

Highlights

Global	Global risk appetite appeared to subside with crude oil prices as hopes for a favourable and concrete outcome at the OPEC meeting in Algiers faded. Fed's Kaplan opined that the central banks "can afford to be patient in removing accommodation". Meanwhile, Turkey's sovereign credit rating was cut by Moody's to junk. Expect Asian markets to be slightly on edge today given the slippage in crude oil prices and a heavy data week ahead. The economic data calendar will focus on US' new home sales, German IFO expectations, S'pore industrial production, and Thai trade data today. Speakers scheduled for today include ECB's Draghi, Mersch and Coeure, BOJ's Kuroda, and Fed's Tarullo, and the Fed chatter will continue for the rest of the week. Later this week, Fed's Yellen is also testifying to the House Panel on banking supervision, but the first US presidential hopefuls' debate will kick off tonight, and could play up election uncertainties in the interim should the gap between Hilary Clinton and Donald Trump tighten further.
US	Markit manufacturing PMI unexpectedly eased from 52.0 in Aug to 51.4 in Sept, with new orders slipping from 52.7 to 51 (lowest since Dec 2015) and the stocks of finished goods also similarly easing to its lowest since Oct 2015.
EZ	The Eurozone's Markit manufacturing PMI improved from 51.7 to 52.6, but the services PMI eased from 52.8 to 52.1, bringing the composite PMI to a 20-month low of 52.6 from 52.9 previously. This contrasted with the German manufacturing PMI which rose from 53.6 to 54.3, but saw a softening in services at 50.6 (previously 51.7), and resulting in a 16-month low in its composite gauge at 52.7 (previously 53.3), suggesting growth of close to 0.3% in 3Q.
SG	CPI headline inflation stayed in deflationary territory for the 22nd consecutive month, with August CPI falling by another 0.3% on year-on-year terms, compared to -0.7% in July. The fall was mainly driven by declines seen in transport (-0.7% yoy) and housing prices (-0.5% yoy). Elsewhere, core inflation, which excludes accommodation and private road transport, gained 1.0% yoy, unchanged from July's levels. Overall, the fall in transport and housing prices were offset by gains seen in education (+3.4%), food (+2.0%), recreation (+1.0%) and healthcare (+0.8%).
ID	Bank Indonesia's governor, Agus Martowardojo, said that BI sees inflation to be at around 3.05%yoy or 0.2% mom in Sept, based central bank surveys as of the third week of Sept. He also added that BI is vigilant on rising trend of non-performing loan. He is schedule to hold a roundtable policy dialog with the government, to discuss issues ranging from inflation to tax amnesty.
Commodities	Likely due to the anticipation of the three-day OPEC informal meeting which begins today, oil prices sank overnight as market-watchers took to the sidelines. Importantly, the fall in oil prices, which saw both WTI and Brent falling by more than 3.0% to \$44.48/bbl and \$45.89/bbl respectively, were largely driven by the inconclusive meeting between Saudi Arabia and Iran which was held before today's start of the informal meeting. Moreover, there is still upside risk in global production, owing to higher Russian supplies and recovering domestic circumstances in Libya and Nigeria, which should lead supplies higher into the year.

