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Products

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Highlights

Global	<p>More green shoots sprouted across the global manufacturing PMIs front, with US' manufacturing ISM, which rose from 49.4 in August to a better than expected 51.5 in September. Over in Asia, the Nikkei manufacturing PMIs also improved for Indonesia (50.9 versus 50.4), Taiwan (52.2 versus 51.8), Philippines (57.5 versus 55.3) and Vietnam (52.9 versus 52.2). Meanwhile, Fed's Mester, who was one of the three dissenters at the last FOMC meeting, opined that "I would expect that the case would remain compelling" and repeated that the 1-2 November meeting should be considered "live".</p> <p>The economic data calendar remains light today, so market focus will largely be on RBA with new RBA governor Lowe likely to keep the cash rate at 1.5% and RBI who is also likely to be static. Speakers include ECB's Praet and Knot, and Fed's Lacker.</p>
US	<p>ISM prices paid was unchanged at 53.0 in Sep, but new orders jumped from 49.1 to 55.1. However, construction spending unexpectedly shrank 0.7% mom in August, while the July data was also revised down from 0% to -0.3%.</p>
SG	<p>Both the manufacturing and electronics PMI improved to 50.1 (+0.3 points and back above the 50 handle for the first time since Jun 2015) and 50.3 (+0.1 point) respectively in Sept. For the manufacturing sector, the new orders, new export orders and production gauges rose to above the 50 handle into expansion zone for the first time since Jun 2015, Jan 2015 and May 2016 respectively. The question remains if the resurfacing of the headline manufacturing PMI back into expansion territory for the first time after 14 consecutive months of contraction will sustain. Even the last bout of expansion in mid-2015 only lasted two months. The improvement in the manufacturing sector is largely predicated on the electronics pick-up so the health of the latter remains critical. The electronics PMI clocked its second straight month in expansion territory amid new orders, new export orders and factory output which each marked the 2nd straight month above the 50 handle respectively. Notably, the electronics input price index also climbed from 49.7 to 50.0 for the first time since May 2015. Both manufacturing and electronics employment indices continued to shrink in Sept and is unlikely to lend any near-term support to the softening domestic labour market.</p>
ID	<p>Headline inflation came largely in line with market expectation, at 3.07% yoy in September, while core prices rose 3.21%, also in line with estimate. While the headline print marks a pick-up from 2.79% of the prior month, it is nevertheless tame enough for the central bank to consider cutting its policy rate again on October 20th.</p>
Commodities	<p>The lack of bearish news, which traditionally includes higher crude oil production and downside risk to global demand, has left market-watchers nothing to lean on except last week's surprise cut in OPEC oil production. Brent surged past its \$50/bbl handle and closed a startling 3.7% higher, while WTI followed suit to \$48.76/bbl. Still, events into the weeks ahead may potentially cap oil gains – US oil inventory data tomorrow (market estimates show another week of gain) and higher OPEC production (Libya production rose and will continue to gain into the months ahead according to officials).</p>

