

**Highlights**

|        |   |
|--------|---|
| Global | BOJ was not inclined to deviate from its script yesterday and kept policy settings unchanged, albeit Kataoka dissented that current measures were sufficient to achieve the inflation target. Meanwhile, BSP and CBC also were on hold yesterday. Separately, S&P downgraded China's long-term sovereign credit rating for the first time since 1999 from AA- to A+ citing increasing risks from a rising debt burden, and also the ratings for three foreign banks that primarily operate in China namely HSBC China, Hang Seng China and DBS Bank China, ahead of China's 19th NPC, but was met with muted market reaction overnight. US president Trump also ordered new sanctions for North Korea. Asian bourses may consolidate today amid these headlines, and await key signals from speakers including ECB's Draghi, Coeure and Constancio, and Fed's Williams, George and Kaplan. BI is meeting today and while the consensus is for no change at 4.5%, around ¼ of analysts surveyed tip a possible cut given tame inflation (Aug: 3.8%). UK PM May will also propose a transition implementation period after Brexit takes effect from March 2019. Today's economic calendar comprises US' and Eurozone's Markit PMIs. Looking ahead, watch for the New Zealand and German elections over the weekend as polls are pointing to a possible hung parliament for the former while the latter is a question of the CDU/CSU's majority lead over SPD. |
| US     | Initial jobless claims unexpectedly fell 23k to 259k, while the Philadelphia Fed business index rose 5 points to 23.8 in September, suggesting sustained momentum which could be boosted by Hurricane-related rebuilding efforts.   |
| CN     | The rating agency S&P announced to lower China's long term sovereign credit ratings by one notch to A+ from AA-, citing rising economic and financial risks after a prolonged period of strong credit growth. The downgrade is not a total surprise to the market in our view. This is because the market has speculated S&P may follow through after another rating agency Moody's downgraded China in May as both rating agencies lowered China's rating outlook to negative back in March 2016. The impact of the downgrade on RMB assets is unlikely to be significant as Chinese investors are less sensitive to the rating. CNH appreciated after the announcement of downgrade last Thursday while a similar movement was also spotted in late May after Moody's downgrade.  |
| EZ     | Eurozone consumer confidence unexpectedly improved from -1.5 to -1.2 (highest since 2001) in September.   |
| KR     | Bank of Korea commented that household debt is expected to stabilize given the property measures released earlier in August (includes higher tax on capital gains). As of end 2Q, household debt rose to KRW1,388.3tn, though top 30% of income-earners accounted for 66% of total debt while vulnerable household only account 6.1%.   |
| CMD    | Crude oil remained above its \$50/bbl handle overnight as market-watchers continue to digest fresh rhetoric from OPEC, which highlighted the interest of deepening the cuts by another one percent (proposed by Iraqi Oil Minister) while some favoured the extension of the cuts to the end of 2018. Elsewhere, gold fell below its \$1,300/oz handle (-1.6%) as market reacted to the US Fed's decision to start its balance sheet tapering in October, while the implied probability for a rate hike in December this year has risen to 67.2%.   |

