

Highlights

Global	<p>Market sentiments turned muted amid the growing criticisms against US President Donald Trump's recent response to a white-supremacist rally which turned violent, coupled with the surprising dovish Fed minutes which highlighted concerns over weak inflation amid calls to halt further interest rate hikes. Specifically, "many participants... saw some likelihood that inflation might remain below 2.0% for longer than they currently expected", with some expressing the need for more concrete evidence of higher prices before moving rates higher. Elsewhere in Europe, 2Q growth surprised higher at 2.2%yoy (vs est 2.1%), marking its fastest growth pace since 1Q11. In Asia, the Bank of Thailand kept its benchmark rate unchanged at 1.50% as widely expected.</p> <p>For today, watch out for the ECB account of its monetary policy meeting later this evening. Data-wise, key prints are slated to be published later today including US initial jobless claims and continuing claims, EC Consumer Price Index and Philippines 2Q GDP Print.</p>
US	<p>The minutes of the July FOMC re-affirmed the positive assessment of the US economy in terms of GDP growth, labor market and industrial production. FOMC participants acknowledged that "labor market conditions continued to strengthen in June and that real gross domestic product (GDP) likely expanded at a faster pace in the second quarter than in the first quarter." Elsewhere, MBA Mortgage Application grew by 0.1% for the week ended 11th August, while housing starts disappointed market-expectations at 1,155K in July (vs est 1,220k).</p>
SI	<p>NODX printed 8.5%yoy (-2.5%momsa) in July, roughly in line with our forecast at 8.6%yoy (-3.5%momsa). The NODX print in June was also upgraded to 8.8%yoy from a previous 8.2%. Across the products, electronics exports surged 16.3%yoy (up from June's 5.4%), led by ICs (+31.0%), parts of PCs (+9.9%) and Disk Media Products (+5.9%). In the non-electronic space, lustre petrochemical exports contributed to NODX's overall strength at +38.3%yoy, though exports of pharmaceuticals and chemicals declined. Across Singapore's key export destinations, exports into the Asian markets especially seen in Thailand (+55.3%), Malaysia (+21.8%) and Hong Kong (+19.5%) accelerated into July, while others continue to stay in positive growth territories.</p>
ID	<p>President Jokowi outlined a growth forecast of 5.4% in 2018, and a projected 9.3% increase in tax revenue in his Budget Speech yesterday.</p>
TH	<p>The Bank of Thailand kept interest rate unchanged at 1.50% in a unanimous fashion. The move to keep interest rate unchanged was made despite the strong Thai Baht seen since the start of the year. Empirically, the Thai Baht has appreciated 7.6% against the USD this year, making the THB clocking the strongest performance across its Asian peers.</p>

Major Market

- **US markets:** The lack of inflation pressure remained a concern. However, the weakness in inflation is still viewed as “transitory” and due to “idiosyncratic factors”, and the projection continues to be for inflation to “be close to the Committee's longer-run objective in 2018 and at 2 percent in 2019.” Market expectations for the balance sheet reduction to be announced in September were also not derailed by the minutes. Interestingly, there appears to be some hints that the FOMC might be considering a change in the projected rate hike path moving forward, stating that “the appropriate pace of normalization of the federal funds rate would depend on how financial conditions evolved and on the implications of those developments for the pace of economic activity.”
- Equities steadied their footing on Wednesday, with most sectors marking gains. The S&P 500 rose 0.14%, while the Dow and Nasdaq Composite gained 0.12% and 0.19% respectively. Retailers and materials stocks led gains, but were somewhat offset by large declines in the energy sector following crude's slump overnight. Overall, equities continue to defy bears and weather storms with confidence. The usual bear arguments are still being bandied around, but do not appear to gain much traction. VIX lower by 2.49% to close at 11.74. Meanwhile, US Treasury yields slumped following Trump headlines on his advisory councils and the release of July FOMC minutes. 2y and 10y benchmark yields stood at 1.33% and 2.22% respectively, down 2-5 bps.
- **Singapore:** STI fell further by 0.48% to 3,278.95 at closing yesterday. The index was dragged by Jardine Matheson Holdings (-1.98%) and DBS Group (-1.88%), while gains in Yangzijiang Shipbuilding Holdings (+2.24%) and City Developments (+1.56%) limited the overall losses. For today, STI should likely stay range-bound between 3,250 and 3,295.
- **Indonesia:** The budget deficit is expected to come in at 2.19% of GDP in 2018, representing an improvement to the estimated 2.92% in 2017. However, this projection may see some upward revision going forward if tax collection underperforms. He also listed even distribution of wealth, poverty reduction and job creation as the government priorities over the next year. Overall, asset markets appear to react positively to the Speech, with the JCI extending gains to close higher by 1%.
- **Hong Kong:** Housing completions dropped for the second consecutive month by 11.4% yoy to 2,341 units in June and grew at a slower pace by 20.4% yoy to 8,929 units over the first half of this year. Meanwhile, housing starts rebounded by 106% yoy to 2,105 units in June and increased by 15.8% yoy to 12,581 units in 1H. Property developers have slowed down their constructions of new residential property projects as housing market showed signs of corrections amid cooling measures. However, as housing completions were robust in the first half of this year, new home supply may reach around 18,000 units in 2017. On the other hand, based on the data print of housing starts, we believe that yearly new home supply will increase to over 20,000 units in the coming years. Therefore, we expect the prospect for increasing supply is likely to hit housing demand. Adding on new cooling measures and fear of higher rates, corrections in the housing market is likely to continue throughout the second half of this year. Nevertheless, as most of the new home supply consists of small to medium-size units which are highly demanded, we expect the increasing supply is unlikely to dampen the housing market in the longer term.

