

Highlights

Global	<p>The 10-year US Treasury bond yield broke below the 2.1% handle to touch 2.08% (lowest since 10 Nov) before recovering to 2.13% whilst Asian bourses also stabilised after an initial knee-jerk risk-off bout fuelled by North Korean flying a missile over Japan. In an extension of the war of words, Kim Jong Un said it was a “meaningful prelude” to containing Guam, while US President said the US will consider “all options”. The futures pricing of a third FOMC rate hike fell below 30% probability amid the risk-off dovish market environment. Meanwhile gasoline continued to be buoyed by Tropical Storm Harvey news.</p> <p>Asian bourses may see some further stabilisation if not recovery today as the risk-off concerns fade a little. Today’s economic data calendar comprises of US’ ADP employment, German CPI and Eurozone’s consumer confidence. Fed’s Powell is speaking.</p>
US	<p>US’ June S&P house prices rose 5.8% for the year through June, the most in three years, amid strong buying interest against limited inventories. Meanwhile, the Conference Board consumer confidence index picked up from a downwardly revised 120 in July to 122.9 for Aug, the second-highest reading since late 2000 amid strong spending sentiments. The present conditions and expectations gauges both improved to 151.2 (highest since July 2011) and 104 respectively, up from 145.4 and 103 previously.</p>
EZ	<p>PM May is visiting Japan to prepare the ground for an ambitious FTA after Brexit, based on the EU-Japan agreement. Meanwhile, on the Euro strength, German Chancellor Merkel opined “I don’t view the trade surplus as so dramatic” and “if the trade surplus should now shrink, then that would be one of those developments that’s really out of our hands”.</p>
SG	<p>The \$1.3b re-opening of the Sep’33 SGS bond fetched a median yield of 2.36% with cut-off at 2.4% and a bid-cover ratio of 2.18x.</p>
CN	<p>RMB outperformed on Tuesday tracking stronger EUR. The USDCNY ended down below 6.60 at 4:30pm after EURUSD broke 1.20 level. The unwind of Long dollar position may add further momentum do RMB in the near term. In addition, PBoC completed to purchase the issuance of rollover of special bond with no significant impact on liquidity.</p>
KR	<p>The Korea Stock Exchange KOSPI index saw its second consecutive day of decline, erasing some of the gains seen in the previous week. The repeated decline in Korean equities suggested lacklustre market appetite given the intensified geopolitical tensions.</p>
CMD	<p>The precious metal complex continued to point higher. Gold prices soared to \$1,318.9/oz yesterday as market-watchers continue to fret over renewed North Korean tensions, while palladium (+1.2%) and platinum (+1.4%) followed suit. Gasoline prices surged to its highest since July 2015 at \$1.78/gallon at closing yesterday, with the refined oil continuing to edge higher \$1.82/gallon in early morning trading. Much of the energy price movements will now depend largely on the progress of Hurricane Harvey, which has since been downgraded to a tropical storm. Still, it had since caused increasing damage to the US oil refining industry and affected more than 19% (or 3.65 million barrels per day) of the country’s refining capacity.</p>

Major Market

- **US:** U.S Stocks closed higher likely on short-covering behaviour, though safe haven demand into gold, US Treasuries and JPY were still being observed. The Dow Jones Index rose to close 21,865.4 (+0.3%), while the S&P (+0.1%) and NASDAQ composite (+0.3%) tagged closely after. Gains by aircraft-equipment giant United Technologies helped lift the index after their decision to acquire Rockwell Collins for US 20bn. Elsewhere, the 2y- and 10y- US Treasury yields softened to 1.3155%(-0.97bp) 2.129% (-2.8bp), respectively. The VIX, or better known as the fear index, rose for its second consecutive trading day to 11.7 (+3.4%).
- **Singapore:** STI declined 0.56% to close at 3249.34 yesterday but may attempt to stabilise today, with support at 3240 and resistance at 3260. While UST bonds registering lower yields of 1-4bps, SGS bonds rallied harder yesterday as investors snapped up longer-dated bonds. The 10-year SGS bond yield also broke the 2.1% support and make a run for the 2% key support if the dovish environment is exacerbated by other event risks.
- **Hong Kong:** Retail sales climbed 4% yoy in July, beating estimates. Sales of jewellery, watches and other luxurious goods increased at the fastest pace since August 2013 by 12.9% yoy while sales growth of goods in department stores accelerated to 5.5% yoy. Sales of clothing, footwear and allied products and those of medicines and cosmetics rebounded by 0.6% yoy and 3% yoy respectively. Robust sales of these items reflected that retail sector's rosy performance was mainly attributed to revival in tourism activities amid the effect of summer holiday. Adding on low base effect, we expect retail sector to sustain its growth in August. Elsewhere, sales of consumer durable goods dropped by 0.9% yoy amid the nearly one-year consecutive tumbles in the sales of electrical goods and photographic equipment (-6.0% yoy in July). As Apple is to launch iPhone 8 in September, we expect the sales of consumer durable goods to regain some momentum. However, with low base effect fading, retail sales may moderate in 4Q2017. Local consumers' preference over online shopping may also have long-term impact on the retail sector. We expect retail sales to only see marginal growth over 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 4-6bps lower across all tenors (with the exception of the 12-year tenor, which traded 13bps lower). In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 192bps, while the yield on JACI HY Corp fell 1bps to 6.91%. 10y UST yields fell 3bps to 2.13%, after a missile launch by North Korea caused investors to switch to safe haven assets.
- **New Issues:** BDO Unibank Inc has scheduled investor meetings for potential USD bond issuance from 29 Aug. Sun Hung Kai & Co (BVI) Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Sun Hung Kai & Co Ltd) from 30 Aug. Asahi Group Holdings Ltd has scheduled investor meetings for potential EUR 4-year and 8-year bonds from 4 Sep. The expected issue ratings are 'NR/Baa2/NR'. SP PowerAssets has scheduled investor meetings starting 11 Sep.

