

Highlights

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|---------------|---|
| Global | Risk appetite improved on Monday after President Donald Trump announced that the US is to pursue a new trade accord with Mexico to replace the North American Free Trade Agreement (NAFTA). Trump also called Canada to join the deal soon whilst Mexican President Pena Nieto said he was "quite hopeful" Canada would soon be incorporated. The Canadian Foreign Minister is now traveling to Washington for talks on this. Key provisions of the potential agreement include increasing regional automotive content to 75% from 62.5% in Nafta and for 45% (from 40% also in Nafta) of production to be done by workers earning at least US\$16 an hour. Duty free access for agriculture products remains. Whilst the president may have hailed it as "a big day for trade", groups representing American workers and companies withheld endorsements whilst it remains to be seen if a new agreement can pass congress especially if Canada is excluded. US equities rose to fresh highs as the S&P500 index closed just short of 2,900, the peso rallied and the Canadian dollar also advanced. Asian markets may trade higher today following the climb in US equities. Today's economic calendar include U.S. Conference Board consumer confidence index, US wholesale inventories and US retail inventories. |
| EZ | German business confidence improved in August for the first time this year after the US agreed a trade truce with the EU in July. The IFO business climate rebounded to 103.8 from 101.7, beating market expectation of 101.8. This is also the strongest monthly improvement since December 2014. The rebound of sentiment narrowed the growth divergence expectation between US and EU, justifying the recent rebound of EUR. |
| CH | Industrial profit decelerated to 16.2% yoy in July from 20% in June, but still well above 10% handle. The strong industrial profit, which was mainly supported by oil, steel and chemical sectors, is likely to cushion the pace of deceleration of growth. |
| MA | Prime Minister Mahathir Mohamad just yesterday has announced that Forest City in Johor "cannot be sold to foreigners". The project developer Country Garden has responded by saying the company has "complied with all laws and regulations with the necessary approvals to sell to foreign purchasers". This announcement comes after Mahathir completed a trip to China last week of which he had said that Malaysia would "need to have some diplomatic ways of negotiating with China". |
| ID | President Joko Widodo (Jokowi) is looking to enlist the help of Indonesia's new generation of tycoons in a bid to rein in the current-account deficit and halt a slide in the currency. |
| HK | The growth of exports and imports accelerated to 10% yoy and 14% yoy respectively in July 2018. In terms of exports, except for Japan and Taiwan, overseas shipments to other major trading partners all registered year-on-year growth. This is mainly due to strong external demand as well as the front-loading of exports before US-China trade war officially started on 6 July. |

Major Markets

- **US:** On the equity front, the S&P500 (+0.77%) and Nasdaq composite (+0.91%) closed at an all-time-high, with the Nasdaq composite surpassing the 8,000 level.
- FAANG stocks, namely Facebook (+1.61%), Amazon (+1.17%), Apple (+0.82%), Netflix (+1.61%) and Alphabet (+1.58%) led the tech stock rally.
- Optimism from the US-Mexico trade agreement likely guided the market as well, as auto shares surged post-announcement.
- Toyota is reportedly exploring new investments in Uber in a \$500mn deal, and plans to release self-driving cars.
- Noble Group's shareholders have approved a \$3.5bn debt-for-equity restructuring in a bid to salvage the firm, decided at a special general meeting held in Singapore.
- Meanwhile, the VIX Index fell to 12.16 on Monday, as compared to 11.99 on Friday.

- **Singapore:** The STI rose 0.39% to 3,225.62. Sembcorp Industries (+2.49%), Jardine Cycle and Carriage (+1.47%) and Venture Corp (+1.41%) led the gains, while Starhub (-1.81%), Singtel (-0.31%) and Jardine Strategic Holdings (-0.03%) registered losses.

