

Highlights

Global	<p>US-North Korean tensions continued to weigh on global risk appetite overnight, with Trump dialling up further his tough rhetoric on North Korea after meeting with VP Mike Pence, National Security Advisor McMaster and White House Chief of Staff Kelly. The ensuing flight to safety continued to lift gold prices, JPY and UST bonds, while VIX spiked 44% to 16.04 overnight. Elsewhere, BSP kept its policy rate unchanged under the new governor Espenilla, but raised inflation forecasts for 2017-2018 to 3.5% (from 3.1% and 3.0% previously) due to higher petroleum prices.</p> <p>Expect the flight to quality bid to extend today with Asian bourses, with investors preferring to take some cards off the table amid the heightened North Korean tensions. The economic data release calendar will focus on US' and German CPI, HK's 2Q17 GDP growth, India's industrial production, and S'pore's June retail sales (our forecast: 0.2%yoy, -0.5% momsa).</p>
US	<p>US' PPI was softer than expected at -0.1% mom (1.9% yoy) in July, dragged down by lower services costs, especially chemical and equipemtn wholesalers, apparel retainers and airline services. Core PPI also fell 0.1% mom (1.8% yoy), reinforcing the market impression that inflation remains tame and will not force the FOMC's hand on further rate hikes. Meanwhile, initial jobless claims rose 3k to 224k, with the 4-week average at 241k (-1k) and continued to point to a solid employment picture for coming months. On inflation, Fed's Dudley opined that "I do expect it to move higher in the medium term, but probably not get all the way back to 2 percent on the year-on-year basis because, remember, we have had these very weak inflation readings for a number of months in a row".</p>
SG	<p>The Singapore economy expanded by 2.9% yoy (+2.2% qoq saar) in 2Q17, up from the flash estimate of 2.5% yoy (+0.4% qoq saar). The main contributing factor was the services sector which expanded by a faster 2.4% (previously estimated at 1.7% yoy). The uptick in services momentum was driven by finance and insurance (+3.8% yoy, which is the fastest since 3Q15) and transport and storage (+3.5% yoy on the back of improved container throughput and sea cargo handled), but even the business services and wholesale (especially for machinery, equipment & supplies) and retail trade industries saw improved momentum. Only the accommodation & food services was the laggard at -2.2% yoy which marked the third straight quarter of contraction amid sluggish restaurant sales volumes. Manufacturing and construction growth for 2Q were little changed at 8.0% yoy and -5.7% yoy respectively. MTI also narrowed the 2017 growth forecast from 1-3% to 2-3%, in line with PM Lee's around 2.5% forecast range. Our full year forecast remains at 2.5%.</p>
Commodities	<p>With the North Korean tensions dominating market sentiments, safe haven flows were seen into gold, while growth-related commodities like crude oil and copper collapsed. The yellow metal closed higher at \$1,290.1/oz (+0.84%), and is still edging higher this morning. Both WTI and Brent fell by almost a dollar as market-watchers basically shrugged off the recent OPEC report, in which the cartel upgraded their outlook for global demand over the next two years while downgrading their non-OPEC supply growth outlook in 2017.</p>

