

Highlights

Global	<p>Market sentiments towards the Turkish crisis appeared to be stabilizing, with the Turkish lira recovering some lost ground and Wall Street also closing higher overnight, whilst UST bond yields were also slightly higher across the board. Elsewhere, the German economy accelerated to 0.5% qoq in 2Q18, up from an upwardly revised 0.4% qoq in 1Q18, and ahead of the Eurozone which grew by 0.4% in 2Q18. However, industrial output fell sharply in June as machinery and equipment investments slumped 0.7% mom sa (2.5% yoy), which could suggest choppy waters into 3Q18.</p> <p>Asian markets may range trade today, awaiting the BI rate decision (with mixed views if BI would keep its 7-day reverse repo rate unchanged at 5.25% amid the recent IDR slide, but our expectation is for the rate to hold). On the economic data front, watch for US' retail sales, NAHB housing market index, industrial production, and UK' CPI/PPI as well as Indonesia's July trade deficit.</p>
US	<p>The NFIB small business optimism index rose from 107.2 in June to 107.9 in July, while the import price index was flat on-month (4.8% yoy) despite higher fuel costs was offset by a stronger USD which kept other imported prices in check.</p>
CH	<p>Growth indicators remained sluggish in July, pointing towards a weak start for the second half. Fixed asset investment growth decelerated further to 5.5% despite private investment recovered to 8.8%. Infrastructure investment remained the key drag with growth decelerating further to 5.7% from 7.3% in the first half as funding was the key constraint despite China's change of stance to a more stimulative monetary and fiscal front. The latest default by Xinjiang Production Construction 6th Shi may further weigh down on sentiment on local government funding vehicle financing. This may continue to weigh down on growth prospects despite easing gestures from the central government. As such, we expect growth to slow down further in the second half to below 6.5%.</p>
UK	<p>The unemployment rate slipped to its lowest in more than 43 years to 4.0% in 2Q18, despite only 42k jobs being created. However, wage growth slowed to a 9-month low of 2.4%, suggesting little impetus for BOE to remain hawkish going ahead.</p>
MY	<p>Ratings agency Fitch affirms Malaysia's sovereign rating at 'A-' and the outlook at stable. However, the agency has raised its estimate of central government debt at end-2017 to around 65% of GDP, from 50.8%, following the government's recognition that it will need to service a large share of explicitly guaranteed debt. This estimate may be further revised as more details become available. The ratings agency also expects that the fiscal deficit will fall to around 2.5% of GDP by 2020 and that central government debt is likely to decline to around 59% of GDP by 2020, although it said the decline could be more rapid if the government chooses to sell off public assets and use the proceeds for debt reduction. They also noted that there are upside risks to debt as part of the contingent liabilities related to public-private partnerships of 14.9% of GDP may migrate to the sovereign balance sheet.</p>