- **Malaysia:** Meanwhile, Finance Minister Lim Guan Eng has said, "With our financial shortage and constraints as well as the RM1 billion debt, I fear that we are unable to achieve a balanced budget, not only for 2019, but also for the following years." He also admitted that it is very challenging for the government to strive to attain a balance in expenditure for operations and development, partly because close to 40 percent of the budget will be used on emoluments and pensions. The previous BN government had targeted a balanced budget by the year 2020.

- **Indonesia:** President Jokowi also said, "I think we will focus there, especially on the trade balance, and secondly the primary balance." The government has already undertaken a number of measures to stem a slide in the nation's currency including controlling the inbound shipments of goods bought through online stores and has announced plans to impose a 7.5% tax on imports of selected products deemed not strategic for the economy.

- **Hong Kong:** Imports from ten major trading partners all increased notably on a yearly basis. This is partially attributed to China's reduction of tariff on some imports effective 1 July. The first round (HK\$50 billion) of US-China trade war might have had limited initial impact on HK's trade activities. Besides, on the back of supportive policies, the revival of China's demand may support the import growth of both China and HK. Also, further opening up of China's market may help to weather some impact of the trade war. However, export growth may slow down should trade war escalate or external demand soften on trade concerns.

- **Macau:** Unemployment rate held stable at the lowest level since 2015 of 1.8% over the three months through July. The employed population increased further to the highest since late 2016 at 385500. Labor force participation rate edged up to the strongest level since mid-2017 at 71.1%. These data reinforce that the labor market remained resilient. Nevertheless, there were some fluctuations in each sector's employment. The employment of gaming sector and retail sector dropped by 1.2% mom and 3.9% mom respectively. Meanwhile, the employment of hotels, restaurants and similar activities only rose slightly by 0.4% mom. This was mainly attributed to the uncertain outlook of the tourism-related sectors amid US-China trade war and a stronger MOP. Despite that, we expect the labor market to remain tight as a wave of new mega project openings

could bolster employment growth in the tourism-related sectors. Besides, the employment of the construction industry (+1.6% mom) may stay elevated as the government increases infrastructure investment.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-4bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 5bps to 481bps. 10Y UST yields rose 3bps to close at 2.85% as investor pared safe-haven holdings after Mexico and the United States reached a deal in the renegotiation of the North American Free Trade Agreement (NAFTA).
- **New Issues:** There were no new issuances over 27 Aug 2018.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 94.779 | -0.39% | USD-SGD | 1.3623 | -0.24% |
| USD-JPY | 111.080 | -0.14% | EUR-SGD | 1.5909 | 0.25% |
| EUR-USD | 1.1678 | 0.48% | JPY-SGD | 1.2264 | -0.06% |
| AUD-USD | 0.7351 | 0.30% | GBP-SGD | 1.7563 | 0.14% |
| GBP-USD | 1.2892 | 0.36% | AUD-SGD | 1.0015 | 0.15% |
| USD-MYR | 4.1003 | -0.20% | NZD-SGD | 0.9123 | 0.04% |
| USD-CNY | 6.8156 | 0.07% | CHF-SGD | 1.3904 | 0.14% |
| USD-IDR | 14620 | -0.20% | SGD-MYR | 2.9990 | 0.04% |
| USD-VND | 23295 | -0.04% | SGD-CNY | 5.0001 | 0.26% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3690 | -- | O/N | 1.9189 | -- |
| 2M | -0.3380 | -- | 1M | 2.0728 | -- |
| 3M | -0.3190 | -- | 2M | 2.1960 | -- |
| 6M | -0.2660 | -- | 3M | 2.3173 | -- |
| 9M | -0.2060 | -- | 6M | 2.5230 | -- |
| 12M | -0.1660 | -- | 12M | 2.8200 | -- |