- **Rating Changes:** S&P has upgraded Yuzhou Properties Co Ltd's (Yuzhou) corporate credit rating to 'BB-' from 'B+', while raising the rating on its senior unsecured notes to 'B+' from 'B'. The outlook is stable. The rating action reflects Yuzhou's increased operating scale and earnings stability, as well as its increasingly more diversified sales. Moody's has affirmed Rural Electrification Corporation Limited's (REC) and Power Finance Corporation Limited's (PFC) issuer ratings at 'Baa3'. The outlook has been changed to positive. The rating action reflects REC and PFC's strategic role in the power space in India, as well as Moody's repositioning of its support assumptions for Indian's public sector banks. Moody's has downgraded IDBI Bank Ltd's (IDBI) bank deposit rating and senior unsecured rating to 'B1' from 'Ba2'. At the same time, Moody's has downgraded the counterparty risk assessment for IDBI to 'Ba3' from 'Ba1', while confirming its baseline credit assessment at 'Caa1'. The outlook has been changed to stable. The rating action is driven by a reduction in the amount of extraordinary government support incorporated into the bank's ratings and its weak standalone credit profile.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.249	0.05%	USD-SGD	1.3550	0.10%
USD-JPY	109.710	0.42%	EUR-SGD	1.6223	0.06%
EUR-USD	1.1972	-0.06%	JPY-SGD	1.2346	-0.34%
AUD-USD	0.7951	-0.15%	GBP-SGD	1.7505	--
GBP-USD	1.2918	-0.12%	AUD-SGD	1.0774	-0.06%
USD-MYR	4.2670	-0.02%	NZD-SGD	0.9829	0.08%
USD-CNY	6.5968	-0.27%	CHF-SGD	1.4179	0.08%
USD-IDR	13340	--	SGD-MYR	3.1561	0.22%
USD-VND	22732	0.00%	SGD-CNY	4.8794	-0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1778	--
2M	-0.3410	--	1M	1.2356	--
3M	-0.3290	--	2M	1.2711	--
6M	-0.2730	--	3M	1.3178	--
9M	-0.2110	--	6M	1.4550	--
12M	-0.1590	--	12M	1.7279	--

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	1.1%	98.9%	1.1%	0.0%	0.0%
11/01/2017	1.9%	98.1%	1.9%	0.0%	0.0%
12/13/2017	29.8%	70.2%	29.2%	0.5%	0.0%
01/31/2018	30.4%	69.6%	29.6%	0.8%	0.0%
03/21/2018	44.3%	55.7%	37.6%	6.5%	0.2%
05/02/2018	43.7%	55.4%	37.1%	6.4%	0.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	46.44	-0.28%	Copper (per mt)	6,844.2	0.60%
Brent (per barrel)	52.00	0.21%	Nickel (per mt)	11,663.0	1.94%
Heating Oil (per gallon)	1.6655	1.85%	Aluminium (per mt)	2,081.8	1.19%
Gasoline (per gallon)	1.7833	4.15%			
Natural Gas (per MMBtu)	2.9610	1.23%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,713.0	-0.91%
			Rubber (JPY/KG)	215.5	-0.69%
Precious Metals	Futures	% chg			
Gold (per oz)	1,318.9	0.27%			
Silver (per oz)	17.516	-0.07%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,865.37	56.97
S&P	2,446.30	2.06
Nasdaq	6,301.89	18.87
Nikkei 225	19,362.55	-87.35
STI	3,249.34	-18.28
KLCI	1,761.14	-8.35
JCI	5,888.21	-15.13
Baltic Dry	1,209.00	--
VIX	11.70	0.38

