

## Highlights

|        |   |
|--------|---|
| Global | <p>The ECB pared its monthly asset purchase pace from EUR60b to EUR30b from Jan18 but extended the program until Sep18, “or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. If the outlook becomes less favourable, or if financial conditions become inconsistent with further progress towards a sustained adjustment in the path of inflation, we stand ready to increase the APP in terms of size and/or duration”. Moreover, unlike the FOMC, the ECB plans to “reinvest the principal payments from maturing securities purchased under the APP for an extended period of time after the end of its net asset purchases, and in any case for as long as necessary”, and retained the forward guidance that interest rates would remain unchanged until “well past” the end of the asset purchases. This puts the ECB in the camp of a “dovish taper” and contributed to a classic case of buy the rumour and sell the fact for the Euro.</p> <p>Asian bourses are likely to trade with a positive tone this morning on ECB relief and amid positive overnight cues from Wall Street which rallied on the back of strong earnings from Twitter Inc, Amazon.com, Alphabet Inc and Ford Motor Co. Key market focus will be the Malaysian Budget. Today’s economic data calendar is light with only US’ revised 3Q17 GDP growth and ECB’s survey of professional forecasters. ECB’s Weidmann, Praet, Nowotny and Angeloni are speaking.</p> |
| US     | <p>US House Republicans adopted a budget resolution which could clear the way for the tax cut proposal by end of the year. Meanwhile, initial jobless claims rose 10k to 233k, while wholesale inventories moderated from a revised 0.8% mom in Aug to 0.3% in Sep. Pending home sales were flat mom (-5.4% yoy) in Sep, followed a 2.8% mom decline (-3.3% yoy) in Aug, due to the drag from Hurricane Irma. However, the Kansas City Fed manufacturing index rose from 10 in Aug to 27 in Sep, the highest since 2011.</p>  |
| CN     | <p>PBoC gauged the demand for 63-day reverse repo yesterday for the first time in history. This will be the longest repo operation should PBoC conduct it. The launch of longer tenor repo will help cover the cross year end liquidity needs, which will help alleviate the concerns about the tight liquidity.</p>  |
| SG     | <p>Industrial production expanded more than expected by 14.6% yoy but still slipped 0.5% mom sa in Sep. This is a moderation from the 19.4% yoy (+0.6% mom sa) pace seen in Aug, but marked the fourth straight month of double-digit yoy growth and brought Jan-Sep to a stellar 11.8% yoy. Electronics output surged 33.2% yoy in Sep due to semiconductors and computer peripherals. Recent guidance from global players like Texas Instruments Inc, Nvidia, and Micron etc was upbeat. The main laggard remained the transport engineering cluster which fell 10.8% yoy, dragged down by offshore &amp; marine (-26.7% yoy). The flash 3Q17 GDP growth estimate of 4.6% yoy (+6.3% qoq saar) is likely to be revised higher, possibly to 4.8% yoy (+7.5% qoq saar) as the Sep industrial production data portends, but the exact magnitude of the adjustment would also depend on services performance for Sep. Full-year GDP growth could come in around 3.3% yoy, assuming that 4Q17 growth slows back to around 3% yoy, even as manufacturing normalizes. 3Q unemployment rate could stabilise at 2.2%.</p>  |