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% | 94.6% | 0.0% | 0.0% | 0.0% |
| 11/08/2018 | 100.0% | 92.2% | 2.6% | 0.0% | 0.0% |
| 12/19/2018 | 100.0% | 35.4% | 61.1% | 1.7% | 0.0% |
| 01/30/2019 | 100.0% | 33.3% | 59.5% | 5.4% | 0.1% |
| 03/20/2019 | 100.0% | 19.1% | 47.7% | 29.8% | 2.5% |
| 05/01/2019 | 100.0% | 17.0% | 44.4% | 31.8% | 5.6% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|--------|
| WTI (per barrel) | 68.87 | 0.22% | Coffee (per lb) | 1.058 | 1.00% |
| Brent (per barrel) | 76.21 | 0.51% | Cotton (per lb) | 0.8334 | 2.09% |
| Heating Oil (per gallon) | 2.2149 | 0.58% | Sugar (per lb) | 0.1051 | 2.74% |
| Gasoline (per gallon) | 2.0896 | 0.56% | Orange Juice (per lb) | 1.5675 | 0.19% |
| Natural Gas (per MMBtu) | 2.8760 | -1.41% | Cocoa (per mt) | 2,346 | -0.76% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 6,023.0 | 0.33% | Wheat (per bushel) | 5.2250 | -2.61% |
| Nickel (per mt) | 13,347.0 | -- | Soybean (per bushel) | 8.483 | -0.82% |
| Aluminium (per mt) | 2,081.8 | -- | Corn (per bushel) | 3.6150 | -0.34% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,216.0 | 0.22% | Crude Palm Oil (MYR/MT) | 2,199.0 | -0.90% |
| Silver (per oz) | 14.972 | 0.48% | Rubber (JPY/KG) | 175.3 | -0.34% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 26,049.64 | 259.29 |
| S&P | 2,896.74 | 22.05 |
| Nasdaq | 8,017.90 | 71.92 |
| Nikkei 225 | 22,799.64 | 197.87 |
| STI | 3,225.62 | 12.62 |
| KLCI | 1,811.60 | 3.01 |
| JCI | 6,025.97 | 57.22 |
| Baltic Dry | 1,697.00 | -- |
| VIX | 12.16 | 0.17 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.88 (-0.01) | 2.64 (+0.02) |
| 5Y | 2.08 (-0.02) | 2.74 (+0.03) |
| 10Y | 2.35 (-0.03) | 2.85 (+0.04) |
| 15Y | 2.63 (-0.05) | -- |
| 20Y | 2.66 (-0.04) | -- |
| 30Y | 2.75 (-0.02) | 2.99 (+0.03) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 23.34 | 0.59 |
| EURIBOR-OIS | 3.10 | -0.77 |
| TED | 23.09 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|-------------------------|---|--------------|--------------|---------------|--------------|--------------|
| 08/27/2018 09:30 | CH Industrial Profits YoY | Jul | -- | 16.20% | 20.00% | -- |
| 08/27/2018 16:00 | GE IFO Business Climate | Aug | 101.8 | 103.8 | 101.7 | -- |
| 08/27/2018 16:00 | GE IFO Expectations | Aug | 98.4 | 101.2 | 98.2 | -- |
| 08/27/2018 16:00 | GE IFO Current Assessment | Aug | 105.3 | 106.4 | 105.3 | 105.4 |
| 08/27/2018 16:00 | TA Monitoring Indicator | Jul | -- | 27 | 22 | -- |
| 08/27/2018 16:02 | MU Unemployment Rate | Jul | -- | 1.80% | 1.80% | -- |
| 08/27/2018 16:30 | HK Exports YoY | Jul | 6.00% | 10.00% | 3.30% | -- |
| 08/27/2018 16:30 | HK Imports YoY | Jul | 9.00% | 14.00% | 4.40% | -- |