## Major Market

- **US:** Equities faded as the markets digested the Fed's commitment to another rate hike in 2017, and the prospect of three further hikes in 2018. The decline was broad-based, with only the financial and industrial sectors bucking the trend. Apple Inc. continue to dip post-iPhone launch, adding pressure to the tech sector as a whole. Overall, the S&P 500 just managed to stay above 2500, down 0.31%. The Dow and Nasdaq Composite also shed 0.24% and 0.52% respectively. VIX nears year-to-date lows, closing at 9.67 compared to 9.78 previously.
- Meanwhile, US Treasury yields closed flat to firmer. 2y and 10y benchmark yields stood at 1.44% and 2.28% respectively. The yield curve has continued to flatten, with the 5y-30y UST spread at 91.3 bps, a level last seen in 2007. As Trump ordered new sanctions on North Korea overnight, watch for any escalation of tensions from North Korea apart from its usual rhetoric that might re-ignite haven flows.
- **Singapore:** The STI slipped by another 0.13% to close at 3213.82 yesterday, tracking most regional bourses, and could again range trade between 3200-3230 amid mixed cues from Wall Street overnight and a marginally firmer opening in Kospi this morning. SGS bond yields already gapped up some 4bps post-FOMC yesterday, but may stabilise as investors turn their attention to Fedspeak for clearer direction and as UST bond yields traded in a tight range overnight.
- **Hong Kong:** Inflation decelerated to 1.9% in August. Food inflation fell to 2.4% from 2.5% while housing inflation ticked up to 2.8%. Additionally, new arrival of autumn and winter clothes might be the reason behind the stronger clothing inflation (1.6%, the fastest since July 2014). Moreover, durable goods prices deflated at a milder pace by 3%. The launch of new iPhone in September and October may support a rebound in durable goods prices. Given a fading high base effect, inflation may rebound in the fourth quarter. However, due to sluggish external price pressure, overall CPI is expected to print between 1.6% to 1.8% this year.
- **Malaysia:** Foreign reserves rose to US\$100.8bn (MYR432.8bn) as of 15th Sept. This is sufficient to finance 7.7 months of retained imports and is 1.1x short-term external debt.
- **Indonesia:** Watch for Bank Indonesia's next policy decision as it meets later today. Some observers hold background suspicion that the BI will post a second consecutive rate cut, though the majority expects a hold. Perceived hawkishness from Fed rhetoric, and the recent spike in yields in the US and other developed countries may be a cause to hold back for the moment.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mostly upwards yesterday, with swap rates trading 4-6bps higher across most tenors, with the exception being the -12-year tenor, which traded 6bps lower. In the broader dollar space, the spread on JACI IG Corp fell 2bps to 184bps, while the yield on JACI HY Corp traded little changed at 6.80%. 10Y UST yields rose 1bps to 2.28%, as President Trump announced further sanctions on North Korea.
- **New Issues:** Postal Savings Bank of China Co has priced a USD7.25bn Perp NC5 AT1 at 4.50%, tightening from initial guidance of 4.85%. The issue ratings are 'NR/Ba3/NR'. Newcastle Coal Infrastructure Group Pty Ltd has priced a USD500mn 10-

year bond at CT10+215bps, tightening from initial guidance of CT10+240bps area. The expected issue ratings are 'BBB-/BBB-'. Hosa International has filed to sell a USD50mn 364-day note at 7.0%.

- **Rating Changes:** S&P has downgraded CapitaLand Commercial Trust's (CCT) corporate credit rating to 'BBB+' from 'A-'. The outlook is stable. Similarly, S&P downgraded the rating on CCT's existing notes to 'BBB+' from 'A-'. The rating action reflects S&P's expectation that CCT's leverage is likely to increase due to its proposed debt-funded acquisition of Asia Square Tower 2. S&P has downgraded China's sovereign credit rating to 'A+' from 'AA-'. The outlook has been revised to stable from negative. The rating action reflects the increase in economic and financial risk due to a prolonged period of strong credit growth. At the same time, S&P has downgraded the ratings of DBS China, Hang Seng China and HSBC China to 'A+' from 'AA-'. The outlooks on the ratings are stable. The rating action on these banks reflects S&P's view that these 3 banks are unlikely to avoid default if China defaulted on its sovereign debt, as they primarily operate in China. Additionally, the downgrade of the sovereign credit rating of China has led to the downgrade of the Agricultural Development Bank of China (ADBC), China Development Bank Corp (CDB), and The Export-Import Bank of China (China EXIM), as S&P equates their rating with the sovereign credit ratings on China. S&P downgraded China-based property developer and financial holdings group Oceanwide Holdings Co. Ltd's (Oceanwide) long-term corporate credit rating and issue rating on the senior unsecured notes to 'B-' from 'B'. The outlook is negative. The lower rating reflects Oceanwide's weaker than expected property sales and lower dividend income from financial services with the weaker operating cash flow resulting in elevated leverage in the next two years. S&P has affirmed Taiwan Semiconductor Manufacturing Co Ltd's (TSMC) 'A+' corporate credit rating and 'A+' issue rating on its senior unsecured notes. The outlook has been revised to positive from stable. The rating action reflects S&P's view that TSMC will continue to strengthen its competitive position, increase its revenue from high-performance computing applications, and boost its resilience to market risks over the next one to two years. Moody's has assigned a 'Ba2' rating to the notes guaranteed by Dr Peng Telecom & Media Group Co Ltd (Dr. Peng). The outlook is stable. The rating action follows the successful issuance of Dr Peng's notes, which was assigned a provisional rating of 'Ba2' previously. Moody's has affirmed Korea Specialty Contractor Financial Cooperative's (KSCFC) 'A3' insurance financial strength rating. The outlook is stable. The rating action reflects KSCFC's established position in the niche specialty construction guarantee market and its strong capitalization relative to its risks taken. Fitch has upgraded Country Garden Holdings Co Ltd's (Country Garden) Issuer Default Rating (IDR) to 'BBB-' from 'BB+'. The Outlook is stable. Similarly, Fitch has upgraded Country Garden's senior unsecured rating and the ratings on its outstanding notes to 'BBB-' from 'BB+'. The rating action reflects Country Garden's stronger business profile, as it has secured sufficient land across China to take advantage of the business upcycle in the lower tier cities.