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Major Markets

- **US:** Equities took a breather on Friday, with S&P 500, Dow and Nasdaq falling -0.57%, -0.71% and -0.63% respectively. Losses were led tech stocks and energy producers. Equities marked decent gains post-FOMC, with the S&P 500 up 1.2% for the week, leaving it just 1.2% away from its record close achieved in Aug. VIX rose 2.25% to close at 12.29. US Treasuries ended mixed on Friday, with the short-term notes ending higher, but the longer maturities unchanged. The yield curve steepened for first time in 6 sessions, as the 2-year benchmark yield fell to 0.75% while the 10-year stood at 1.62%.
- **Singapore:** STI added 0.38% to close at 2856.95 on Friday, but looks likely to consolidate today amid soft leads from Friday's Wall Street slippage and morning softness in Kospi. STI's trading range today could be between 2820-2860. Longer-dated SGS bonds remained the outperformers on Friday, but may run out of steam soon without fresh catalysts.
- Under CPI headline inflation, private road transport costs fell by a modest 1.0% yoy, compared to a -4.4% print seen in the previous month. This was due to the expiry of the one-year road tax rebate for petrol vehicles, as well as higher petrol prices seen over the course of 2016 (eg, Petrol 95 gasoline prices rose by 7% from its February's trough). Notably, the decline in overall transport cost printed its slowest pace since July 2015. Elsewhere, accommodation cost rose by a notable 1.4% on a month-on-month basis, as Service and Conservancy Charges (S&CC) rebates were disbursed in July, but not in August.
- The slower wage growth seen from the easing tightness in the labour market should constrain the pass-through of wage cost to overall consumer prices. Still, some upside in transport costs for the months ahead may present itself from the expiry of the one-year road tax rebate for petrol vehicles, as well as the upward revision of carpark charges with effect from 1 Dec 2016. Coupled with the (1) lower base effect seen in 2H15 as well as (2) potentially higher oil prices in the second half of this year when compared to 1H16, Singapore's headline inflation would have likely troughed in 2Q16. Our forecast for headline and core inflation to average -0.4% and 1.0% respectively remains unchanged, in line with official headline inflation expectation of -1.0% to 0.0% and core headline inflation expectation of "around 1.0%".
- **China:** The National Association of Financial Market Institutional Investors (NAFMII) published the guideline on 23 Sep on the trial of credit risk mitigation tools in China's interbank bond market. Since 2010, China has launched the trial of credit risk mitigation tool including CRMA and CRMW. The latest guideline is the upgrade of previous pilot programme and includes two new tools including credit default swap (CDS) and credit linked note (CLN).
- The previous trial was lacklustre due to weak demand as a result of low default risk distorted by implicit guarantee. However, with the gradual increase in the event of bond default as well as deteriorating asset quality due to slowing economic growth, the demand for credit protection has increased. As such, it is good time to launch the Chinese version CDS to deepen the derivative market.
- **Macau:** Overnight visitors, which account for over 50% of total visitors, rose further by 3.7% yoy in Aug to the highest since Jan 2008. However, this summer, households in Mainland and Hong Kong might have preferred to take a longer trip, in turn pushing the same-day visitors to Macau down significantly by 12.6% yoy in Aug. As a result, total visitor arrivals also tumbled by 5% yoy despite the continuous increase in tourists from Taiwan, Japan and South Korea. It looks to us that the tourism activities remain volatile. On this, the city's economic transition will be more complicated. Looking ahead to the next months, we believe that the new hotel openings in 3Q will be able to attract more tourists to the city, especially given the effect of Mid-Autumn festival and Chinese Golden Week Holiday. This would have been a boost to the gaming sector. However, it remains uncertain on the amount of additional benefits the new hotel openings would be able to bring to the

tourism and gaming sectors.

- **Malaysia:** BNM Governor Muhammad Ibrahim said that the central bank is working with government for consumer credit legislation. The aim is to provide consistent protection to businesses and households that deal with non-licensed financial institutions. He added that appropriate arrangements will be made to support the development of alternative financing vehicles to serve SMEs.