Major Markets

- **US:** The market made an excuse out of the North Korean tensions to take the more heat off equities. Major indices closed sharply lower, led by a 2.13% slump in the Nasdaq Composite. The S&P 500 and Dow also slumped 1.45% and 0.93% respectively. The financial and tech sectors led the broad decline, with only the defensive utilities making slight gains. VIX spiked higher to close up 44.4% to 16.04. Meanwhile, haven flows supported US Treasuries. The long-end was also well-supported by a solid 30y auction. 2y and 10y benchmark yields fell 2-5 bps to close at 1.32% and 2.20% respectively. On the data front, US PPI prints came in weaker than expected, with wholesale prices retreating on a monthly basis, as opposed to an expected small increase. This may be an uncomfortable precursor to CPI data later today.
- **Singapore:** STI edged up 0.16% to close at 3323.24 yesterday, but may remain susceptible to profit-taking today amid the elevated North Korean tensions. STI may continue to trade in a range of 3300-3330. With flight to safety in UST bonds extending overnight, SGS bonds may also rally today led by the longer-dated tenors.
- **Macau:** Housing transactions retreated by 41.6% mom in June to 915 deals. Approved new residential mortgage loans dropped 15.5% mom to MOP 4.85 billion from May's 5.74 billion, the highest level since June 2014. Average housing price edged down by 18% mom to MOP 94,265 per square meters in June. Disappointing data prints out of the housing market reinforce that government's cooling measure from May has started to take effect. In addition, an expected increase in borrowing costs following Fed's rate hikes may suppress demand. On the supply front, housing completions rose significantly by 1809% yoy in 1H while housing starts grew by 8% yoy during the same period. Taken all together, the housing market is unlikely to show much upside in the near term. However, a stable labor market, a bullish stock market and the strong recovery in the crucial gaming sector will likely continue to underpin housing demand. This is also the reason why homebuyers remained enthusiastic about the latest new residential project launches. Furthermore, given abundant liquidity, interest rates are expected to be adjusted at a slow pace and may not cause any notable corrections in the housing market. Adding on a low base effect, we believe that average housing price to grow by 0% - 5% yoy in 2017.
- **Malaysia:** Industrial production for the month of June rose by 4%yoy, against median estimate of 3%. The growth was led by all sectors, seen in manufacturing (+4.7%), mining (+2.4%) and electricity (+2.1%).
- **Korea:** The Korean Stock Exchange index has been falling for the last three trading days, and continues to fall as of this morning. Much of the concerns are likely centered upon the recent escalation of geopolitical tensions.
- **Indonesia:** President Joko Widodo has reportedly signed rule on 2017-2019 road map for developing e-commerce. Meanwhile, Financial Services Authority is said to be still considering whether to extend rule that allows banks to restructure their non-performing assets. Chairman Wimboh Santoso said the FSA will decide on which individual bank may be eligible for the relaxation.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with the biggest movement seen in the 15-year and 20-year tenors, which fell by approximately 1bps. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 188bps. Similarly, the yield on JACI HY Corp rose 1bps to 7.02%. 10y UST yields fell 5bps to 2.20%, as investors switched to safe haven assets in light of US President Donald Trump's rhetoric against North Korea.
- **New Issues:** Greenland Global Investment Ltd has priced a USD500mn 3-year bond (guaranteed by Greenland Holding Group Company Ltd) at 4.9%, tightening from initial guidance of 5.3%. The expected issue ratings are 'NR/Ba2/NR'. China Huiyuan Juice has priced a USD150mn 3-year bond at 6.5%, tightening from initial guidance of 6.75%. The expected issue ratings are 'NR/B1/B+'. Medco Strait Services Pte Ltd has priced a USD300mn 5NC3 bond (guaranteed by PT Medco Energi Internasional Tbk) at 8.75%, tightening from initial guidance of 8.875% area. The expected issue ratings are 'B/B2/B'.
- **Rating Changes:** Moody's has affirmed BOC Group Life Assurance Co Ltd's (BOC Life) insurance financial strength rating at 'A2' while revising the outlook to positive from stable. The rating action reflects Moody's expectation that BOC Life will continue to improve the stability of its profitability, as well as further diversify its distribution channels and maintain its strong capitalization.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.401	-0.16%	USD-SGD	1.3636	-0.01%
USD-JPY	109.200	-0.79%	EUR-SGD	1.6053	0.11%
EUR-USD	1.1772	0.11%	JPY-SGD	1.2490	0.78%
AUD-USD	0.7875	-0.16%	GBP-SGD	1.7694	-0.22%
GBP-USD	1.2977	-0.21%	AUD-SGD	1.0741	-0.14%
USD-MYR	4.2917	0.06%	NZD-SGD	0.9922	-0.86%
USD-CNY	6.6470	-0.41%	CHF-SGD	1.4165	0.08%
USD-IDR	13333	--	SGD-MYR	3.1460	-0.05%
USD-VND	22723	-0.06%	SGD-CNY	4.8753	-0.39%

Equity and Commodity

Index	Value	Net change
DJIA	21,844.01	-204.69
S&P	2,438.21	-35.81
Nasdaq	6,216.87	-135.46
Nikkei 225	19,729.74	-8.97
STI	3,323.24	5.16
KLCI	1,777.77	-0.17
JCI	5,825.95	1.94
Baltic Dry	1,050.00	--
VIX	16.04	4.93

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3740	--	O/N	1.1778	--
2M	-0.3390	--	1M	1.2289	--
3M	-0.3280	--	2M	1.2600	--
6M	-0.2710	--	3M	1.3092	--
9M	-0.2110	--	6M	1.4522	--
12M	-0.1530	--	12M	1.7279	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.23 (-0.01)	1.32 (-0.01)
5Y	1.54 (-0.01)	1.77 (-0.03)
10Y	2.10 (-0.01)	2.20 (-0.05)
15Y	2.31 (-0.02)	--
20Y	2.40 (-0.01)	--
30Y	2.46 (-0.01)	2.77 (-0.05)