Major Markets

- **US:** Equities were off to a shaky start to 4Q, with major indices retreating under the lead of real estate and utilities stocks. Investors remain concerned about heightened valuations, as the S&P 500 closed lower by -0.33%, while the Dow and Nasdaq fell -0.30% and -0.21% respectively. VIX closed higher at 13.57. Meanwhile, US Treasuries fell as solid manufacturing PMI data reignite rate hike expectations. Yields rose around 3 bps across the board, with the 2-year benchmark yield closing at 0.79% and the 10-year at 1.62%.
- **Singapore:** STI ended nearly flat (+0.05%) at 2870.84 yesterday, but may edge higher today given morning gains in Nikkei and Kospi, and notwithstanding the overnight slippage in Wall Street. SGS bonds essentially returned Friday's gains yesterday and may continue to languish today.
- **Hong Kong:** Total retail sales fell for the 18th straight month by 10.5% yoy in August, fastest in recent 6 months. Though visitor arrival began to regain some traction since July (+2.5% yoy), retail sales remained dampened. This indicates that the business environment remains clouded in the retail sector amid weak subdued tourists spending. We expect that the dimmer economic outlook of HK could continue to dent local consumption sentiment. Decline in the luxury segment continued to pose a severe drag on retail sales. Value of sales of jewellery and watches contracted for the 23rd straight month by 26.6% yoy in August, which was also the 12th consecutive double-digit contraction. Meanwhile, consumer durable goods dipped notably by 23.9% yoy. In the near term, retail sector is likely to be constrained by still-weak inbound tourism activities, in turn weighing down employment in this sector. Gloomy prospect for retail sector will as a result translate into more downward pressure on retail shop property market, decline in rents and price of which enlarged to 3.9% yoy and 9.9% yoy respectively in July. More rental concession by the landlord and higher vacancy rate in core business district could also be expected.
- **Macau:** Gross gaming revenue (GGR) was up at its fastest pace since May 2014 by 7.4% yoy to MOP18.4 billion in September. The base effect, two new hotel openings and Mid-Autumn Festival together have translated into boosts to the gaming sector. These factors also outweighed the downward risk given that September had been the off-season for the gaming sector. The expected increase in leisure gamblers during Golden Week in October may lend more momentum to the gaming sector. However, the low bet amount by recreational gamblers means muted profitability of the mass market segment. On a positive note, the VIP zone of the mass market appears to attract some high rollers. This may become the new engine of the growth in GGR. But the small scale of the VIP zone means that any rebound in GGR will be moderate in the coming year. Also, the restriction on growth of gambling tables and the increase in casinos raise the margin pressure on each gaming centre. All in all, we expect the accumulated GGR to drop by about 5% yoy for 2016 as a whole. Single-digit growth of GGR is expected for 2017.
- **Thailand:** Domestic prices rose 0.38% in September (OCBC estimates: 0.4%), clocking its 6th consecutive month of positive CPI growth. Higher prices were led by higher household spending for fresh food including vegetables and eggs, as well as cigarettes. Accounting for September's CPI print, year-to-date average inflation has finally turned to positive territory at 0.02%, in line with official estimate for CPI to print between 0 – 1%. Our full-year CPI forecast remains unchanged at 0.2% for 2016.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday with swap rates trading 1-4bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in ABNANV 4.7%'22s while better selling was seen in SCISP 4.75%'49s. Mixed interests were also seen in MFCCN 3.85%'26s, FCLSP 4.25%'26s and HYFSP 5.75%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 2bps to 205bps while the yield on JACI HY corporates increased 2bps to 6.50%. 10y UST yield increased 3bps to 1.62% following better-than-expected September US ISM manufacturing data that boosted bets on raising interest rates this year. Implied probability for an interest rate hike in December has risen to 60%, up from 51% a week earlier.
- **New Issues:** Chinese state-owned insurer PICC Life is planning to issue a USD tier 2 bond while Mitsubishi UFJ Financial Group Inc. is planning to issue Tier 1 perpetual subordinated USD bonds later this month. Bank of China is also planning to issue a USD green covered bond, the first by an Asian issuer. ITC Properties has scheduled investor meetings in Hong Kong and Singapore from Oct 4 onwards for a potential USD bond issue.
- **Rating Changes:** S&P withdrew its financial strength rating on Federal Insurance Co. Japan. The rating prior to withdrawal was "A+" with stable outlook. Moody's downgraded Hua Han Industry Holdings Ltd.'s (Hua Han) corporate family rating to "Caa1" from "B1" with a negative outlook. The downgrade reflects the high uncertainty over Hua Han's financial position and potentially serious corporate governance issues, given the suspension of audit work. Fitch downgraded Emeco Holdings Ltd.'s (Emeco) issuer default ratings to "C" from "CC". The downgrade reflects the announcement of a prospective debt exchange that Fitch views as a distressed debt exchange (DDE) event, based on the agency's DDE criteria.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.695	0.24%	USD-SGD	1.3651	0.15%
USD-JPY	101.650	0.30%	EUR-SGD	1.5304	-0.08%
EUR-USD	1.1211	-0.21%	JPY-SGD	1.3431	-0.16%
AUD-USD	0.7675	0.14%	GBP-SGD	1.7531	-0.83%
GBP-USD	1.2842	-1.00%	AUD-SGD	1.0476	0.31%
USD-MYR	4.1143	-0.58%	NZD-SGD	0.9931	-0.02%
USD-CNY	6.6718	--	CHF-SGD	1.4024	-0.02%
USD-IDR	12983	-0.45%	SGD-MYR	3.0138	-0.57%
USD-VND	22305	0.04%	SGD-CNY	4.8834	-0.27%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4238	--
2M	-0.3380	--	1M	0.5311	--
3M	-0.3010	--	2M	0.6490	--
6M	-0.2030	--	3M	0.8537	--
9M	-0.1310	--	6M	1.2397	--
12M	-0.0640	--	12M	1.5518	--