Bond Market Updates

- **Market Commentary:** The SGD dollar swap curve traded downwards last Friday with swap rates trading 2-7bps lower across all tenors with the exception of the overnight swap rate which increased ~7bps. Flows in the SGD corporates were heavy with better buying seen in SANYPH 7%'17s and better selling seen in FCLSP 4.88%'49s and SCISP 4.75%'49s. Meanwhile, mixed interests were also seen in GENSSP 5.13%'49s and LMRTSP 7%'49s. In the broader dollar space, the spread on JACI IG corporates increased 1bps to 202bps while the yield on JACI HY corporates decreased 3bps to 6.40%. 10y UST yield remained relatively unchanged at 1.62%.
- **New Issues:** China South City has priced a USD150mn 5-year bond at 6.75% (to yield 7%). The expected issue ratings are "B-/NR/B". Jiangsu Fang Yang has priced a USD200mn 3-year bond at 5.35%, tightening from its initial price guidance at 5.5%. The expected ratings for the issue are "NR/NR/BB". China Cinda Asset Management Co. Ltd. has priced USD3.5bn perpetual, non-callable for 5 years AT1 preference shares at 4.45%, tightening from its initial price guidance at 4.5%. The expected ratings for the issue are "NR/B1/NR". Jubilant Pharma, China Citic Bank International, RHB Bank and Television Broadcasts Ltd. have scheduled investor road shows from today onwards for potential USD bond issuances. Starhill Global REIT has priced a SGD70mn 10-year bond at 3.14%.
- **Rating Changes:** S&P has placed Baoshan Iron & Steel Co. Ltd. and Bao-Trans Enterprises Ltd. on CreditWatch with negative implications. The rating action was in view of the negative financial and business implications from the proposal by Baoshan Iron & Steel to absorb Wuhan Iron & Steel, a core subsidiary of Wuhan Iron & Steel Group (WISCO). WISCO's high debt burden is likely to hurt the combined group's financials. Additionally, its relatively weak product portfolio and operating efficiency are also likely to weaken Baosteel Group's strong competitive position and profitability. S&P upgraded ACOM Co. Ltd.'s counterparty credit ratings to "BBB" from "BBB-" with a negative outlook as ACOM's business and revenue become more stable thanks to improved business conditions. Moody's affirmed Barmenco Holdings Pty. Ltd.'s corporate family rating at "B2" and revised its outlook to positive from negative. The positive outlook on Barmenco's rating reflects the company's improved credit profile, underpinned by reduced debt levels and higher earnings from new contract wins. Moody's has assigned Bank of Suzhou Co. Ltd. with "Ba2" issuer and deposit ratings, a "ba3" baseline credit assessment (BCA) and Adjusted BCA, as well as a "Ba1" Counterparty Risk Assessment. All ratings outlooks are stable. The issuer ratings and deposit ratings reflect the bank's BCA of "ba3" and one-notch uplift based on Moody's assumption of a moderate level of government support. Moody's affirmed Ausdrill Limited's corporate family rating at "B1" and revised its rating outlook to positive from negative. The positive outlook reflects the improvement in the company's credit quality, due to considerable reduction in its debt, the turnaround of its operations that are now generating strong cash flows, and expectations of further earnings growth from new contracts. Moody's downgraded Alcoa of Australia Ltd. (AoA)'s rating to "Baa3" from "Baa2", and placed it on review for downgrade. The rating downgrade and further review reflects Moody's expectation that the credit profile of its majority shareholder (Alcoa Inc.) will be weakened following the decision to separate its entity into Alcoa Upstream Corporation and Arconic.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.477	0.03%	USD-SGD	1.3591	0.21%
USD-JPY	101.020	0.26%	EUR-SGD	1.5255	0.36%
EUR-USD	1.1226	0.16%	JPY-SGD	1.3456	-0.03%
AUD-USD	0.7623	-0.26%	GBP-SGD	1.7595	-0.80%
GBP-USD	1.2966	-0.86%	AUD-SGD	1.0361	-0.05%
USD-MYR	4.1135	0.10%	NZD-SGD	0.9845	-0.74%
USD-CNY	6.6694	0.07%	CHF-SGD	1.4008	0.06%
USD-IDR	13081	0.05%	SGD-MYR	3.0332	-0.05%
USD-VND	22302	-0.03%	SGD-CNY	4.9067	-0.26%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	0.0010	O/N	0.4232	--
2M	-0.3370	0.0020	1M	0.5222	-0.0031
3M	-0.3020	-0.0010	2M	0.6571	-0.0035
6M	-0.2000	0.0010	3M	0.8529	-0.0038
9M	-0.1270	-0.0010	6M	1.2447	-0.0036
12M	-0.0590	--	12M	1.5574	-0.0039

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.46	-5.40	3.38
Italy	-0.11	0.20	0.70
Ireland	-0.42	-0.40	1.21
Greece	7.65	--	0.39
Spain	-0.21	0.50	1.00
Russia	2.00	4.90	0.70

Equity and Commodity

Index	Value	Net change
DJIA	18,261.45	-131.01
S&P	2,164.69	-12.49
Nasdaq	5,305.75	-33.78
Nikkei 225	16,754.02	-53.60
STI	2,856.95	10.89
KLCI	1,670.99	1.33
JCI	5,388.91	8.65
Baltic Dry	941.00	4.00
VIX	12.29	0.27

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.82 (+0.01)	0.75 (-0.02)
5Y	1.25 (-0.01)	1.16 (-0.01)
10Y	1.77 (-0.01)	1.62 (--)
15Y	2.06 (-0.03)	--
20Y	2.14 (-0.03)	--
30Y	2.15 (-0.02)	2.35 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	42.53	-0.24
EURIBOR-OIS	3.80	-0.10
TED	68.55	-0.38

