--
10/15/2018 12:30	JN	Industrial Production MoM	Aug F	--	--	0.70%	--
10/16/2018 05:45	NZ	CPI QoQ	3Q	--	--	0.40%	--
10/16/2018 09:30	CH	CPI YoY	Sep	--	--	2.30%	--
10/16/2018 16:30	UK	Jobless Claims Change	Sep	--	--	8.7k	--
10/16/2018 17:00	GE	ZEW Survey Current Situation	Oct	--	--	76	--
10/16/2018 17:00	GE	ZEW Survey Expectations	Oct	--	--	-10.6	--
10/16/2018 17:00	IT	CPI EU Harmonized YoY	Sep F	--	--	1.60%	--
10/17/2018 08:30	SI	Non-oil Domestic Exports YoY	Sep	--	--	5.00%	--
10/17/2018 16:30	UK	CPI MoM	Sep	--	--	0.70%	--
10/17/2018 16:30	UK	CPI YoY	Sep	--	--	2.70%	--
10/17/2018 17:00	EC	CPI YoY	Sep F	--	--	2.00%	2.00%
10/18/2018 08:30	AU	Employment Change	Sep	--	--	44.0k	--
10/18/2018 08:30	AU	Unemployment Rate	Sep	--	--	5.30%	--
10/18/2018 20:30	US	Initial Jobless Claims	Oct-13	--	--	--	--
10/18/2018	SK	BoK 7-Day Repo Rate	Oct-18	--	--	1.50%	--
10/19/2018 10:00	CH	GDP YoY	3Q	--	--	6.70%	--
10/19/2018 20:30	CA	CPI YoY	Sep	--	--	2.80%	--
10/23/2018 13:00	SI	CPI YoY	Sep	--	--	0.70%	--
10/24/2018 15:15	FR	Markit France Manufacturing PMI	Oct P	--	--	52.5	--
10/24/2018 22:00	CA	Bank of Canada Rate Decision	Oct-24	1.75%	--	1.50%	--
10/25/2018 07:00	SK	GDP YoY	3Q P	--	--	2.80%	--
10/25/2018 16:00	GE	IFO Business Climate	Oct	--	--	103.7	--
10/25/2018 19:45	EC	ECB Main Refinancing Rate	Oct-25	--	--	0.00%	--
10/25/2018 20:30	US	Initial Jobless Claims	Oct-20	--	--	--	--
10/26/2018 20:30	US	GDP Annualized QoQ	3Q A	--	--	4.20%	--
10/26/2018 22:00	US	U. of Mich. Sentiment	Oct F	--	--	--	--
10/30/2018 07:30	JN	Jobless Rate	Sep	--	--	2.40%	--
10/30/2018 18:00	IT	Manufacturing Confidence	Oct	--	--	105.7	--
10/30/2018 22:00	US	Conf. Board Consumer Confidence	Oct	--	--	138.4	--
10/31/2018 07:50	JN	Industrial Production MoM	Sep P	--	--	--	--
10/31/2018 15:45	FR	CPI YoY	Oct P	--	--	--	--
10/31/2018 18:00	IT	CPI EU Harmonized YoY	Oct P	--	--	--	--

Source: Bloomberg

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