- **Thailand:** The central bank warned of the strong THB, which “might affect business adjustments”, adding that it will continue to closely monitor developments in the foreign exchange market. Policy-makers attributed the strong THB to the country’s current account surplus (11% of GDP). Despite the strong THB, Thailand’s export growth continued to print in double digit growth rates (June: +11.8% yoy), in part due to the low base last year amid an observable better external environment in Asia seen to-date. As such, given that the strong THB has done little to dent the country’s external trade health, we view that BOT will likely refrain from intervening in the THB for now.
- The MPC’s view of Thailand growth remains largely unchanged from the previous meeting rhetoric: growth outlook is improving while financial conditions remained accommodative. Still it acknowledged that the recovery is not broad-based, while the low inflation remains to be supply-driven. In all, our full-year growth outlook for Thailand is unchanged at 3.5%, underpinned by the recovery in Thailand’s key sectors including domestic consumption, investments and trade. Inflation will likely remain below BOT’s target band of between 1 – 4% this year (OCBC Outlook: 0.4%), though the low prices are chiefly supply-driven rather than from demand-push variables. We look for BOT to keep interest rates unchanged at 1.50% for the rest of this year.
- **Commodities:** Market-watchers were clearly spooked by the quick rise in US crude oil production and disregarding everything else including the sharp fall in US oil stocks and lower Saudi Arabia oil exports. Both WTI and Brent fell sharply to \$46.78/bbl (-1.62%) and \$50.27/bbl (-1.04%), respectively. Specifically, US oil production gained 79kbpd to 9.5 million barrels per day (mbpd), though inventories fell 8.95 million barrels last week, marking the lowest level since Jan 2016. Meanwhile, Saudi’s crude oil exports also printed lower from 6.924mbpd to 6.889mbpd in June.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 1-3bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 187bps while the yield on JACI HY Corp traded little changed at 7.01. 10y UST yields fell 5bps to 2.22%, after Trump dissolved two advisory councils and the FOMC’s acknowledgement of low inflation added scepticism over policy makers ability to raise rates again this year.
- **New Issues:** Mapletree Commercial Trust Treasury Company Pte Ltd has priced a SGD100mn 10-year bond (guaranteed by DBS Trustee Limited, in its capacity as trustee of Mapletree Commercial Trust) at 3.045%. Phoenix Lead Ltd has priced a USD500mn Perp NC5 (guaranteed by CK Infrastructure Holdings Ltd) at 4.85% , tightening from initial guidance of 5%. The expected issue ratings are ‘BBB/NR/NR’. Medco Strait Services Pte has priced a USD100mn re-tap of its MEDCIJ 8.5%’22s at 99.005 (guaranteed by PT Medco Energi Internasional Tbk). The issue was rated ‘B/B2/B’. Singtel Optus Pty Ltd has priced an AUD400mn 3.25% 5-year bond at ASW+97bps, for a yield to maturity of 3.2825%.
- **Rating Changes:** S&P has assigned CSL Ltd (CSL) a corporate credit rating of ‘A-’. The rating action reflects CSL’s market leading position, substantial market barriers to entry, and its established track record of operating within conservative leverage targets. Similarly, Moody’s has also assigned CSL an issuer rating of ‘A3’. Moody’s has affirmed Origin Energy Limited’s (Origin) ‘Baa3’ issuer and senior unsecured rating. In the meantime, Moody’s has affirmed Origin’s guaranteed financing vehicle, Origin Energy