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
09/20/2017	0.0%	99.6%	0.0%	0.0%	0.0%
11/01/2017	3.9%	95.8%	3.9%	0.0%	0.0%
12/13/2017	34.2%	65.5%	33.0%	1.2%	0.0%
01/31/2018	34.8%	65.0%	33.3%	1.5%	0.0%
03/21/2018	51.8%	48.0%	41.6%	9.8%	0.4%
05/02/2018	52.6%	47.2%	41.7%	10.4%	0.6%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.63	-0.12
EURIBOR-OIS	2.96	0.11
TED	26.87	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.59	-1.96%	Copper (per mt)	6,400.0	-0.82%
Brent (per barrel)	51.90	-1.52%	Nickel (per mt)	10,938.0	2.04%
Heating Oil (per gallon)	1.6313	-1.33%	Aluminium (per mt)	2,032.8	0.61%
Gasoline (per gallon)	1.6028	-1.06%			
Natural Gas (per MMBtu)	2.9850	3.54%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,663.0	1.25%
			Rubber (JPY/KG)	214.1	-0.60%
Precious Metals	Futures	% chg			
Gold (per oz)	1,290.1	0.84%			
Silver (per oz)	17.065	1.20%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
08/10/2017 05:00	NZ	RBNZ Official Cash Rate	Aug-10	1.75%	1.75%	1.75%	--
08/10/2017 07:01	UK	RICS House Price Balance	Jul	9%	1%	7%	--
08/10/2017 07:50	JN	Japan Buying Foreign Bonds	Aug-04	--	¥1624.2b	¥1067.0b	¥1069.5b
08/10/2017 07:50	JN	Foreign Buying Japan Stocks	Aug-04	--	-¥37.7b	-¥123.8b	--
08/10/2017 07:50	JN	Machine Orders MoM	Jun	3.60%	-1.90%	-3.60%	--
08/10/2017 07:50	JN	Machine Orders YoY	Jun	-1.10%	-5.20%	0.60%	--
08/10/2017 07:50	JN	PPI MoM	Jul	0.20%	0.30%	0.00%	0.10%
08/10/2017 07:50	JN	PPI YoY	Jul	2.30%	2.60%	2.10%	2.20%
08/10/2017 09:00	PH	Exports YoY	Jun	14.30%	0.80%	13.70%	--
08/10/2017 09:00	PH	Imports YoY	Jun	11.60%	-2.50%	16.60%	--
08/10/2017 09:00	PH	Trade Balance	Jun	-\$2500m	-\$2147m	-\$2753m	--
08/10/2017 12:00	MA	Industrial Production YoY	Jun	3.00%	4.00%	4.60%	--
08/10/2017 12:30	JN	Tertiary Industry Index MoM	Jun	0.20%	0.00%	-0.10%	--
08/10/2017 14:45	FR	Industrial Production MoM	Jun	-0.60%	-1.10%	1.90%	--
08/10/2017 14:45	FR	Industrial Production YoY	Jun	3.10%	2.60%	3.20%	3.10%
08/10/2017 14:45	FR	Manufacturing Production MoM	Jun	-1.00%	-0.90%	2.00%	--
08/10/2017 14:45	FR	Manufacturing Production YoY	Jun	3.20%	3.30%	3.30%	--
08/10/2017 16:00	PH	BSP Overnight Borrowing Rate	Aug-10	3.00%	3.00%	3.00%	--
08/10/2017 16:00	IT	Trade Balance Total	Jun	--	4502m	4342m	4344m
08/10/2017 16:00	SI	Automobile COE Open Bid Cat A	Aug-10	--	46778	44002	--
08/10/2017 16:00	SI	Automobile COE Open Bid Cat B	Aug-10	--	53711	50001	--
08/10/2017 16:30	UK	Industrial Production MoM	Jun	0.10%	0.50%	-0.10%	0.00%
08/10/2017 16:30	UK	Industrial Production YoY	Jun	-0.10%	0.30%	-0.20%	--
08/10/2017 16:30	UK	Manufacturing Production MoM	Jun	0.00%	0.00%	-0.20%	-0.10%
08/10/2017 16:30	UK	Manufacturing Production YoY	Jun	0.60%	0.60%	0.40%	0.30%
08/10/2017 16:30	UK	Visible Trade Balance GBP/Mn	Jun	£11,000	£12,722	£11,863	£11,306
