

Highlights

Global	<p>Another rate hike before the year is out, according to the FOMC's latest dot plot which also projected the Fed Funds rate to climb to 2.125% (ie. another three 25bps rate hikes) by end-2018, 2.688% by end-2019 and 2.875% in 2020, with 2.75% (previously 3%) in the longer term. Interestingly, 11 out of 16 preferred one hike with 1 preferring two hikes, whereas just 4 below it should be unchanged. This prompted the futures market to price in a 62% probability of a third hike at the 14 December FOMC, up from below 50% pre-FOMC. As widely expected, the Fed will also begin to trim its balance sheet in October, starting with US\$6b for US Treasury bonds and US\$4b for agency debt and MBS at a monthly pace and starting to step up quarterly. Of keen interest was the Fed assessment that growth would be a tad firmer at 2.4% (previously 2.2%) this year before slowing to 2.1% next year, while core inflation is revised down to 1.5% in 2017 and 1.9% in 2018, and only reaching 2% in 2019. While there was a reference to storm-related disruptions, the FOMC expressed the view that "with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace, and labor market conditions will strengthen somewhat further". The USD and UST bond yields rose while Wall Street recovered from its initial declines. Asian bourses should similarly be reassured by the FOMC's confidence that the US economy remains resilient. Key to watch are the BOJ (likely static with an accommodative bias), BSP and CBC (tipped to be unchanged as well) policy meetings, and US' initial jobless claims and Philadelphia Fed business index. RBA's Lowe, BOJ's Kuroda, ECB's Draghi and Praet are also speaking.</p>
US	<p>US' existing home sales unexpectedly fell 1.7% mom in August to a 1-year low of 5.35m annual pace, with Hurricane Harvey impacting Houston purchases (-25% yoy), higher median sales prices (+5.6% to US\$253.5k) and lower inventory (-6.5% yoy to 1.88m).</p>
CN	<p>China has created 9.74 million urban jobs in the first eight months of this year, ahead of its target. Despite the record number of new graduates this year, the job market remains largely stable with unemployment rate staying below 5%. Nevertheless, in its regular meeting, China's State Council said it will continue to place job creation as the main priority.</p>
SG	<p>COE rose to \$42,902 for Cat A (previously \$36,001) in the latest bidding exercise. MAS will re-open the 2-years SGS bond maturing on 1 October 2019. The issue size is \$2.4b with the auction closing at noon on 27 Sept.</p>
HK	<p>Due to fears of more bill sales ahead, rising expectations of Fed's announcement of balance sheet reduction plan and the huge funding demand associated with the IPO deal from ZhongAn Insurance, one-month HIBOR rose further to 0.50% on Sep 20, the highest level since February. HKMA's move may merely add moderate upward pressure onto the HIBOR in the near term. Whether HIBOR could catch up with LIBOR at a faster rate depends on the pace of Fed's rate hikes. Should the Fed proceed with a third rate hike in December (market sees 53% chance), 3-month HIBOR is expected to approach 1% by end of this year.</p>
MA	<p>Headline inflation surprised on the upside at 3.7% yoy (+0.9% mom) versus consensus forecast of 3.4% yoy and up from 3.2% yoy (-0.1% mom) in July. The key drivers were transport (+11.7% yoy), food and non-alcoholic beverages (+4.3% yoy), as well as housing, water and electricity (+2.4% yoy).</p>