Finance Limited's 'Baa3' senior unsecured rating. The outlook was revised to stable from negative. The rating action reflects the reduction in risk following Origin's successful production ramp-up in the Australia Pacific LNG project. Moody's has assigned Hankook Tire Co Ltd (HKT) an issuer rating of 'Baa2'. The rating action reflects HKT's high operating efficiency, low financial leverage and limited exposure to volatile raw material prices as it has the ability to pass such prices through to end-customers.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	93.541	-0.33%	USD-SGD	1.3625	-0.32%
USD-JPY	110.190	-0.43%	EUR-SGD	1.6032	-0.05%
EUR-USD	1.1767	0.27%	JPY-SGD	1.2363	0.08%
AUD-USD	0.7925	1.33%	GBP-SGD	1.7563	-0.16%
GBP-USD	1.2891	0.17%	AUD-SGD	1.0799	1.00%
USD-MYR	4.2975	0.05%	NZD-SGD	0.9959	0.67%
USD-CNY	6.6916	0.09%	CHF-SGD	1.4108	0.38%
USD-IDR	13377	0.12%	SGD-MYR	3.1426	-0.18%
USD-VND	22721	--	SGD-CNY	4.8946	0.12%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1778	--
2M	-0.3390	--	1M	1.2283	--
3M	-0.3290	--	2M	1.2622	--
6M	-0.2710	--	3M	1.3142	--
9M	-0.2100	--	6M	1.4533	--
12M	-0.1570	--	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	5.6%	94.4%	5.6%	0.0%	0.0%
11/01/2017	10.3%	89.7%	10.0%	0.3%	0.0%
12/13/2017	38.7%	61.3%	35.2%	3.4%	0.1%
01/31/2018	39.2%	60.8%	35.4%	3.6%	0.1%
03/21/2018	55.1%	44.9%	42.1%	12.0%	1.0%
05/02/2018	55.4%	44.6%	42.1%	12.2%	1.1%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	46.78	-1.62%	Copper (per mt)	6,511.3	2.45%
Brent (per barrel)	50.27	-1.04%	Nickel (per mt)	10,722.0	3.97%
Heating Oil (per gallon)	1.5744	-1.58%	Aluminium (per mt)	2,084.0	2.24%
Gasoline (per gallon)	1.5638	-0.99%			
Natural Gas (per MMBtu)	2.8900	-1.53%			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,637.0	0.15%
			Rubber (JPY/KG)	214.3	0.66%
Precious Metals	Futures	% chg			
Gold (per oz)	1,282.9	0.25%			
Silver (per oz)	16.940	1.35%			

Equity and Commodity

Index	Value	Net change
DJIA	22,024.87	25.88
S&P	2,468.11	3.50
Nasdaq	6,345.11	12.10
Nikkei 225	19,729.28	-24.03
STI	3,278.95	-15.98
KLCI	1,773.75	1.36
JCI	5,891.95	56.91
Baltic Dry	1,169.00	--
VIX	11.74	-0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.28 (+0.02)	1.33 (-0.02)
5Y	1.58 (+0.01)	1.78 (-0.04)
10Y	2.16 (+0.01)	2.22 (-0.05)
15Y	2.36 (+0.01)	--
20Y	2.45 (--)	--
30Y	2.51 (--)	2.81 (-0.04)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.30	-0.24
EURIBOR-OIS	2.90	0.06
TED	29.64	--

