

Highlights

Global	Financial markets may be turning slightly blasé towards the US-China tit-for-tat trade war, with China's retaliation of tariffs on US\$60b of US imports in response to yesterday's announcement of US' tariffs on US\$200b of Chinese imports providing some respite to the sell-off for selected Asian bourses. Wall Street also bounced back overnight, led by consumer, tech and industrial stocks, while crude oil prices also rose. However, the bearish steepening in the UST yield curve saw the 10-year bond yield touching 3.05% (highest since 22 May). China had cut its UST bond holdings to a 6-month low of US\$1.17 trillion in July, with the onset of the war tiff. Asian markets are likely to start trading with a mixed tone today, awaiting the BOJ and BOT policy decisions which are largely expected to be static. Another light economic data calendar for today that comprises of US' Aug housing starts, building permits and mortgage applications, UK CPI, and S'pore COE tender results. Speakers include RBA's Kent, BOE's Haldane, and ECB's Draghi.
US	US' NAHB housing market index was steady at 67 in Sep, but may improve from October amid the rebuilding activity post-Hurricane Florence. Meanwhile, the US Senate voted to pass a spending package that will keep the federal government open till 7 December and bypassing the 30 September shutdown, but this will have to pass the House of Representatives (who is out until 25 September) before being signed by president Trump.
EU	ECB's Villeroy urged agreement on the planned bank resolution fund backstop by the end of the year.
CH	China retaliated against the new round of US tariff and will impose 5%-10% tariff on previously proposed US\$60 billion US imports effective from 24 Sep. China also warned it will take further action should the US increase the tariff rate next year.
AU	RBA's September minutes warned that "significant tensions" for trade are a "material risk", albeit Australia's GDP growth is likely to remain "above potential" and inflation is "likely to increase over time", hence the next move is likely to be a hike albeit there was "no strong case" for a near-term move. RBA also noted that "the modest depreciation in the Australia dollar was helpful for domestic economic growth".
TH	The Bank of Thailand is slated to meet today, where we pencil policy-makers to keep their policy parameters unchanged. Still, we expect BOT to hike once by end year given its rosy growth prints in 1H18 amid stronger than expected inflation prints seen to-date.
KR	The results of the Moon-Kim talks are not available, but early signals suggest further reconciliation in political relations. Note that S. Korea President Moon commented that "we have built trust and friendship" while Kim said that "the regional political situation has been stabilised and more progress on North Korea-US ties is expected".
CMD	Uptick in growth-related commodities overnight suggests to us that market-watchers are increasingly desensitised to US tariff acts against China. Gains in crude oil and copper were seen in last night's closing, just as the US threatened another US\$200bn of tariffs amid China's retaliation of 5 – 10% of \$60bn worth of US imports to take effect on 24 th Sept.

Major Markets

- **US:** Wall Street closed higher on Tuesday, suggesting that market-watchers are increasingly desensitised to Trump's threat of further trade tariffs against China as risk appetite improved. Consumer-discretionary and industrial shares buoyed markets.
- Tesla equity plunged 3.35% on reports that the Justice Department was investigating the electric car firm on alleged securities fraud after CEO Elon Musk tweeted last month about taking the company private without evidence that funding had been secured.
- Mastercard (+1.65%) and Visa (+0.99%) shares rose after coming to an agreement to settle a class-action lawsuit by merchants over service fees charged to them.
- Amazon stock gained 1.73% on business expansion expectations as CEO Jeff Bezos announced plans to introduce voice-controlled devices and appliances, ranging from microwaves to speakers.

- **China:** A lawsuit was launched by China against the US on tariffs in the WTO. In the regular State Council meeting, China's Premier Li Keqiang reiterated China's plan to reduce the burden for companies and promised to keep current social security contribution method stable. This may help alleviate the concerns on the increase of business costs. Meanwhile, Vice Premier Liu He also said private companies and SOEs will be treated same.