## Key Financial Indicators

### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DX</b>      | 92.259    | -0.27%   | <b>USD-SGD</b> | 1.3495    | 0.07%    |
| <b>USD-JPY</b> | 112.480   | 0.23%    | <b>EUR-SGD</b> | 1.6116    | 0.47%    |
| <b>EUR-USD</b> | 1.1941    | 0.41%    | <b>JPY-SGD</b> | 1.1998    | -0.20%   |
| <b>AUD-USD</b> | 0.7929    | -1.27%   | <b>GBP-SGD</b> | 1.8326    | 0.69%    |
| <b>GBP-USD</b> | 1.3580    | 0.63%    | <b>AUD-SGD</b> | 1.0703    | -1.18%   |
| <b>USD-MYR</b> | 4.1980    | 0.25%    | <b>NZD-SGD</b> | 0.9862    | -0.62%   |
| <b>USD-CNY</b> | 6.5904    | 0.24%    | <b>CHF-SGD</b> | 1.3905    | -0.01%   |
| <b>USD-IDR</b> | 13339     | 0.43%    | <b>SGD-MYR</b> | 3.1076    | -0.21%   |
| <b>USD-VND</b> | 22728     | 0.00%    | <b>SGD-CNY</b> | 4.8817    | -0.20%   |

### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 22,359.23 | -53.36     |
| <b>S&amp;P</b>    | 2,500.60  | -7.64      |
| <b>Nasdaq</b>     | 6,422.69  | -33.35     |
| <b>Nikkei 225</b> | 20,347.48 | 37.02      |
| <b>STI</b>        | 3,213.82  | -4.25      |
| <b>KLCI</b>       | 1,771.04  | -2.54      |
| <b>JCI</b>        | 5,906.57  | --         |
| <b>Baltic Dry</b> | 1,449.00  | --         |
| <b>VIX</b>        | 9.67      | -0.11      |

### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3730 | --     | <b>O/N</b> | 1.1789    | --     |
| <b>2M</b>  | -0.3390 | --     | <b>1M</b>  | 1.2356    | --     |
| <b>3M</b>  | -0.3290 | --     | <b>2M</b>  | 1.2728    | --     |
| <b>6M</b>  | -0.2710 | --     | <b>3M</b>  | 1.3231    | --     |
| <b>9M</b>  | -0.2190 | --     | <b>6M</b>  | 1.4800    | --     |
| <b>12M</b> | -0.1710 | --     | <b>12M</b> | 1.7473    | --     |

### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.34 (+0.06) | 1.44 (--)    |
| <b>5Y</b>  | 1.60 (+0.03) | 1.89 (+0.01) |
| <b>10Y</b> | 2.10 (+0.03) | 2.28 (+0.01) |
| <b>15Y</b> | 2.40 (+0.02) | --           |
| <b>20Y</b> | 2.36 (+0.01) | --           |
| <b>30Y</b> | 2.41 (+0.02) | 2.81 (--)    |

### Fed Rate Hike Probability

| Meeting    | Prob Hike | 1-1.25 | 1.25-1.5 | 1.5-1.75 | 1.75 - 2.0 |
|------------|-----------|--------|----------|----------|------------|
| 11/01/2017 | 2.8%      | 97.2%  | 2.8%     | 0.0%     | 0.0%       |
| 12/13/2017 | 67.2%     | 32.8%  | 65.3%    | 1.9%     | 0.0%       |
| 01/31/2018 | 67.4%     | 32.6%  | 65.0%    | 2.4%     | 0.0%       |
| 03/21/2018 | 80.0%     | 20.0%  | 52.5%    | 26.6%    | 0.9%       |
| 05/02/2018 | 80.1%     | 19.9%  | 52.3%    | 26.7%    | 1.1%       |
| 06/13/2018 | 86.1%     | 13.9%  | 42.6%    | 34.3%    | 8.8%       |

### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 14.28 | -1.03  |
| <b>EURIBOR-OIS</b> | 2.99  | 0.01   |
| <b>TED</b>         | 29.90 | --     |

### Commodities Futures

| Energy                   | Futures        | % chg        | Base Metals              | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 50.55          | 0.28%        | Copper (per mt)          | 6,469.5        | -1.16%       |
| Brent (per barrel)       | 56.43          | 0.25%        | Nickel (per mt)          | 10,949.5       | -3.34%       |
| Heating Oil (per gallon) | 1.8153         | 0.46%        | Aluminium (per mt)       | 2,151.8        | -0.25%       |
| Gasoline (per gallon)    | 1.6438         | -0.68%       |                          |                |              |
| Natural Gas (per MMBtu)  | 2.9460         | -4.78%       |                          |                |              |
|                          |                |              | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
|                          |                |              | Crude Palm Oil (MYR/MT)  | 2,737.0        | -1.19%       |
|                          |                |              | Rubber (JPY/KG)          | 210.2          | -0.94%       |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> |                          |                |              |
| Gold (per oz)            | 1,294.8        | -1.64%       |                          |                |              |
| Silver (per oz)          | 17.018         | -1.82%       |                          |                |              |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Economic Calendar

| Date Time        | Event                                |        | Survey | Actual   | Prior    | Revised |
|------------------|--------------------------------------|--------|--------|----------|----------|---------|
| 09/21/2017 02:00 | US FOMC Rate Decision (Upper Bound)  | Sep-20 | 1.25%  | 1.25%    | 1.25%    | --      |
| 09/21/2017 06:45 | NZ GDP SA QoQ                        | 2Q     | 0.80%  | 0.80%    | 0.50%    | 0.60%   |
| 09/21/2017 06:45 | NZ GDP YoY                           | 2Q     | 2.50%  | 2.50%    | 2.50%    | --      |
| 09/21/2017 09:30 | AU RBA FX Transactions Market        | Aug    | --     | A\$571m  | A\$984m  | --      |
| 09/21/2017 11:00 | NZ Credit Card Spending YoY          | Aug    | --     | 6.40%    | 7.20%    | 7.10%   |
| 09/21/2017 11:15 | JN BOJ Policy Balance Rate           | Sep-21 | -0.10% | -0.10%   | -0.10%   | --      |
| 09/21/2017 12:15 | TH Customs Exports YoY               | Aug    | 5.00%  | 13.20%   | 10.48%   | --      |
| 09/21/2017 12:15 | TH Customs Imports YoY               | Aug    | 14.90% | 14.90%   | 18.45%   | --      |
| 09/21/2017 12:15 | TH Customs Trade Balance             | Aug    | \$611m | \$2090m  | -\$188m  | --      |
| 09/21/2017 12:30 | JN All Industry Activity Index MoM   | Jul    | -0.10% | -0.10%   | 0.40%    | 0.20%   |
| 09/21/2017 15:00 | MA Foreign Reserves                  | Sep-15 | --     | \$100.8b | \$100.5b | --      |
| 09/21/2017 16:00 | PH BSP Overnight Borrowing Rate      | Sep-21 | 3.00%  | 3.00%    | 3.00%    | --      |
| 09/21/2017 16:30 | HK CPI Composite YoY                 | Aug    | 1.90%  | 1.90%    | 2.00%    | --      |
| 09/21/2017 16:30 | UK Public Finances (PSNCR)           | Aug    | --     | 0.0b     | -3.9b    | -3.7b   |
| 09/21/2017 16:30 | UK Public Sector Net Borrowing       | Aug    | 6.4b   | 5.1b     | -0.8b    | -1.3b   |
| 09/21/2017 16:30 | UK PSNB ex Banking Groups            | Aug    | 7.1b   | 5.7b     | -0.2b    | -0.7b   |
| 09/21/2017 16:44 | TA CBC Benchmark Interest Rate       | Sep-21 | 1.38%  | 1.38%    | 1.38%    | --      |