Major Markets

- **US:** Wall Street closed higher on Tuesday amid easing Turkish concerns. The Dow Jones and S&P500 both snapped 4-day losing streaks, gaining 0.45% and 0.64% to 25,299.92 and 2,839.96, respectively. The Nasdaq composite rose 0.65% to 7,870.90. The VIX Index fell to 13.31 on Tuesday, as compared to 14.78 on Monday. On the Treasury front, the 2y yield climbed 2.5bp to 2.637%, while the 10y yield rose to 2.899% (+2.0bp).
- **Singapore:** The STI closed slightly lower by 0.08% at 3242.87 yesterday, and see an improved tone today in a 3230-3270 range given the positive overnight cue from Wall Street a market fears on the Turkish crisis contagion eased somewhat. With the UST bond yields headed north overnight, the SGS bond market sell-off may extend today as well.
- **Indonesia:** The government plans to restrict imports of capital and consumer goods. Finance minister Sri Mulyani has said that the government will look to take “firm and drastic measures to control imports” and that they have “identified consumption goods and raw materials that can be substituted with domestic products”. She also said that the government plans to impose 7.5% tax on imports of selected products deemed as not strategic for the economy. The government will look to ask state-owner refiner PT Pertamina and electricity producer PT Perusahaan Listrik Negara to review imports of capital goods and the companies will need to postpone infrastructure projects that are yet to tie-up funds. All requests for capital good imports by these companies will be suspended for the next six months or until the balance of payment is improved. Meanwhile, Jokowi could sign a regulation mandating the use of 20 percent blending of palm biodiesel in more sectors latest by Wednesday.
- BI's board of governors will release their policy rate decision today for the 7D reverse repo. We expect the rate to remain unchanged.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 3-5bps higher. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 475bps. Overall, 10Y UST yields rose 3bps to close at 2.90% as global sentiment improved after equities worldwide stabilized as well as the Turkish Lira which came off its recent record low against the dollar.
- **New Issues:** CMT MTN Pte Ltd has priced a SGD150mn 7-year bond (guaranteed by HSBC Institutional Trust Services (Singapore) Ltd) at 3.2%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.731	0.35%	USD-SGD	1.3779	0.16%
USD-JPY	111.150	0.41%	EUR-SGD	1.5631	-0.42%
EUR-USD	1.1344	-0.58%	JPY-SGD	1.2397	-0.23%
AUD-USD	0.7243	-0.37%	GBP-SGD	1.7531	-0.23%
GBP-USD	1.2723	-0.38%	AUD-SGD	0.9980	-0.19%
USD-MYR	4.0960	0.06%	NZD-SGD	0.9057	0.06%
USD-CNY	6.8842	-0.10%	CHF-SGD	1.3859	0.06%
USD-IDR	14584	-0.16%	SGD-MYR	2.9809	0.22%
USD-VND	23315	--	SGD-CNY	5.0042	-0.09%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9125	--
2M	-0.3370	--	1M	2.0627	--
3M	-0.3190	--	2M	2.1784	--
6M	-0.2660	--	3M	2.3138	--
9M	-0.2100	--	6M	2.5076	--
12M	-0.1660	--	12M	2.8030	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	92.0%	8.0%	0.0%	0.0%
11/08/2018	100.0%	89.5%	10.3%	0.2%	0.0%
12/19/2018	100.0%	29.3%	63.6%	7.0%	0.1%
01/30/2019	100.0%	28.1%	62.2%	9.3%	0.4%
03/20/2019	100.0%	12.9%	43.8%	37.8%	5.2%
05/01/2019	100.0%	11.6%	40.6%	38.5%	8.6%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.04	-0.24%	Coffee (per lb)	1.085	-0.73%
Brent (per barrel)	72.46	-0.21%	Cotton (per lb)	0.8304	0.34%
Heating Oil (per gallon)	2.1287	-0.39%	Sugar (per lb)	0.1034	0.39%
Gasoline (per gallon)	2.0341	0.96%	Orange Juice (per lb)	1.5575	-1.74%
Natural Gas (per MMBtu)	2.9590	0.99%	Cocoa (per mt)	2,150	0.09%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,912.8	-1.79%	Wheat (per bushel)	5.6125	1.40%
Nickel (per mt)	13,365.0	-0.67%	Soybean (per bushel)	8.798	1.27%
Aluminium (per mt)	2,064.0	0.02%	Corn (per bushel)	3.7650	1.62%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,200.7	0.15%	Crude Palm Oil (MYR/MT)	2,213.0	0.41%
Silver (per oz)	15.053	0.47%	Rubber (JPY/KG)	171.9	0.12%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,299.92	112.22
S&P	2,839.96	18.03
Nasdaq	7,870.90	51.19
Nikkei 225	22,356.08	498.65
STI	3,242.87	-2.47
KLCI	1,783.78	0.44
JCI	5,769.87	-91.37
Baltic Dry	1,709.00	--
VIX	13.31	-1.47