- **Singapore:** The STI declined 0.07% to close at 3139.34 yesterday as investors paused to take stock of the escalating US-China trade tensions. Given the overnight bounce in Wall Street, STI may attempt to trade with a more stable tone within a 3110-3160 range today. The bearish steepening bias in the UST bond market is likely to pressure the SGS bond market as well, and we may see 10-year SGS bond yield retake the 2.5% handle as well, albeit it is still some distance away from its year-to-date high of 2.68% on 17 May. Note the 3-month SOR rose to 1.79020%, nearing the year-to-date high of 1.79414% on 5 September, whereas its SIBOR counterpart remained stable at 1.6383%.

- **Malaysia:** Energy, Science, Technology, Environment and Climate Change Minister Yeo Bee Yin said that the government will be reactivating the Malaysia Programme Office for Power Electricity Reform (MyPower) agency for at least three years to reform Malaysia's electricity industry. She also said that MyPower aims to increase industry efficiency, future-proof industry structure, regulations and key processes, as well as empower consumers under the Malaysia Energy Supply Industry 2.0 (MESI 2.0) programme. She had also mentioned that "the agency will have 36 months of mandate to drive and implement".

- **Indonesia:** According to Bloomberg, Trade Minister Enggartiasto Lukita said that companies operating in the resources sector will be required to convert their dollar earnings into IDR with proceeds to be kept in local banks or offshore branches of Indonesian banks. The news site also reported that he had said that such companies will be required to keep 50 percent of export earnings in Indonesia for a period of six months. Bloomberg further reported that he had apparently warned that exporters of products such as coal, palm oil and crude oil will require a letter of credit from October and failure to meet the new rules will result in denial of export permits. The IDR ended though much unchanged yesterday against the USD at 14,855, slightly down from 14,880 the previous day.

- **Philippines:** BSP signalled a likely fourth hike as deputy governor Diwa Guinigundo opining that “whether it’s 25 basis points or 50 basis points that would be determined by the data that would come out between now and the Sept. 27 meeting of the Monetary Board.”
- **Hong Kong:** Jobless rate stabilized at an over twenty-year low of 2.8% during June to August. Despite that, the employment situation was mixed across different industries. The unemployment rate of retail sector decreased from 4% to 3.9%, the lowest since early 2012. Nevertheless, the improvement may not sustain as a weaker RMB and Asia’s muted economic growth have weighed down HK’s tourism activities. Housing market slowdown and stock market correction would also hurt local consumer sentiment. In addition, the jobless rate of trade sector which increased from 2.3% to 2.5% may edge higher amid trade war concern. With regard to the financial sector (unemployment rate rose from 2% to 2.1%), the hiring sentiment could take a further hit due to the bearish stock market and slowing financial activities on trade war fear and emerging market turmoil. Moving forward, a combination of global monetary tightening, trade war concern and China’s economic slowdown may cloud HK’s economic outlook, in turn denting the overall hiring sentiment. We expect jobless rate will climb to 2.9% in the coming quarter.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1bps higher while the longer tenors traded 1-2bps higher (with the exception of the 30-year swap rates trading 3bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 485bps. 10Y UST yields rose by 8bps to close at 3.06%, the highest in four months on the back of supply pressure from heavy corporate bond schedule this week as well as increasing expectations of rate hikes by the Fed this year.
- **New Issues:** SCIG International Financial Ltd has priced a USD300mn 3-year bond (guaranteed by Sichuan Provincial Investment Group Co Ltd) at 4.88%, tightening from its initial price guidance of 5.3%. SIHC International Capital Ltd has priced a USD700mn deal across two tranches (guaranteed by Shenzhen Investment Holdings Co Ltd), with the USD400mn 3-year bond at CT3+135bps, tightening from its initial price guidance of CT3+160bps area and the USD300mn 5-year bond at CT5+155bps, tightening from its initial price guidance of CT5+180bps area. China Merchant Bank Co Ltd, Hong Kong Branch has priced a USD800mn deal across two tranches, with the USD400mn 3-year FRN at 3mL+77.5bps, tightening from its initial price guidance of 3mL+100bps area and the USD400mn 5-year bond at CT5+115bps, tightening from its initial price guidance of CT5+115bps area. Nissan Motor Acceptance Corp has priced a USD1.3bn deal across 3 tranches, with the USD400mn 3-year bond at CT3+78bps, tightening from its initial price guidance of CT3+95bps area; the USD400mn 3-year FRN at 3mL+63bps, in line with its initial price guidance and the USD500mn 5-year bond at CT5+95bps, tightening from its initial price guidance of CT5+110bps area. National Australia Bank Ltd has priced a AUD2bn deal across two tranches, with the AUD1.725bn 5-year FRN at BBSW+93bps, tightening from its initial price guidance of BBSW+94bps area and the AUD275mn 5-year FRN at 3.25%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.640	0.15%	USD-SGD	1.3708	-0.09%
USD-JPY	112.360	0.46%	EUR-SGD	1.5992	-0.24%
EUR-USD	1.1667	-0.14%	JPY-SGD	1.2200	-0.55%
AUD-USD	0.7219	0.52%	GBP-SGD	1.8024	-0.14%
GBP-USD	1.3148	-0.07%	AUD-SGD	0.9896	0.44%
USD-MYR	4.1432	0.12%	NZD-SGD	0.9027	0.02%
USD-CNY	6.8615	0.07%	CHF-SGD	1.4212	-0.29%
USD-IDR	14855	-0.17%	SGD-MYR	3.0258	0.45%
USD-VND	23285	-0.05%	SGD-CNY	5.0037	0.10%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.9146	--
2M	-0.3390	--	1M	2.1681	--
3M	-0.3190	--	2M	2.2336	--
6M	-0.2680	--	3M	2.3388	--
9M	-0.2070	--	6M	2.5708	--
12M	-0.1690	--	12M	2.8794	--