## Major Market

- **US:** Dow Jones (+0.31%) and S&P 500 rose (+0.13%), while Nasdaq fell (-0.11%). 3Q results continued to lead Wall Street higher, with DuPont (+2.8%) and Twitter (+18%) in focus. However, VIX rose, closing at 11.30 (+0.62%).
- Treasury yields extended gains, with the 10-year note clocking its 3rd successive day of gains to end at 2.46% (+3bp), with the 2-year rising similarly to 1.61% (+2bp).
- **Singapore:** The STI added 0.37% to close up at 3356.25 yesterday, and may sustain its rally amid positive signals from Wall Street overnight and morning gains in Nikkei and Kospi. The STI resistance and support are tipped at 3373 (last seen in Jul15) and 3340 respectively. With the UST bonds selling off by up to 3bps yesterday, the improved risk appetite may put some pressure on SGS bonds today.
- **China:** In addition, China managed to sell its first US dollar sovereign bond in 13 years at a tight spread over US Treasury with spread for 5-year and 10-year tightened to 15bps and 25bps respectively. Despite being unrated, the 2bn issuance was oversubscribed 11 times.
- **Hong Kong:** HK's trade activities remained robust with exports rising 9.4% yoy and imports increasing 9.7% yoy in September. Specifically, exports to the Mainland China, Japan, India, Taiwan and Vietnam grew by 7.5% yoy, 18.1% yoy, 30.8% yoy, 12% yoy and 16.9% yoy. This reinforces that HK's trade sector has benefited from the improved demand from Asian countries. More notably, overseas shipment to the USA rebounded by 4.1% yoy after sliding for two consecutive months. By commodity, exports of electrical machinery, apparatus and appliances, and electrical parts increased by 10.1% yoy while imports of electrical machinery, apparatus and appliances, and electrical parts climbed by 14.6% yoy. Meanwhile, China's imports and Southeast Asia's exports of similar commodity also expanded substantially. The entire electronic value chain in Asia may continue to benefit from global recovery. Therefore, we expect Asia's export to remain supported in the near term. This also indicates that HK's growth in 2H could be better than our previous expectation. However, the rise of protectionism in the US and Europe and China's free trade port plan may pose downward risk to HK's trade sector in the long term.
- 1-month HIBOR has risen consecutively over nine trading days to 0.69%, its highest level since January 2017. Moving forward, if HIBOR comes off a bit on ample liquidity after end of this month and after IPOs, the HKMA may still have intention to announce a third round of bill sales plan before Dec FOMC. On the other hand, expectations on Fed's Dec rate hike and global monetary tightening have been rising. Adding on year-end effect, the HIBOR is set to catch up with the LIBOR. All in all, we hold onto our view that the yield differential between HKD and USD has peaked. A narrowing interest rate gap will likely damp carry trade which shorts HKD for higher-yielding greenback. This will further shrug off upward risks on USDHKD which is expected to move between 7.7950-7.8100 at this juncture.
- **Korea:** Household inflation expectation for the next 12 months is unchanged at 2.6%, according to BOK statement.
- **Malaysia:** PM Najib is slated to present Malaysia's 2018 Budget later at 3pm. We expect Malaysia's fiscal deficit as a % of GDP to print 3.0% for 2017, and to see a 2.9% deficit into 2018.

- **Commodities:** ECB's decision to taper half of its monthly purchases to EUR30bn while extending its purchase programme by nine months to Sept 2018 or beyond left gold prices faltering lower as the dollar index strengthened. Beyond the precious metal space, crude oil prices held their ground despite the stronger dollar, and even on news that Iraq resumed Kirkuk's crude oil exports which suggested some relief from last week's fighting. Elsewhere, note that aluminium price is just a tad below its \$2,200/MT handle, highest since March 2012, as market-watchers remain concerned over falling global production.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 3-5bps lower across most tenors. The 20-year tenor traded little changed. In the broader dollar space, the spread on JACI IG Corps rose 1bps to 177bps, while the yield on JACI HY Corps fell 1bps to 6.84%. 10Y UST yields rose 3bps to 2.46% as speculation surrounding the Fed chair decision continued.
- **New Issues:** Wing Tai Properties Finance Ltd has priced a SGD100mn re-tap of its WINGTA 4.35% PERP at 100.10. The Ministry of Finance of the People's Republic of China has priced a two-tranche deal, with the USD1bn 5-year bond priced at CT5+15bps, tightening from initial guidance of CT5+30-40bps; and the USD1bn 10-year bond priced at CT10+25bps, tightening from initial guidance of CT10+40-50bps. Hainan Airlines (Hong Kong) Co has priced a USD300mn bond at 6.35% (guaranteed by Hainan Airlines Holding Co), tightening from initial guidance of 6.5% area.
- **Rating Changes:** S&P has affirmed IMB Ltd's (IMB) 'BBB' ratings, while revising the outlook to negative from stable. The rating action reflects IMB's material decrease in its risk-adjusted capital ratio due to the increase in risk weights that Moody's applies to its lending assets, as well as share buybacks by IMB that are ahead of Moody's expectations. Moody's has affirmed POSCO's 'Baa2' senior unsecured rating, while revising the outlook to positive from stable. The rating action reflects Moody's expectation that POSCO's increase in earnings and debt reductions will allow POSCO's financial profile to improve.