| 08/27/2018 16:30 | HK Trade Balance HKD | Jul | -42.7b | -47.1b | -54.1b | -- |
| 08/27/2018 20:30 | US Chicago Fed Nat Activity Index | Jul | 0.45 | 0.13 | 0.43 | 0.48 |
| 08/27/2018 22:00 | CA Bloomberg Nanos Confidence | Aug-24 | -- | 56.7 | 56.6 | -- |
| 08/27/2018 22:30 | US Dallas Fed Manf. Activity | Aug | 30 | 30.9 | 32.3 | -- |
| 08/28/2018 05:00 | SK Consumer Confidence | Aug | -- | 99.2 | 101 | -- |
| 08/28/2018 11:30 | TH Mfg Production Index ISIC NSA YoY | Jul | 4.30% | -- | 4.74% | -- |
| 08/28/2018 11:30 | TH Capacity Utilization ISIC | Jul | -- | -- | 69.04 | -- |
| 08/28/2018 14:45 | FR Consumer Confidence | Aug | 97 | -- | 97 | -- |
| 08/28/2018 16:00 | EC M3 Money Supply YoY | Jul | 4.30% | -- | 4.40% | -- |
| 08/28/2018 16:00 | IT Manufacturing Confidence | Aug | 106.5 | -- | 106.9 | -- |
| 08/28/2018 16:00 | IT Consumer Confidence Index | Aug | 115.8 | -- | 116.3 | -- |
| 08/28/2018 16:00 | IT Economic Sentiment | Aug | -- | -- | 105.4 | -- |
| 08/28/2018 17:00 | IT PPI MoM | Jul | -- | -- | 0.30% | -- |
| 08/28/2018 17:00 | IT PPI YoY | Jul | -- | -- | 3.20% | -- |
| 08/28/2018 20:30 | US Advance Goods Trade Balance | Jul | -\$69.0b | -- | -\$68.3b | -\$67.9b |
| 08/28/2018 20:30 | US Wholesale Inventories MoM | Jul P | 0.20% | -- | 0.10% | -- |
| 08/28/2018 20:30 | US Retail Inventories MoM | Jul | -- | -- | 0.00% | 0.10% |
| 08/28/2018 21:00 | US S&P CoreLogic CS 20-City MoM SA | Jun | 0.20% | -- | 0.20% | -- |
| 08/28/2018 21:00 | US S&P CoreLogic CS 20-City YoY NSA | Jun | 6.40% | -- | 6.51% | -- |
| 08/28/2018 21:00 | US S&P CoreLogic CS 20-City NSA Index | Jun | -- | -- | 211.94 | -- |
| 08/28/2018 21:00 | US S&P CoreLogic CS US HPI NSA Index | Jun | -- | -- | 202.95 | -- |
| 08/28/2018 21:00 | US S&P CoreLogic CS US HPI YoY NSA | Jun | -- | -- | 6.38% | -- |
| 08/28/2018 22:00 | US Richmond Fed Manufact. Index | Aug | 17 | -- | 20 | -- |
| 08/28/2018 22:00 | US Conf. Board Consumer Confidence | Aug | 126.6 | -- | 127.4 | -- |
| 08/28/2018 22:00 | US Conf. Board Present Situation | Aug | -- | -- | 165.9 | -- |
| 08/28/2018 22:00 | US Conf. Board Expectations | Aug | -- | -- | 101.7 | -- |
| 08/28/2018 08/31 | VN Trade Balance | Aug | \$872m | -- | -\$300m | -- |
| 08/28/2018 08/31 | VN CPI YoY | Aug | 3.90% | -- | 4.46% | -- |
| 08/28/2018 08/31 | VN Imports YTD YoY | Aug | 10.30% | -- | 10.20% | -- |
| 08/28/2018 08/31 | VN Exports YTD YoY | Aug | 14.40% | -- | 15.30% | -- |
| 08/28/2018 08/31 | VN Industrial Production YoY | Aug | -- | -- | 14.30% | -- |
| 08/28/2018 08/31 | VN Retail Sales YTD YoY | Aug | -- | -- | 11.10% | -- |

Source: Bloomberg

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