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%	98.7%	0.0%	0.0%	0.0%
11/08/2018	100.0%	96.0%	2.7%	0.0%	0.0%
12/19/2018	100.0%	19.5%	78.1%	2.2%	0.0%
01/30/2019	100.0%	18.3%	74.4%	6.9%	0.1%
03/20/2019	100.0%	6.1%	36.5%	52.6%	4.7%
05/01/2019	100.0%	5.3%	32.4%	50.4%	11.1%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.85	1.36%	Coffee (per lb)	0.959	-1.49%
Brent (per barrel)	79.03	1.26%	Cotton (per lb)	0.7852	-3.43%
Heating Oil (per gallon)	2.2357	1.33%	Sugar (per lb)	0.1150	-0.69%
Gasoline (per gallon)	2.0049	1.42%	Orange Juice (per lb)	1.4680	-3.74%
Natural Gas (per MMBtu)	2.9330	4.23%	Cocoa (per mt)	2,242	0.27%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,019.7	3.00%	Wheat (per bushel)	5.1050	0.84%
Nickel (per mt)	12,337.5	1.48%	Soybean (per bushel)	8.140	-1.15%
Aluminium (per mt)	2,012.5	0.68%	Corn (per bushel)	3.4325	-1.36%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,202.9	-0.24%	Crude Palm Oil (MYR/MT)	2,198.0	-1.08%
Silver (per oz)	14.185	-0.27%	Rubber (JPY/KG)	166.1	-1.07%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,246.96	184.84
S&P	2,904.31	15.51
Nasdaq	7,956.11	60.31
Nikkei 225	23,420.54	325.87
STI	3,139.34	-2.06
KLCI	1,792.94	-10.82
JCI	5,811.79	-12.47
Baltic Dry	1,357.00	--
VIX	12.79	-0.89