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

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
08/16/2017 04:00	US Total Net TIC Flows	Jun	--	\$7.7b	\$57.3b
08/16/2017 04:00	US Net Long-term TIC Flows	Jun	--	\$34.4b	\$91.9b
08/16/2017 08:30	AU Westpac Leading Index MoM	Jul	--	0.12%	-0.14%
08/16/2017 09:30	AU Wage Price Index QoQ	2Q	0.50%	0.50%	0.60%
08/16/2017 11:00	NZ Non Resident Bond Holdings	Jul	--	61.70%	61.50%
08/16/2017 15:05	TH BoT Benchmark Interest Rate	Aug-16	1.50%	1.50%	1.50%
08/16/2017 16:00	IT GDP WDA QoQ	2Q P	0.40%	0.40%	0.40%
08/16/2017 16:30	UK Claimant Count Rate	Jul	--	2.30%	2.30%
08/16/2017 16:30	UK Jobless Claims Change	Jul	--	-4.2k	5.9k
08/16/2017 16:30	UK ILO Unemployment Rate 3Mths	Jun	4.50%	4.40%	4.50%
08/16/2017 17:00	EC GDP SA QoQ	2Q P	0.60%	0.60%	0.60%
08/16/2017 19:00	US MBA Mortgage Applications	Aug-11	--	0.10%	3.00%
08/16/2017 20:30	CA Int'l Securities Transactions	Jun	--	-0.92b	29.46b
08/16/2017 20:30	US Housing Starts	Jul	1220k	1155k	1215k
08/16/2017 20:30	US Building Permits	Jul	1250k	1223k	1254k
08/17/2017 06:45	NZ PPI Output QoQ	2Q	--	1.30%	1.40%
08/17/2017 07:50	JN Japan Buying Foreign Bonds	Aug-11	--	¥145.5b	¥1624.2b
08/17/2017 07:50	JN Foreign Buying Japan Stocks	Aug-11	--	¥302.5b	¥37.7b
08/17/2017 07:50	JN Trade Balance	Jul	¥327.1b	¥418.8b	¥439.9b
08/17/2017 08:30	SI Non-oil Domestic Exports YoY	Jul	9.10%	--	8.20%
08/17/2017 09:30	AU Employment Change	Jul	20.0k	--	14.0k
08/17/2017 09:30	AU Unemployment Rate	Jul	5.60%	--	5.60%
08/17/2017 09:30	AU Full Time Employment Change	Jul	--	--	62.0k
08/17/2017 09:30	AU Participation Rate	Jul	65.00%	--	65.00%
08/17/2017 09:30	AU RBA FX Transactions Market	Jul	--	--	A\$1100m
08/17/2017 10:00	PH GDP YoY	2Q	6.40%	--	6.40%
08/17/2017 16:30	UK Retail Sales Ex Auto Fuel MoM	Jul	0.10%	--	0.90%
08/17/2017 16:30	UK Retail Sales Inc Auto Fuel MoM	Jul	0.20%	--	0.60%
08/17/2017 16:30	HK Unemployment Rate SA	Jul	3.20%	--	3.10%
08/17/2017 17:00	EC CPI MoM	Jul	-0.50%	--	0.00%
08/17/2017 20:30	CA Manufacturing Sales MoM	Jun	-1.00%	--	1.10%
08/17/2017 20:30	US Initial Jobless Claims	Aug-12	240k	--	244k
08/17/2017 20:30	US Continuing Claims	Aug-05	1955k	--	1951k
08/17/2017 20:30	US Philadelphia Fed Biz Outlook	Aug	18	--	19.5
08/17/2017 21:15	US Industrial Production MoM	Jul	0.30%	--	0.40%
08/17/2017 21:15	US Capacity Utilization	Jul	76.70%	--	76.60%
08/17/2017 21:45	US Bloomberg Consumer Comfort	Aug-13	--	--	51.4
08/17/2017 22:00	US Leading Index	Jul	0.30%	--	0.60%
08/17/2017	HK Composite Interest Rate	Jul	--	--	0.31%

Source: Bloomberg

<u>OCBC Treasury Research</u>	
<u>Macro Research</u> Selena Ling LingSSSelena@ocbc.com Emmanuel Ng NgCYEmmanuel@ocbc.com Tommy Xie Dongming XieD@ocbc.com Barnabas Gan BarnabasGan@ocbc.com Terence Wu TerenceWu@ocbc.com	<u>Credit Research</u> Andrew Wong WongVKAM@ocbc.com Wong Liang Mian (Nick) NickWong@ocbc.com Ezien Hoo EzienHoo@ocbc.com Wong Hong Wei WongHongWei@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W