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.93 (+0.01)	2.64 (+0.02)
5Y	2.17 (+0.03)	2.77 (+0.02)
10Y	2.45 (+0.05)	2.90 (+0.02)
15Y	2.73 (+0.04)	--
20Y	2.76 (+0.04)	--
30Y	2.84 (+0.04)	3.07 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	27.14	-1.43
EURIBOR-OIS	3.98	-0.05
TED	26.52	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/14/2018 09:30	AU NAB Business Conditions	Jul	--	12	14
08/14/2018 09:30	AU NAB Business Confidence	Jul	--	7	--
08/14/2018 10:00	CH Retail Sales YoY	Jul	9.10%	8.80%	9.00%
08/14/2018 10:00	CH Industrial Production YoY	Jul	6.30%	6.00%	6.00%
08/14/2018 10:00	CH Industrial Production YTD YoY	Jul	6.60%	6.60%	6.70%
08/14/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Jul	6.00%	5.50%	6.00%
08/14/2018 12:30	JN Industrial Production MoM	Jun F	--	-1.80%	-2.10%
08/14/2018 12:30	JN Industrial Production YoY	Jun F	--	-0.90%	-1.20%
08/14/2018 12:30	JN Capacity Utilization MoM	Jun	--	-2.20%	-2.10%
08/14/2018 14:00	GE GDP SA QoQ	2Q P	0.40%	0.50%	0.30%
08/14/2018 14:00	GE GDP WDA YoY	2Q P	2.10%	2.00%	2.30%
08/14/2018 14:00	GE GDP NSA YoY	2Q P	2.50%	2.30%	1.60%
08/14/2018 14:00	GE CPI MoM	Jul F	0.30%	0.30%	0.30%
08/14/2018 14:00	GE CPI YoY	Jul F	2.00%	2.00%	2.00%
08/14/2018 14:00	GE CPI EU Harmonized MoM	Jul F	0.40%	0.40%	0.40%
08/14/2018 14:00	GE CPI EU Harmonized YoY	Jul F	2.10%	2.10%	2.10%
08/14/2018 14:30	IN Wholesale Prices YoY	Jul	5.22%	5.09%	5.77%
08/14/2018 14:45	FR CPI EU Harmonized MoM	Jul F	-0.10%	-0.10%	-0.10%
08/14/2018 14:45	FR CPI EU Harmonized YoY	Jul F	2.60%	2.60%	2.60%
08/14/2018 14:45	FR CPI MoM	Jul F	-0.10%	-0.10%	-0.10%
08/14/2018 14:45	FR CPI YoY	Jul F	2.30%	2.30%	2.30%
08/14/2018 16:30	UK Claimant Count Rate	Jul	--	2.50%	2.50%
08/14/2018 16:30	UK Jobless Claims Change	Jul	--	6.2k	7.8k
08/14/2018 16:30	UK ILO Unemployment Rate 3Mths	Jun	4.20%	4.00%	4.20%
08/14/2018 17:00	EC Industrial Production SA MoM	Jun	-0.40%	-0.70%	1.30%
08/14/2018 17:00	EC GDP SA QoQ	2Q P	0.30%	0.40%	0.30%
08/14/2018 17:00	EC GDP SA YoY	2Q P	2.10%	2.20%	2.10%
08/14/2018 17:00	GE ZEW Survey Current Situation	Aug	72.1	72.6	72.4
08/14/2018 17:00	GE ZEW Survey Expectations	Aug	-21.3	-13.7	-24.7
08/14/2018 18:00	US NFIB Small Business Optimism	Jul	106.8	107.9	107.2
08/14/2018 20:16	IN Exports YoY	Jul	--	14.30%	17.60%
08/14/2018 20:30	US Import Price Index MoM	Jul	0.00%	0.00%	-0.40%
08/15/2018 05:00	NZ REINZ House Sales YoY	Jul	--	0.70%	-1.60%
08/15/2018 08:30	AU Westpac Consumer Conf SA MoM	Aug	--	--	3.90%
08/15/2018 09:30	AU Wage Price Index QoQ	2Q	0.60%	--	0.50%
08/15/2018 12:00	ID Exports YoY	Jul	11.68%	--	11.47%
08/15/2018 12:00	ID Trade Balance	Jul	-\$625m	--	\$1743m
08/15/2018 16:30	UK CPI MoM	Jul	0.00%	--	0.00%
08/15/2018 16:30	UK CPI YoY	Jul	2.50%	--	2.40%
08/15/2018 16:30	UK CPI Core YoY	Jul	1.90%	--	1.90%
08/15/2018 16:30	UK Retail Price Index	Jul	282.1	--	281.5
08/15/2018 16:30	UK PPI Output NSA MoM	Jul	0.20%	--	0.10%
08/15/2018 16:30	UK PPI Output NSA YoY	Jul	3.00%	--	3.10%
08/15/2018 19:00	US MBA Mortgage Applications	Aug-10	--	--	-3.00%
08/15/2018 20:30	US Empire Manufacturing	Aug	20	--	22.6
08/15/2018 20:30	US Retail Sales Advance MoM	Jul	0.10%	--	0.50%
08/15/2018 21:15	US Industrial Production MoM	Jul	0.30%	--	0.60%
08/15/2018 21:15	US Capacity Utilization	Jul	78.20%	--	78.00%
08/15/2018	ID Bank Indonesia 7D Reverse Repo	Aug-15	5.25%	--	5.25%
08/15/2018	PH Overseas Remittances YoY	Jun	5.40%	--	6.90%

Source: Bloomberg

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