Major Market

- **US:** Equities wobbled on FOMC announcement day, but dips under 2500 for the S&P 500 drew in buyers, allowing the broad market to close with a small gain. S&P 500 was marginally higher, while the Dow gained 0.19%. The Nasdaq slid 0.08%. Energy and financials led the advance. However, packaged food producers took a hit on weaker-than-expected results from General Mills. With Fed tightening well under way again, watch for whether it will negatively impact on the economy and corporate profits. VIX approached year-to-date lows again, closing at 9.78 compared to 10.18 previously. Meanwhile, US Treasury yields bear flattened from the short end as markets digested the Fed's message, and worked to price in the December rate hike again. 2y benchmark yields added 4 bps to close at 1.44%, while the 10y yield firmed to 2.27%.
- **Singapore:** The STI extended declines by 0.24% to close at 3218.07 yesterday pre-FOMC and may consolidate between 3200-3230 even though Wall Street recovered from its initial wobble. Kospi this morning are mildly positive. With UST bond yields adjusting another 2-4bps higher post-FOMC, led by the belly of the curve in reaction to the increased likelihood of another rate hike before the end of this year, the SGS bond market may also see some pressure at the front end of the curve as well.
- **Hong Kong:** Housing completions rebounded by 88% yoy to 2,464 units in July and rose by 30.5% yoy to 11,393 units over the first seven months. We see high chance for the government to meet its target of increasing 17,100 units of new home supply in 2017. On the other hand, housing starts increased by 9.8% yoy to 13,444 units in the first seven months. Based on this, we believe that annual new home supply will increase to over 20,000 units in the coming years. Therefore, the prospects for increasing supply and higher rates may raise expectations on housing market corrections and prevent potential homebuyers from chasing after the overheated market. This may add to the cooling measures and lower investment demand from Mainland China in suppressing the housing market. Therefore, we believe housing prices would fall by 5% approximately in 2H.
- **Indonesia:** An earthquake hit Java early on Thursday morning. It is still too early to assess damages, but do keep an eye on the developments.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 1-3bps lower across most tenors. The 20-year tenor traded little changed. In the broader dollar space, the spread on JACI IG Corp traded little changed at 188bps. Similarly, the yield on JACI HY Corp traded little changed at 6.80%.
- **New Issues:** The Export-Import Bank of Korea has priced a SGD200mn 5-year bond at 5YSOR+55bps, in the range of IPT of 5YSOR+55-60bps. The expected issue ratings are 'AA/Aa2/NR'. Olam International Ltd has priced a JPY8bn 5-year bond at 0.9825%. QBE Insurance Group Limited has priced a USD300mn 6-year bond at CT6+130bps, unchanged from initial guidance of CT6+130bps. Sunshine 100 China Holdings Ltd has priced a USD235mn 3NC2 bond at 8.5%, unchanged from initial guidance of 8.5%.
- **Rating Changes:** S&P has affirmed PT Mitra Pinasthika Mustika Tbk (MPM)'s 'B+' corporate credit rating and ratings on its senior unsecured notes. S&P has also affirmed the stable outlook on the ratings. The rating action reflects S&P's view that MPM will

maintain its market share in the motorcycle distribution segment. S&P then withdrew the ratings at MPM's request. Moody's has assigned Australian Technology Innovators Pty Limited ("ATI") a corporate family rating (CFR) of 'Ba3'. At the same time, Moody's has assigned LEAP Legal Software Pty Limited's ("LEAP") backed senior secured term loan facility a 'Ba3' rating. At the same time, Moody's has withdrawn LEAP's provisional CFR of 'Ba3'. The rating action follows the completion of LEAP's merger with InfoTrack Group Pty Ltd, with ATI being the holding company of the merged group. The outlook on the ratings are stable. The ratings reflects ATI's leading position in Australia's market for legal practice management platforms for smaller legal and conveyancing firms, solid cash flow generation and high barriers to entry. However, the ratings are constrained by the company's high leverage and relatively small scale. Moody's has upgraded Thai Beverage Public Company Limited's (ThaiBev) issuer rating to 'Baa2' from 'Baa3'. The outlook has been changed to stable from positive. The rating action reflects ThaiBev's position as the largest beverage producer in Thailand and its stable cash flows. However, the rating considers the competitive environment and ThaiBev's exposure to regulatory risks and potential changes in excise taxes. Fitch has downgraded China Life Insurance Company Limited's (China Life) Long-Term Issuer Default Rating (IDR) to 'A' from 'A+', while affirming its Insurer Financial Strength (IFS) Rating at 'A+'. The outlook is stable. The rating action reflects China Life's weakened standalone credit strength due to a large increase in risky asset exposure, as China Life acquired a few large single-name stakes in 2016. Fitch has affirmed CTBC Bank Co Ltd's (CTBC Bank) Issuer Default Ratings (IDRs) and National Ratings, while revising the outlook to stable from negative. At the same time, Fitch has downgraded the rating on CTBC bank's parent, CTBC Financial Holding Co Ltd (CTBC Holding), and its sister companies, Taiwan Life Insurance Co Ltd (Taiwan Life) and CTBC Securities Co Ltd (CTBC Securities) by one notch. The rating action on CTBC Bank reflects its enhanced capital profile and focus on organic growth. On the other hand, the downgrade on CTBC Holding reflects the continued growth of Taiwan Life, which is a significant part of the CTBC group, but has a weaker standalone strength than CTBC Bank.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.508	0.78%	USD-SGD	1.3486	0.10%
USD-JPY	112.220	0.56%	EUR-SGD	1.6040	-0.74%
EUR-USD	1.1892	-0.85%	JPY-SGD	1.2022	-0.36%
AUD-USD	0.8031	0.26%	GBP-SGD	1.8200	0.07%
GBP-USD	1.3495	-0.06%	AUD-SGD	1.0831	0.35%
USD-MYR	4.1875	-0.10%	NZD-SGD	0.9924	0.68%
USD-CNY	6.5749	-0.13%	CHF-SGD	1.3906	-0.64%
USD-IDR	13282	0.02%	SGD-MYR	3.1142	0.17%
USD-VND	22727	-0.01%	SGD-CNY	4.8917	0.15%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1789	--
2M	-0.3410	--	1M	1.2372	--
3M	-0.3300	--	2M	1.2717	--
6M	-0.2720	--	3M	1.3261	--
9M	-0.2190	--	6M	1.4786	--
12M	-0.1710	--	12M	1.7443	--