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	44.48	-3.97%	Coffee (per lb)	1.514	-2.48%
Brent (per barrel)	45.89	-3.69%	Cotton (per lb)	0.6908	-2.94%
Heating Oil (per gallon)	1.407	-3.23%	Sugar (per lb)	0.2213	-0.18%
Gasoline (per gallon)	1.38	-1.78%	Orange Juice (per lb)	2.0270	-0.66%
Natural Gas (per MMBtu)	2.955	-1.17%	Cocoa (per mt)	2,852	-2.33%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,855.0	0.04%	Wheat (per bushel)	4.0475	-0.18%
Nickel (per mt)	10,628	0.00%	Soybean (per bushel)	9.550	-2.20%
Aluminium (per mt)	1,630.3	0.15%	Corn (per bushel)	3.3650	-0.07%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,337.5	-0.24%	Crude Palm Oil (MYR/MT)	2,863.0	-1.58%
Silver (per oz)	19.733	-1.43%	Rubber (JPY/KG)	175.9	0.86%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date Time	Event	Survey	Actual	Prior	Revised	
09/23/2016 08:30	JN Nikkei Japan PMI Mfg	Sep P	--	50.3	49.5	--
09/23/2016 10:58	MU Visitor Arrivals	Aug	--	2883t	2795t	--
09/23/2016 12:30	JN All Ind Activity Index MoM	Jul	0.20%	0.30%	1.00%	--
09/23/2016 13:00	SI CPI YoY	Aug	-0.40%	-0.30%	-0.70%	--
09/23/2016 13:00	SI CPI NSA MoM	Aug	0.40%	0.50%	-0.30%	--
09/23/2016 14:45	FR GDP QoQ	2Q F	0.00%	-0.10%	0.00%	--
09/23/2016 14:45	FR GDP YoY	2Q F	1.40%	1.30%	1.40%	--
09/23/2016 15:00	FR Markit FR Manufacturing PMI	Sep P	48.5	49.5	48.3	--
09/23/2016 15:00	FR Markit France Services PMI	Sep P	52	54.1	52.3	--
09/23/2016 15:00	FR Markit France Composite PMI	Sep P	51.8	53.3	51.9	--
09/23/2016 15:30	TH Foreign Reserves	Sep-16	--	\$180.0b	\$180.7b	--
09/23/2016 15:30	GE Markit/BME GE Mfg PMI	Sep P	53.1	54.3	53.6	--
09/23/2016 15:30	GE Markit Germany Services PMI	Sep P	52.1	50.6	51.7	--
09/23/2016 15:30	GE Markit/BME GE Composite PMI	Sep P	53.6	52.7	53.3	--
09/23/2016 16:00	EC Markit EC Manufacturing PMI	Sep P	51.5	52.6	51.7	--
09/23/2016 16:00	EC Markit Eurozone Services PMI	Sep P	52.8	52.1	52.8	--
09/23/2016 16:00	EC Markit EC Composite PMI	Sep P	52.8	52.6	52.9	--
09/23/2016 20:30	CA Retail Sales MoM	Jul	0.10%	-0.10%	-0.10%	0.00%
09/23/2016 20:30	CA Retail Sales Ex Auto MoM	Jul	0.50%	-0.10%	-0.80%	-0.60%
09/23/2016 20:30	CA CPI NSA MoM	Aug	0.10%	-0.20%	-0.20%	--
09/23/2016 20:30	CA CPI YoY	Aug	1.40%	1.10%	1.30%	--
09/23/2016 20:30	CA CPI Core MoM	Aug	0.20%	0.00%	0.00%	--
09/23/2016 20:30	CA CPI Core YoY	Aug	2.00%	1.80%	2.10%	--
09/23/2016 21:45	US Markit US Manufacturing PMI	Sep P	52	51.4	52	--
09/24/2016	VN CPI YoY	Sep	--	3.34%	2.57%	--
09/26/2016 05:45	NZ Exports	Aug	3.60b	3.39b	3.96b	3.97b
09/26/2016 05:45	NZ Imports	Aug	4.30b	4.65b	4.40b	4.32b
09/26/2016 11:30	TH Customs Imports YoY	Aug	-4.00%	--	-7.20%	-7.16%
09/26/2016 11:30	TH Customs Exports YoY	Aug	-1.00%	--	-6.38%	--
09/26/2016 11:30	TH Customs Trade Balance	Aug	\$1267m	--	\$1213m	\$843m
09/26/2016 13:00	SI Industrial Production YoY	Aug	0.50%	--	-3.60%	--
09/26/2016 13:00	SI Industrial Production SA MoM	Aug	1.80%	--	-4.00%	--
09/26/2016 13:00	JN Leading Index CI	Jul F	--	--	100	--
09/26/2016 16:00	GE IFO Business Climate	Sep	106.3	--	106.2	--
09/26/2016 16:00	GE IFO Current Assessment	Sep	112.9	--	112.8	--
09/26/2016 16:00	GE IFO Expectations	Sep	100.1	--	100.1	--
09/26/2016 16:00	IT Retail Sales MoM	Jul	0.00%	--	0.20%	--
09/26/2016 16:00	IT Retail Sales YoY	Jul	0.30%	--	0.80%	--
09/26/2016 16:30	UK BBA Loans for House Purchase	Aug	37100	--	37662	--
09/26/2016 22:00	US New Home Sales	Aug	600k	--	654k	--
09/26/2016 22:30	US Dallas Fed Manf. Activity	Sep	-3	--	-6.2	--
09/26/2016 09:30	VN Exports YTD YoY	Sep	--	--	5.50%	--
09/26/2016 09:30	VN GDP YTD YoY	3Q	5.86%	--	5.52%	--

Source: Bloomberg

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