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (-0.03)	1.32 (-0.01)
5Y	1.56 (-0.04)	1.70 (-0.04)
10Y	2.09 (-0.05)	2.13 (-0.03)
15Y	2.27 (-0.05)	--
20Y	2.36 (-0.05)	--
30Y	2.43 (-0.05)	2.74 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.62	0.10
EURIBOR-OIS	2.83	0.05
TED	31.28	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/29/2017 05:00	SK Business Survey Manufacturing	Sep	--	83	78	--
08/29/2017 07:30	JN Jobless Rate	Jul	2.80%	2.80%	2.80%	--
08/29/2017 07:30	JN Job-To-Applicant Ratio	Jul	1.52	1.52	1.51	--
08/29/2017 07:30	JN Overall Household Spending YoY	Jul	0.70%	-0.20%	2.30%	--
08/29/2017 09:07	AU HIA New Home Sales MoM	Jul	--	-3.70%	-6.90%	--
08/29/2017 10:15	VN CPI YoY	Aug	2.50%	3.35%	2.52%	--
08/29/2017 10:15	VN Exports YTD YoY	Aug	18.40%	17.90%	18.70%	--
08/29/2017 14:00	UK Nationwide House PX MoM	Aug	0.00%	-0.10%	0.30%	0.20%
08/29/2017 14:00	UK Nationwide House Px NSA YoY	Aug	2.50%	2.10%	2.90%	--
08/29/2017 14:00	GE GfK Consumer Confidence	Sep	10.8	10.9	10.8	--
08/29/2017 14:45	FR GDP YoY	2Q P	1.80%	1.70%	1.80%	--
08/29/2017 16:30	HK Retail Sales Value YoY	Jul	0.80%	4.00%	0.10%	--
08/29/2017 16:30	HK Retail Sales Volume YoY	Jul	0.90%	4.60%	0.40%	0.50%
08/29/2017 20:30	CA Industrial Product Price MoM	Jul	-0.70%	-1.50%	-1.00%	-1.10%
08/29/2017 20:30	CA Raw Materials Price Index MoM	Jul	-0.30%	-0.60%	-3.70%	-3.60%
08/29/2017 21:00	US Index	Jun	--	200.54	198.97	199.05
08/29/2017 22:00	US Conf. Board Consumer Confidence	Aug	120.7	122.9	121.1	120
08/30/2017 06:45	NZ Building Permits MoM	Jul	--	-0.70%	-1.00%	-1.30%
08/30/2017 07:50	JN Retail Sales MoM	Jul	0.30%	--	0.20%	--
08/30/2017 07:50	JN Retail Trade YoY	Jul	1.00%	--	2.10%	2.20%
08/30/2017 09:30	AU Building Approvals YoY	Jul	-16.60%	--	-2.30%	--
08/30/2017 10:00	SK Department Store Sales YoY	Jul	--	--	--	--
08/30/2017 16:30	UK Mortgage Approvals	Jul	65.5k	--	64.7k	--
08/30/2017 16:30	UK M4 Money Supply YoY	Jul	--	--	5.30%	--
08/30/2017 17:00	EC Economic Confidence	Aug	111.3	--	111.2	--
08/30/2017 17:00	EC Consumer Confidence	Aug F	-1.5	--	-1.5	--
08/30/2017 17:00	IT PPI MoM	Jul	--	--	0.40%	--
08/30/2017 19:00	US MBA Mortgage Applications	Aug-25	--	--	-0.50%	--
08/30/2017 20:00	GE CPI YoY	Aug P	1.80%	--	1.70%	--
08/30/2017 20:00	GE CPI EU Harmonized YoY	Aug P	1.70%	--	1.50%	--
08/30/2017 20:15	US ADP Employment Change	Aug	185k	--	178k	--
08/30/2017 20:30	CA Current Account Balance	2Q	-\$17.40b	--	-\$14.05b	--
08/30/2017 20:30	US GDP Annualized QoQ	2Q S	2.70%	--	2.60%	--
08/30/2017 20:30	US Personal Consumption	2Q S	3.00%	--	2.80%	--
08/30/2017 20:30	US GDP Price Index	2Q S	1.00%	--	1.00%	--
08/30/2017 20:30	US Core PCE QoQ	2Q S	0.90%	--	0.90%	--
08/30/2017	MU Hotel Occupancy Rate	Jul	--	--	85.1	--

Source: Bloomberg

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