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
11/01/2017	2.8%	97.2%	2.8%	0.0%	0.0%
12/13/2017	63.8%	36.2%	62.0%	1.8%	0.0%
01/31/2018	64.1%	35.9%	61.8%	2.3%	0.0%
03/21/2018	75.7%	24.3%	53.4%	21.6%	0.8%
05/02/2018	75.9%	24.1%	53.2%	21.8%	0.9%
06/13/2018	82.5%	17.5%	45.2%	30.4%	6.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	50.41	1.88%	Copper (per mt)	6,545.5	-0.02%
Brent (per barrel)	56.29	2.09%	Nickel (per mt)	11,328.0	2.15%
Heating Oil (per gallon)	1.8070	1.94%	Aluminium (per mt)	2,157.3	2.54%
Gasoline (per gallon)	1.6551	0.01%			
Natural Gas (per MMBtu)	3.0940	-0.90%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,770.0	0.11%
			Rubber (JPY/KG)	212.2	-0.56%
Precious Metals	Futures	% chg			
Gold (per oz)	1,316.4	0.44%			
Silver (per oz)	17.334	0.32%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,412.59	41.79
S&P	2,508.24	1.59
Nasdaq	6,456.04	-5.28
Nikkei 225	20,310.46	11.08
STI	3,218.07	-7.88
KLCI	1,773.58	-3.08
JCI	5,906.57	5.25
Baltic Dry	1,415.00	--
VIX	9.78	-0.40