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.41	0.70	3.39
Italy	-0.11	0.60	1.27
Ireland	-0.45	-0.20	0.38
Greece	7.65	--	8.27
Spain	-0.24	-2.30	0.94
Russia	2.09	-1.30	3.78

Equity and Commodity

Index	Value	Net change
DJIA	18,253.85	-54.30
S&P	2,161.20	-7.07
Nasdaq	5,300.87	-11.13
Nikkei 225	16,598.67	148.83
STI	2,870.84	1.37
KLCI	1,652.55	--
JCI	5,463.92	99.11
Baltic Dry	864.00	-11.00
VIX	13.57	0.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.93 (+0.01)	0.79 (+0.03)
5Y	1.35 (+0.03)	1.18 (+0.03)
10Y	1.81 (+0.04)	1.62 (+0.03)
15Y	2.06 (+0.02)	--
20Y	2.15 (+0.03)	--
30Y	2.17 (+0.03)	2.34 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.67	0.16
EURIBOR-OIS	5.00	0.30
TED	57.98	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.76	1.08%	Coffee (per lb)	1.476	-2.64%
Brent (per barrel)	50.89	3.73%	Cotton (per lb)	0.6873	0.64%
Heating Oil (per gallon)	1.553	1.66%	Sugar (per lb)	0.2267	0.62%
Gasoline (per gallon)	1.47	-1.41%	Orange Juice (per lb)	1.9690	-3.95%
Natural Gas (per MMBtu)	2.923	0.58%	Cocoa (per mt)	2,793	1.16%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,819.0	-0.95%	Wheat (per bushel)	3.9550	-1.62%
Nickel (per mt)	10,306	-2.18%	Soybean (per bushel)	9.730	1.99%
Aluminium (per mt)	1,668.5	0.23%	Corn (per bushel)	3.4600	2.75%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,309.0	-0.33%	Crude Palm Oil (MYR/MT)	2,775.0	--
Silver (per oz)	18.868	-1.80%	Rubber (JPY/KG)	168.5	-0.06%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
10/03/2016 07:50	JN	Tankan Large Mfg Index	3Q	7	6	6	--
10/03/2016 07:50	JN	Tankan Large Mfg Outlook	3Q	8	6	6	--
10/03/2016 07:50	JN	Tankan Large Non-Mfg Index	3Q	18	18	19	--
10/03/2016 08:30	ID	Nikkei Indonesia PMI Mfg	Sep	--	50.9	50.4	--
10/03/2016 08:30	TA	Nikkei Taiwan PMI Mfg	Sep	--	52.2	51.8	--
10/03/2016 08:30	VN	Nikkei Vietnam PMI Mfg	Sep	--	52.9	52.2	--
10/03/2016 08:30	JN	Nikkei Japan PMI Mfg	Sep F	--	50.4	50.3	--
10/03/2016 08:30	PH	Nikkei Philippines PMI Mfg	Sep	--	57.5	55.3	--
10/03/2016 08:30	TH	Nikkei Thailand PMI Mfg	Sep	--	48.8	49.8	--
10/03/2016 08:33	SI	URA Private Home Prices QoQ	3Q	--	-1.50%	-0.40%	--
10/03/2016 08:37	AU	Melbourne Insti. Inflation MoM	Sep	--	0.40%	0.20%	--
10/03/2016 08:37	AU	Melbourne Institute Inflation YoY	Sep	--	1.30%	1.20%	--
10/03/2016 11:30	TH	CPI YoY	Sep	0.40%	0.38%	0.29%	--
10/03/2016 11:30	TH	CPI NSA MoM	Sep	0.10%	0.04%	-0.04%	--