## Key Financial Indicators

### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 94.612    | 0.96%    | <b>USD-SGD</b> | 1.3674    | 0.51%    |
| <b>USD-JPY</b> | 113.980   | 0.21%    | <b>EUR-SGD</b> | 1.5930    | -0.88%   |
| <b>EUR-USD</b> | 1.1651    | -1.37%   | <b>JPY-SGD</b> | 1.1996    | 0.29%    |
| <b>AUD-USD</b> | 0.7660    | -0.57%   | <b>GBP-SGD</b> | 1.7994    | -0.27%   |
| <b>GBP-USD</b> | 1.3161    | -0.76%   | <b>AUD-SGD</b> | 1.0473    | -0.08%   |
| <b>USD-MYR</b> | 4.2345    | -0.02%   | <b>NZD-SGD</b> | 0.9354    | -0.19%   |
| <b>USD-CNY</b> | 6.6426    | 0.05%    | <b>CHF-SGD</b> | 1.3705    | -0.31%   |
| <b>USD-IDR</b> | 13587     | 0.07%    | <b>SGD-MYR</b> | 3.1113    | 0.16%    |
| <b>USD-VND</b> | 22721     | 0.00%    | <b>SGD-CNY</b> | 4.8678    | -0.21%   |

### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3730 | --     | <b>O/N</b> | 1.1844    | --     |
| <b>2M</b>  | -0.3410 | --     | <b>1M</b>  | 1.2400    | --     |
| <b>3M</b>  | -0.3310 | --     | <b>2M</b>  | 1.3072    | --     |
| <b>6M</b>  | -0.2740 | --     | <b>3M</b>  | 1.3745    | --     |
| <b>9M</b>  | -0.2190 | --     | <b>6M</b>  | 1.5622    | --     |
| <b>12M</b> | -0.1830 | --     | <b>12M</b> | 1.8446    | --     |

### Fed Rate Hike Probability

| Meeting    | Prob Hike | 1.25 - 1.5 | 1.5 - 1.75 | 1.75 - 2.0 | 2.0 - 2.25 |
|------------|-----------|------------|------------|------------|------------|
| 11/01/2017 | 0.3%      | 0.3%       | 0.0%       | 0.0%       | 0.0%       |
| 12/13/2017 | 83.6%     | 83.4%      | 0.2%       | 0.0%       | 0.0%       |
| 01/31/2018 | 84.1%     | 81.5%      | 2.6%       | 0.0%       | 0.0%       |
| 03/21/2018 | 91.2%     | 52.1%      | 37.9%      | 1.2%       | 0.0%       |
| 05/02/2018 | 91.6%     | 50.0%      | 38.6%      | 3.0%       | 0.1%       |
| 06/13/2018 | 94.7%     | 34.7%      | 42.8%      | 16.1%      | 1.1%       |

### Commodities Futures

| Energy                   | Futures        | % chg        | Base Metals              | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 52.64          | 0.88%        | Copper (per mt)          | 7,005.2        | -0.17%       |
| Brent (per barrel)       | 59.30          | 1.47%        | Nickel (per mt)          | 11,716.0       | -0.92%       |
| Heating Oil (per gallon) | 1.8419         | 1.30%        | Aluminium (per mt)       | 2,180.5        | 0.17%        |
| Gasoline (per gallon)    | 1.7506         | 0.91%        |                          |                |              |
| Natural Gas (per MMBtu)  | 2.8900         | -0.99%       | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
|                          |                |              | Crude Palm Oil (MYR/MT)  | 2,813.0        | 0.29%        |
|                          |                |              | Rubber (JPY/KG)          | 201.4          | 0.95%        |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> |                          |                |              |
| Gold (per oz)            | 1,269.6        | -0.73%       |                          |                |              |
| Silver (per oz)          | 16.811         | -0.67%       |                          |                |              |

Source: Bloomberg, Reuters  
(Note that rates are for reference only)

### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 23,400.86 | 71.40      |
| <b>S&amp;P</b>    | 2,560.40  | 3.25       |
| <b>Nasdaq</b>     | 6,556.77  | -7.12      |
| <b>Nikkei 225</b> | 21,739.78 | 32.16      |
| <b>STI</b>        | 3,356.25  | 12.37      |
| <b>KLCI</b>       | 1,736.80  | -2.25      |
| <b>JCI</b>        | 5,995.85  | -29.59     |
| <b>Baltic Dry</b> | 1,573.00  | --         |
| <b>VIX</b>        | 11.30     | 0.07       |

### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.48 (-0.01) | 1.61 (+0.02) |
| <b>5Y</b>  | 1.78 (--)    | 2.08 (+0.03) |
| <b>10Y</b> | 2.27 (-0.01) | 2.46 (+0.03) |
| <b>15Y</b> | 2.52 (--)    | --           |
| <b>20Y</b> | 2.51 (--)    | --           |
| <b>30Y</b> | 2.57 (--)    | 2.97 (+0.03) |

### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 10.89 | -0.18  |
| <b>EURIBOR-OIS</b> | 1.90  | -0.58  |
| <b>TED</b>         | 26.63 | --     |

### Economic Calendar

| Date Time        |    | Event                                |        | Survey | Actual  | Prior    | Revised |
|------------------|----|--------------------------------------|--------|--------|---------|----------|---------|
| 10/26/2017 05:45 | NZ | <b>Trade Balance NZD</b>             | Sep    | -900m  | -1143m  | -1235m   | -1179m  |
| 10/26/2017 05:45 | NZ | Exports NZD                          | Sep    | 3.90b  | 3.78b   | 3.69b    | 3.68b   |
| 10/26/2017 05:45 | NZ | Imports NZD                          | Sep    | 4.88b  | 4.92b   | 4.92b    | 4.86b   |
| 10/26/2017 07:00 | SK | <b>GDP SA QoQ</b>                    | 3Q P   | 0.90%  | 1.40%   | 0.60%    | --      |
| 10/26/2017 07:00 | SK | <b>GDP YoY</b>                       | 3Q P   | 3.00%  | 3.60%   | 2.70%    | --      |
| 10/26/2017 07:50 | JN | Japan Buying Foreign Bonds           | Oct-20 | --     | ¥10.9b  | ¥269.7b  | ¥271.1b |
| 10/26/2017 07:50 | JN | Foreign Buying Japan Stocks          | Oct-20 | --     | ¥686.0b | ¥840.7b  | ¥841.8b |
| 10/26/2017 13:00 | SI | <b>Industrial Production YoY</b>     | Sep    | 10.00% | 14.60%  | 19.10%   | 19.50%  |
| 10/26/2017 13:00 | SI | Industrial Production SA MoM         | Sep    | -7.30% | -0.50%  | 0.60%    | --      |
| 10/26/2017 14:00 | GE | GfK Consumer Confidence              | Nov    | 10.8   | 10.7    | 10.8     | --      |
| 10/26/2017 16:00 | EC | <b>M3 Money Supply YoY</b>           | Sep    | 5.00%  | 5.10%   | 5.00%    | --      |
| 10/26/2017 16:00 | IT | Economic Sentiment                   | Oct    | --     | 109.1   | 108      | 108.1   |
| 10/26/2017 16:00 | IT | <b>Manufacturing Confidence</b>      | Oct    | 110    | 111     | 110.4    | 110.5   |
| 10/26/2017 16:00 | IT | <b>Consumer Confidence Index</b>     | Oct    | 114.9  | 116.1   | 115.5    | 115.6   |
| 10/26/2017 16:30 | HK | <b>Exports YoY</b>                   | Sep    | 5.90%  | 9.40%   | 7.40%    | --      |
| 10/26/2017 16:30 | HK | Imports YoY                          | Sep    | 5.00%  | 9.70%   | 7.70%    | --      |
| 10/26/2017 16:30 | HK | Trade Balance HKD                    | Sep    | -38.5b | -44.7b  | -35.5b   | --      |
| 10/26/2017 19:45 | EC | <b>ECB Main Refinancing Rate</b>     | Oct-26 | 0.00%  | 0.00%   | 0.00%    | --      |