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-)	1.44 (+0.04)
5Y	1.57 (-)	1.87 (+0.04)
10Y	2.07 (-0.01)	2.27 (+0.02)
15Y	2.37 (-0.02)	--
20Y	2.34 (-0.02)	--
30Y	2.39 (-0.02)	2.81 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.31	-0.13
EURIBOR-OIS	2.88	0.48
TED	29.43	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/20/2017 06:45	NZ BoP Current Account Balance NZD	2Q	-0.900b	-0.618b	0.244b	0.221b
09/20/2017 07:50	JN Trade Balance	Aug	¥104.4b	¥113.6b	¥418.8b	¥421.7b
09/20/2017 07:50	JN Trade Balance Adjusted	Aug	¥404.5b	¥367.3b	¥337.4b	¥363.1b
09/20/2017 07:50	JN Exports YoY	Aug	14.30%	18.10%	13.40%	--
09/20/2017 07:50	JN Imports YoY	Aug	11.60%	15.20%	16.30%	--
09/20/2017 08:30	AU Westpac Leading Index MoM	Aug	--	-0.08%	0.12%	0.09%
09/20/2017 12:00	MA CPI YoY	Aug	3.40%	3.70%	3.20%	--
09/20/2017 14:00	GE PPI YoY	Aug	2.50%	2.60%	2.30%	--
09/20/2017 16:00	TA Export Orders YoY	Aug	8.50%	7.50%	10.50%	--
09/20/2017 16:00	SI Automobile COE Open Bid Cat A	Sep-20	--	42902	36001	--
09/20/2017 16:00	SI Automobile COE Open Bid Cat B	Sep-20	--	49189	49000	--
09/20/2017 16:30	UK Retail Sales Ex Auto Fuel YoY	Aug	1.40%	2.80%	1.50%	1.70%
09/20/2017 16:30	UK Retail Sales Inc Auto Fuel YoY	Aug	1.10%	2.40%	1.30%	1.40%
09/20/2017 19:00	US MBA Mortgage Applications	Sep-15	--	-9.70%	9.90%	--
09/20/2017 22:00	US Existing Home Sales	Aug	5.45m	5.35m	5.44m	--
09/20/2017 22:00	US Existing Home Sales MoM	Aug	0.20%	-1.70%	-1.30%	--
09/21/2017 02:00	US FOMC Rate Decision (Upper Bound)	Sep-20	1.25%	1.25%	1.25%	--
09/21/2017 02:00	US FOMC Rate Decision (Lower Bound)	Sep-20	1.00%	1.00%	1.00%	--
09/21/2017 06:45	NZ GDP SA QoQ	2Q	0.80%	0.80%	0.50%	0.60%
09/21/2017 06:45	NZ GDP YoY	2Q	2.50%	2.50%	2.50%	--
09/21/2017 09:30	AU RBA FX Transactions Market	Aug	--	--	A\$984m	--
09/21/2017 11:00	NZ Credit Card Spending YoY	Aug	--	--	7.20%	--
09/21/2017 12:15	TH Customs Exports YoY	Aug	5.00%	--	10.48%	--
09/21/2017 12:15	TH Customs Imports YoY	Aug	14.90%	--	18.45%	--
09/21/2017 12:15	TH Customs Trade Balance	Aug	\$611m	--	-\$188m	--
09/21/2017 12:30	JN All Industry Activity Index MoM	Jul	-0.10%	--	0.40%	--
09/21/2017 15:00	MA Foreign Reserves	Sep-15	--	--	\$100.5b	--
09/21/2017 16:00	TA CBC Benchmark Interest Rate	Sep-21	1.38%	--	1.38%	--
09/21/2017 16:00	PH BSP Overnight Borrowing Rate	Sep-21	3.00%	--	3.00%	--
09/21/2017 16:30	UK UK Finance Loans for Housing	Aug	41700	--	41587	--
09/21/2017 16:30	HK CPI Composite YoY	Aug	1.90%	--	2.00%	--
09/21/2017 16:30	UK Public Finances (PSNCR)	Aug	--	--	-3.9b	--
09/21/2017 16:30	UK Public Sector Net Borrowing	Aug	6.4b	--	-0.8b	--
09/21/2017 16:30	UK PSNB ex Banking Groups	Aug	7.1b	--	-0.2b	--
09/21/2017 20:30	CA Wholesale Trade Sales MoM	Jul	-0.70%	--	-0.50%	--
09/21/2017 20:30	US Initial Jobless Claims	Sep-16	302k	--	284k	--
09/21/2017 20:30	US Continuing Claims	Sep-09	1975k	--	1944k	--
09/21/2017 20:30	US Philadelphia Fed Business Outlook	Sep	17.1	--	18.9	--
09/21/2017 21:00	US FHFA House Price Index MoM	Jul	0.40%	--	0.10%	--
09/21/2017 21:45	US Bloomberg Consumer Comfort	Sep-17	--	--	51.9	--
09/21/2017 21:45	US Bloomberg Economic Expectations	Sep	--	--	54	--
09/21/2017 22:00	EC Consumer Confidence	Sep A	-1.5	--	-1.5	--
09/21/2017 22:00	US Leading Index	Aug	0.30%	--	0.30%	--
09/21/2017	JN BOJ Policy Balance Rate	Sep-21	-0.10%	--	-0.10%	--
09/19/2017 09/29	PH Budget Balance PHP	Aug	--	--	-50.5b	--

Source: Bloomberg

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