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.95 (-)	2.80 (+0.02)
5Y	2.24 (-)	2.94 (+0.05)
10Y	2.48 (-)	3.06 (+0.07)
15Y	2.77 (-0.01)	--
20Y	2.79 (-0.01)	--
30Y	2.83 (-0.01)	3.20 (+0.07)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.22	-0.81
EURIBOR-OIS	3.10	-0.90
TED	18.77	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/18/2018 09:30	AU RBA Sept. Meeting Minutes					
09/18/2018 11:00	NZ Non Resident Bond Holdings	Aug	--	58.20%	58.70%	--
09/18/2018 16:00	IT Industrial Sales WDA YoY	Jul	--	2.90%	4.70%	--
09/18/2018 16:00	IT Industrial Sales MoM	Jul	--	-1.00%	-0.30%	--
09/18/2018 16:00	IT Industrial Orders NSA YoY	Jul	--	2.80%	2.00%	--
09/18/2018 16:00	IT Industrial Orders MoM	Jul	--	-2.30%	-1.50%	--
09/18/2018 16:30	HK Unemployment Rate SA	Aug	2.80%	2.80%	2.80%	--
09/18/2018 20:30	CA Manufacturing Sales MoM	Jul	0.60%	0.90%	1.10%	1.30%
09/18/2018 22:00	US NAHB Housing Market Index	Sep	66	67	67	--
09/19/2018 04:00	US Total Net TIC Flows	Jul	\$46.0b	\$52.2b	\$114.5b	\$189.7b
09/19/2018 04:00	US Net Long-term TIC Flows	Jul	--	\$74.8b	-\$36.5b	--
09/19/2018 05:00	NZ Westpac Consumer Confidence	3Q	--	103.5	108.6	--
09/19/2018 06:45	NZ BoP Current Account Balance NZD	2Q	-1.315b	-1.619b	0.182b	0.088b
09/19/2018 06:45	NZ Current Account GDP Ratio YTD	2Q	-2.90%	-3.30%	-2.80%	-3.00%
09/19/2018 07:50	JN Trade Balance	Aug	¥483.2b	--	¥231.2b	¥231.9b
09/19/2018 07:50	JN Trade Balance Adjusted	Aug	¥144.1b	--	¥45.6b	--
09/19/2018 07:50	JN Exports YoY	Aug	5.20%	--	3.90%	--
09/19/2018 08:30	AU Westpac Leading Index MoM	Aug	--	--	0.01%	--
09/19/2018 12:00	MA CPI YoY	Aug	0.40%	--	0.90%	--
09/19/2018 14:00	EC EU27 New Car Registrations	Aug	--	--	5.20%	--
09/19/2018 15:05	TH BoT Benchmark Interest Rate	Sep-19	1.50%	--	1.50%	--
09/19/2018 16:00	EC ECB Current Account SA	Jul	--	--	23.5b	--
09/19/2018 16:00	SI Automobile COE Open Bid Cat A	Sep-19	--	--	30209	--
09/19/2018 16:00	SI Automobile COE Open Bid Cat B	Sep-19	--	--	32001	--
09/19/2018 16:00	SI Automobile COE Open Bid Cat E	Sep-19	--	--	31801	--
09/19/2018 16:30	UK CPI MoM	Aug	0.50%	--	0.00%	--
09/19/2018 16:30	UK CPI YoY	Aug	2.40%	--	2.50%	--
09/19/2018 16:30	UK CPI Core YoY	Aug	1.80%	--	1.90%	--
09/19/2018 16:30	UK Retail Price Index	Aug	283.4	--	281.7	--
09/19/2018 16:30	UK RPI MoM	Aug	0.60%	--	0.10%	--
09/19/2018 16:30	UK RPI YoY	Aug	3.20%	--	3.20%	--
09/19/2018 16:30	UK RPI Ex Mort Int. Payments (YoY)	Aug	3.20%	--	3.30%	--
09/19/2018 16:30	UK PPI Input NSA YoY	Aug	9.10%	--	10.90%	--
09/19/2018 16:30	UK PPI Output NSA MoM	Aug	0.20%	--	0.00%	--
09/19/2018 16:30	UK PPI Output NSA YoY	Aug	2.90%	--	3.10%	--
09/19/2018 16:30	UK PPI Output Core NSA YoY	Aug	2.10%	--	2.20%	--
09/19/2018 19:00	US MBA Mortgage Applications	Sep-14	--	--	-1.80%	--
09/19/2018 20:30	US Current Account Balance	2Q	-\$103.4b	--	-\$124.1b	--
09/19/2018 20:30	US Housing Starts	Aug	1238k	--	1168k	--
09/19/2018 20:30	US Building Permits	Aug	1310k	--	1311k	1303k
09/19/2018	HK Composite Interest Rate	Aug	--	--	0.63%	--
09/19/2018	PH BoP Overall	Aug	--	--	-\$455m	--
09/19/2018	JN BOJ Policy Balance Rate	Sep-19	-0.10%	--	-0.10%	--
09/19/2018 09/24	TH Car Sales	Aug	--	--	81946	--

Source: Bloomberg

OCBC Treasury Research	
<p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

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