| 10/26/2017 19:45 | EC | <b>ECB Marginal Lending Facility</b> | Oct-26 | 0.25%  | 0.25%   | 0.25%    | --      |
| 10/26/2017 19:45 | EC | <b>ECB Deposit Facility Rate</b>     | Oct-26 | -0.40% | -0.40%  | -0.40%   | --      |
| 10/26/2017 20:30 | US | <b>Initial Jobless Claims</b>        | Oct-21 | 235k   | 233k    | 222k     | 223k    |
| 10/26/2017 20:30 | US | Continuing Claims                    | Oct-14 | 1890k  | 1893k   | 1888k    | 1896k   |
| 10/26/2017 20:30 | US | <b>Wholesale Inventories MoM</b>     | Sep P  | 0.40%  | 0.30%   | 0.90%    | 0.80%   |
| 10/26/2017 21:45 | US | Bloomberg Consumer Comfort           | Oct-22 | --     | 51      | 51.1     | --      |
| 10/26/2017 22:00 | US | <b>Pending Home Sales MoM</b>        | Sep    | 0.50%  | 0.00%   | -2.60%   | -2.80%  |
| 10/27/2017 05:00 | SK | Consumer Confidence                  | Oct    | --     | 109.2   | 107.7    | --      |
| 10/27/2017 07:30 | JN | <b>Natl CPI YoY</b>                  | Sep    | 0.70%  | --      | 0.70%    | --      |
| 10/27/2017 07:30 | JN | Natl CPI Ex Fresh Food YoY           | Sep    | 0.70%  | --      | 0.70%    | --      |
| 10/27/2017 07:30 | JN | Tokyo CPI YoY                        | Oct    | 0.10%  | --      | 0.50%    | --      |
| 10/27/2017 07:30 | JN | <b>Tokyo CPI Ex-Fresh Food YoY</b>   | Oct    | 0.50%  | --      | 0.50%    | --      |
| 10/27/2017 08:30 | AU | PPI QoQ                              | 3Q     | --     | --      | 0.50%    | --      |
| 10/27/2017 08:30 | AU | PPI YoY                              | 3Q     | --     | --      | 1.70%    | --      |
| 10/27/2017 10:30 | SI | Unemployment rate SA                 | 3Q     | 2.20%  | --      | 2.20%    | --      |
| 10/27/2017 14:00 | GE | Import Price Index MoM               | Sep    | 0.50%  | --      | 0.00%    | --      |
| 10/27/2017 14:00 | GE | Import Price Index YoY               | Sep    | 2.60%  | --      | 2.10%    | --      |
| 10/27/2017 14:45 | FR | <b>Consumer Confidence</b>           | Oct    | 101    | --      | 101      | --      |
| 10/27/2017 15:30 | TH | <b>Foreign Reserves</b>              | Oct-20 | --     | --      | \$200.5b | --      |
| 10/27/2017 20:30 | US | <b>GDP Annualized QoQ</b>            | 3Q A   | 2.60%  | --      | 3.10%    | --      |
| 10/27/2017 20:30 | US | Personal Consumption                 | 3Q A   | 2.10%  | --      | 3.30%    | --      |
| 10/27/2017 20:30 | US | <b>GDP Price Index</b>               | 3Q A   | 1.70%  | --      | 1.00%    | --      |
| 10/27/2017 20:30 | US | Core PCE QoQ                         | 3Q A   | 1.30%  | --      | 0.90%    | --      |
| 10/27/2017 22:00 | US | <b>U. of Mich. Sentiment</b>         | Oct F  | 100.7  | --      | 101.1    | --      |
| 10/27/2017       | MU | Trade Balance                        | Sep    | --     | --      | -5529m   | --      |
| 10/27/2017       | MU | <b>Unemployment Rate</b>             | Sep    | --     | --      | 2.00%    | --      |
| 10/27/2017 10/31 | VN | <b>CPI YoY</b>                       | Oct    | 3.10%  | --      | 3.40%    | --      |
| 10/27/2017 10/31 | VN | Exports YTD YoY                      | Oct    | 20.60% | --      | 19.80%   | --      |

Source: Bloomberg

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