10/03/2016 11:30	TH	CPI Core YoY	Sep	0.80%	0.75%	0.79%	--
10/03/2016 12:05	ID	CPI YoY	Sep	3.05%	3.07%	2.79%	--
10/03/2016 12:05	ID	CPI NSA MoM	Sep	0.20%	0.22%	-0.02%	--
10/03/2016 12:05	ID	CPI Core YoY	Sep	3.21%	3.21%	3.32%	--
10/03/2016 13:00	IN	Nikkei India PMI Mfg	Sep	--	52.1	52.6	--
10/03/2016 13:00	JN	Vehicle Sales YoY	Sep	--	3.70%	5.70%	--
10/03/2016 15:45	IT	Markit/ADACI Italy Mfg PMI	Sep	50.3	51	49.8	--
10/03/2016 15:50	FR	Markit France Mfg PMI	Sep F	49.5	49.7	49.5	--
10/03/2016 15:55	GE	Markit/BME Germany Mfg PMI	Sep F	54.3	54.3	54.3	--
10/03/2016 16:00	EC	Markit Eurozone Mfg PMI	Sep F	52.6	52.6	52.6	--
10/03/2016 16:30	UK	Markit UK PMI Mfg SA	Sep	52.1	55.4	53.3	53.4
10/03/2016 21:00	SI	Purchasing Managers Index	Sep	49.9	50.1	49.8	--
10/03/2016 21:30	CA	RBC Canadian Mfg PMI	Sep	--	50.3	51.1	--
10/03/2016 21:45	US	Markit US Mfg PMI	Sep F	51.4	51.5	51.4	--
10/03/2016 22:00	US	Construction Spending MoM	Aug	0.30%	-0.70%	0.00%	-0.30%
10/03/2016 22:00	US	ISM Manufacturing	Sep	50.4	51.5	49.4	--
10/03/2016 22:00	US	ISM Prices Paid	Sep	53.5	53	53	--
10/04/2016 00:00	IT	New Car Registrations YoY	Sep	--	17.30%	20.12%	--
10/04/2016 07:00	NZ	QV House Prices YoY	Sep	--	14.30%	14.60%	--
10/04/2016 07:00	SK	BoP Current Account Balance	Aug	--	\$5513.2m	\$8706.1m	\$8671.6m
10/04/2016 07:50	JN	Monetary Base YoY	Sep	--	--	24.20%	--
10/04/2016 08:30	AU	ANZ Job Advertisements MoM	Sep	--	--	1.80%	--
10/04/2016 08:30	AU	Building Approvals MoM	Aug	-6.00%	--	11.30%	--
10/04/2016 08:30	AU	Building Approvals YoY	Aug	5.10%	--	3.10%	--
10/04/2016 10:00	SK	Foreign Direct Investments YoY	3Q	--	--	18.10%	--
10/04/2016 11:30	AU	RBA Cash Rate Target	Oct-04	1.50%	--	1.50%	--
10/04/2016 13:00	JN	Consumer Confidence Index	Sep	41.5	--	42	--
10/04/2016 13:30	AU	Commodity Index AUD	Sep	--	--	90.5	--
10/04/2016 13:30	AU	Commodity Index SDR YoY	Sep	--	--	0.80%	--
10/04/2016 16:30	UK	Markit/CIPS UK Cons. PMI	Sep	49	--	49.2	--
10/04/2016 17:00	EC	PPI MoM	Aug	-0.10%	--	0.10%	--
10/04/2016 17:00	EC	PPI YoY	Aug	-2.10%	--	-2.80%	--
10/04/2016 17:00	IN	RBI Repurchase Rate	Oct-04	6.50%	--	6.50%	--
10/04/2016 17:00	IN	RBI Reverse Repo Rate	Oct-04	6.00%	--	6.00%	--
10/04/2016 17:00	IN	RBI Cash Reserve Ratio	Oct-04	4.00%	--	4.00%	--
10/03/2016 10/07	ID	Foreign Reserves	Sep	--	--	\$113.54b	--

Source: Bloomberg

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