| 09/21/2017 20:30 | CA Wholesale Trade Sales MoM         | Jul    | -0.70% | 1.50%    | -0.50%   | -0.60%  |
| 09/21/2017 20:30 | US Initial Jobless Claims            | Sep-16 | 302k   | 259k     | 284k     | 282k    |
| 09/21/2017 20:30 | US Continuing Claims                 | Sep-09 | 1975k  | 1980k    | 1944k    | 1936k   |
| 09/21/2017 20:30 | US Philadelphia Fed Business Outlook | Sep    | 17.1   | 23.8     | 18.9     | --      |
| 09/21/2017 21:00 | US FHFA House Price Index MoM        | Jul    | 0.40%  | 0.20%    | 0.10%    | --      |
| 09/21/2017 21:45 | US Bloomberg Consumer Comfort        | Sep-17 | --     | 50.6     | 51.9     | --      |
| 09/21/2017 21:45 | US Bloomberg Economic Expectations   | Sep    | --     | 51.5     | 54       | --      |
| 09/21/2017 22:00 | EC Consumer Confidence               | Sep A  | -1.5   | -1.2     | -1.5     | --      |
| 09/21/2017 22:00 | US Leading Index                     | Aug    | 0.30%  | 0.40%    | 0.30%    | --      |
| 09/22/2017 07:50 | JN Japan Buying Foreign Bonds        | Sep-15 | --     | --       | ¥198.7b  | --      |
| 09/22/2017 07:50 | JN Foreign Buying Japan Stocks       | Sep-15 | --     | --       | ¥644.6b  | --      |
| 09/22/2017 14:45 | FR GDP YoY                           | 2Q F   | 1.70%  | --       | 1.70%    | --      |
| 09/22/2017 15:00 | FR Markit France Manufacturing PMI   | Sep P  | 55.5   | --       | 55.8     | --      |
| 09/22/2017 15:00 | FR Markit France Services PMI        | Sep P  | 54.8   | --       | 54.9     | --      |
| 09/22/2017 15:00 | FR Markit France Composite PMI       | Sep P  | 55     | --       | 55.2     | --      |
| 09/22/2017 15:30 | TH Foreign Reserves                  | Sep-15 | --     | --       | \$199.3b | --      |
| 09/22/2017 15:30 | GE Germany Manufacturing PMI         | Sep P  | 59     | --       | 59.3     | --      |
| 09/22/2017 15:30 | GE Markit Germany Services PMI       | Sep P  | 53.7   | --       | 53.5     | --      |
| 09/22/2017 15:30 | GE Germany Composite PMI             | Sep P  | 55.7   | --       | 55.8     | --      |
| 09/22/2017 16:00 | TA Unemployment Rate                 | Aug    | 3.80%  | --       | 3.78%    | --      |
| 09/22/2017 16:00 | TA Industrial Production YoY         | Aug    | 1.85%  | --       | 2.38%    | --      |
| 09/22/2017 16:00 | EC PMI                               | Sep P  | 57.2   | --       | 57.4     | --      |
| 09/22/2017 16:00 | EC Markit Eurozone Services PMI      | Sep P  | 54.8   | --       | 54.7     | --      |
| 09/22/2017 16:00 | EC Markit Eurozone Composite PMI     | Sep P  | 55.6   | --       | 55.7     | --      |
| 09/22/2017 20:30 | CA CPI NSA MoM                       | Aug    | 0.20%  | --       | 0.00%    | --      |
| 09/22/2017 20:30 | CA CPI YoY                           | Aug    | 1.50%  | --       | 1.20%    | --      |
| 09/22/2017 20:30 | CA Retail Sales MoM                  | Jul    | 0.20%  | --       | 0.10%    | --      |
| 09/22/2017 20:30 | CA Retail Sales Ex Auto MoM          | Jul    | 0.40%  | --       | 0.70%    | --      |
| 09/22/2017 21:45 | US Markit US Manufacturing PMI       | Sep P  | 53     | --       | 52.8     | --      |
| 09/22/2017 21:45 | US Markit US Services PMI            | Sep P  | 55.7   | --       | 56       | --      |
| 09/22/2017 21:45 | US Markit US Composite PMI           | Sep P  | --     | --       | 55.3     | --      |
| 09/22/2017       | MU Visitor Arrivals                  | Aug    | --     | --       | 2918t    | --      |
| 09/21/2017 09/29 | PH Budget Balance PHP                | Aug    | --     | --       | -50.5b   | --      |

Source: Bloomberg

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