08/10/2017 16:30	UK	Trade Balance Non EU GBP/Mn	Jun	£3,000	£4,471	£3,796	£3,493
08/10/2017 16:30	UK	Trade Balance	Jun	£2,500	£4,564	£3,073	£2,516
08/10/2017 20:00	UK	NIESR GDP Estimate	Jul	0.30%	0.20%	0.30%	--
08/10/2017 20:30	CA	New Housing Price Index MoM	Jun	0.50%	0.20%	0.70%	--
08/10/2017 20:30	US	Initial Jobless Claims	Aug-05	240k	244k	240k	241k
08/10/2017 20:30	US	Continuing Claims	Jul-29	1960k	1951k	1968k	1967k
08/10/2017 20:30	US	PPI Final Demand MoM	Jul	0.10%	-0.10%	0.10%	--
08/10/2017 20:30	US	PPI Ex Food and Energy MoM	Jul	0.20%	-0.10%	0.10%	--
08/10/2017 20:30	US	PPI Final Demand YoY	Jul	2.20%	1.90%	2.00%	--
08/10/2017 20:30	US	PPI Ex Food and Energy YoY	Jul	2.10%	1.80%	1.90%	--
08/10/2017 21:45	US	Bloomberg Consumer Comfort	Aug-06	--	51.4	49.6	--
08/11/2017 02:00	US	Monthly Budget Statement	Jul	-\$54.0b	-\$42.9b	-\$90.2b	--
08/11/2017 05:00	NZ	REINZ House Sales YoY	Jul	--	-24.50%	-24.70%	--
08/11/2017 06:30	NZ	BusinessNZ Manufacturing PMI	Jul	--	55.4	56.2	56
08/11/2017 06:45	NZ	Food Prices MoM	Jul	--	-0.20%	0.20%	--
08/11/2017 08:00	SI	GDP YoY	2Q F	2.50%	--	2.50%	--
08/11/2017 08:00	SI	GDP SAAR QoQ	2Q F	0.50%	--	0.40%	--
08/11/2017 13:00	IN	Local Car Sales	Jul	--	--	136895	--
08/11/2017 13:00	SI	Retail Sales SA MoM	Jun	0.60%	--	-1.00%	--
08/11/2017 13:00	SI	Retail Sales YoY	Jun	1.00%	--	0.90%	--
08/11/2017 14:00	GE	CPI MoM	Jul F	0.40%	--	0.40%	--
08/11/2017 14:00	GE	CPI YoY	Jul F	1.70%	--	1.70%	--
08/11/2017 14:00	GE	CPI EU Harmonized MoM	Jul F	0.40%	--	0.40%	--
08/11/2017 14:00	GE	CPI EU Harmonized YoY	Jul F	1.50%	--	1.50%	--
08/11/2017 14:45	FR	CPI EU Harmonized MoM	Jul F	-0.40%	--	-0.40%	--
08/11/2017 14:45	FR	CPI EU Harmonized YoY	Jul F	0.80%	--	0.80%	--
08/11/2017 14:45	FR	CPI MoM	Jul F	-0.30%	--	-0.30%	--
08/11/2017 14:45	FR	CPI YoY	Jul F	0.70%	--	0.70%	--
08/11/2017 15:30	TH	Foreign Reserves	Aug-04	--	--	\$189.3b	--
08/11/2017 16:00	IT	CPI EU Harmonized YoY	Jul F	1.20%	--	1.20%	--
08/11/2017 16:30	HK	GDP SA QoQ	2Q	0.60%	--	0.70%	--
08/11/2017 16:30	HK	GDP YoY	2Q	3.30%	--	4.30%	--
08/11/2017 20:00	IN	Industrial Production YoY	Jun	0.10%	--	1.70%	--
08/11/2017 20:30	US	CPI MoM	Jul	0.20%	--	0.00%	--
08/11/2017 20:30	US	CPI Ex Food and Energy MoM	Jul	0.20%	--	0.10%	--
08/11/2017 20:30	US	CPI YoY	Jul	1.80%	--	1.60%	--
08/11/2017 20:30	US	CPI Ex Food and Energy YoY	Jul	1.70%	--	1.70%	--
08/11/2017	ID	BoP Current Account Balance	2Q	-\$3160m	--	-\$2397m	--
08/10/2017 08/15	CH	Money Supply M2 YoY	Jul	9.50%	--	9.40%	--
08/10/2017 08/15	CH	New Yuan Loans CNY	Jul	800.0b	--	1540.0b	--

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Wellian Wiranto WellianWiranto@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

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