

**Highlights**

<b>Global</b>	Fed chair Yellen failed to excite markets at Jackson Hole on Friday by avoiding any discussion about the future interest rate trajectory, and ECB president Draghi similarly kept his silence on the EUR, but North Korea's "provocative" firing of three missiles over the weekend suggested that geopolitical tensions haven't fully dissipated despite notching lower in the past week after President Trump said Kim was "starting to respect" the US. Meanwhile, Tropical storm Harvey also pounded the US and halted some oil and natural gas production in the Gulf of Mexico, whilst Fed's Mester opined that "there's some risk that if we wait too long we can find ourselves in a bad spot" and "we have to move policy a little bit before we get to the goals or else we're going to get behind". On inflation, she noted "some one-off factors" contributing to "a couple of weak inflation reports lately" but "eventually to rise up to our 2 percent goal". Asian bourses may range trade today, awaiting further economic cues, especially PMIs, and Friday's key US' nonfarm payrolls and unemployment report (with market consensus eyeing +180k and 4.3% respectively) for greater market clarity. Today's economic data calendar is extremely light with only US' wholesale inventories and Dallas Fed manufacturing activity on tap. BOK meets on 31 <sup>st</sup> August and is tipped to keep its 7-day repo rate static at 1.25%.
<b>US</b>	US' durable goods orders declined more than expected by 6.8% in July, dragged down by nondefense aircraft (-70.7% after a +129.3% surge earlier) and following a 6.4% increase in June. Excluding transportation, new orders rose a healthy 0.5% in July after a 0.1% increase in June, suggesting robust manufacturing momentum amid a weaker USD. Meanwhile, president Trump again tweeted that NAFTA was the "worst trade deal ever made" and hinted US may just "terminate" it because of difficult renegotiation talks.
<b>JP</b>	BOJ governor Kuroda opined that "since JGBs remaining in the market is going to decline, that means that, with one unit of JGB purchase, the impact on the interest rate could be bigger...so that in coming months there will be less and less need to purchase JGBs in order to maintain the yield curve". He dismissed suggestions that BOJ could run out of bonds to buy, noting that there were still 60% left and "yield-curve control has been well managed", but noted that the recent 4% growth was unlikely to be sustained.
<b>EZ</b>	German IFO business climate edged lower from a record high of 116.0 in July to 115.9 in August, as softer current assessment (124.6 versus 125.5) offset more upbeat expectations (107.9 versus 107.3), possibly attributable to corporate concerns about the EUR strength.
<b>SG</b>	Industrial production beat expectations to surge 21.0% yoy (1.0% mom sa) in July, the fastest pace in seven months, after expanding a downwardly revised 12.7% yoy (+9.0% mom sa) in June. Excluding biomedical, manufacturing output increased by 24.9% yoy (+4.9% mom sa). Although manufacturing output has clocked in a strong 10% yoy for the first seven months of 2017, the base for August-December 2016 at +8.8% yoy gets more challenging for the remaining months of 2017.

## Major Market

- **US:** Wall Street was mixed, with the Dow Jones and S&P gaining 0.14% and 0.17%, respectively while Nasdaq fell. Elsewhere, the US treasury curve flattened with the 2y-yield (+1.9bp) tuning higher while the 10y- yield (-2.8bp) fell. CBOE VIX was down to 11.28 (-7.77%).
- **Singapore:** The July industrial production print was stronger than our forecast for 15.3% yoy (-4.0% mom sa) in Jul, due to a very low base in July 2016. The key driver was electronics (+49.1 yoy), led by semiconductors (+67.6% yoy), computer peripherals (+18.9% yoy) and infocomms & consumer electronics (+5.1% yoy). This was also accompanied by precision engineering (+21.8% yoy), and even the biomedical manufacturing put in a +5.0% yoy performance on the back of the healthy medical technology segment (+17.7% yoy) whereas pharmaceuticals lagged at +0.6% yoy, whilst marine and offshore engineering still contracted 9.1% yoy.
- STI retreated 0.38% to close at 3269.17 on Friday and may again consolidate in a directionless range of 3250-3270 today given mixed cues from Wall Street on Friday and Kospi this morning. With the UST bond yield curve rallying on Friday, led by the longer tenors, SGS bonds may follow suit today and unwind some of Friday's losses. There is a \$1.3b re-opening of the Sep'33 SGS bond (approximately 16-years tenor) to be auctioned tomorrow noon. The Sep'33 is currently trading around 2.45%, some 40bps lower than its Dec16 high of 2.86%, and could potentially see a bid-cover ratio <2x amid a relatively low cut-off yield amid limited demand for such a long tenor. Note the last two 15-year SGS bond auctions in Sep 15 and Jul 14 fetched cut-off yields of 3.05% and 2.92% respectively with bid-cover ratios of 1.65x each, albeit with auction tails of 6-8bps.
- **China:** China's industrial profit growth decelerated slightly to 16.5% in July from 19.1% in June. The upstream companies have benefited from the sharp rebound of raw material prices driven by supply side reform. This explains why industrial profit by state holding enterprises has outperformed year to date, up by 44.2% yoy. Nevertheless, given there is no evidence of pickup of demand, we think downstream companies, in particular those private companies, may start to feel profit squeeze due to elevated raw material prices.
- **Macau:** GDP growth accelerated to 11.5% yoy in 2Q 2017, refreshing its strongest level since 1Q 2014. The sustained economic expansion was mainly contributed to resilient private consumption, strong government investment and robust exports of services. Moving forward, household spending is likely to sustain its momentum as muted price pressure could help to mitigate the impact of stagnant wage growth. Meanwhile, fiscal stimulus will likely continue to underpin government investment. However, exports of services may slow down as policy risks loom over the gaming sector while typhoon Hato might have added transitory downward pressure onto the gaming and tourism sectors. Also, an expected slowdown in China's growth in 2H may weigh on the two sectors. On the other hand, private investment (-8.8% yoy) is expected to remain sluggish due to successive completion of mega entertainment projects. All in all, we expect economic growth to decelerate in 2H and print 8% approximately over 2017.
- **Thailand:** The Thai court issued an arrest warrant last week after former Prime Minister Yingluck Shinawatra failed to appear for trial over alleged negligence on a rice subsidy scheme. Pheu Thai Party sources, as reported by BBC, said that she has left Thailand. The THB fell into Wednesday last week but has since recovered to its pre-trial levels as of Friday last week.

- **Commodities:** Early trading hours this morning saw gasoline surging to its highest in two years while crude oil prices pointed lower, as Hurricane Harvey (Category 4, the strongest storm to make landfall since 2004) moved into the Texas Coast and affected more than 10% of US fuel-making capacity. Weather experts are forecasting Hurricane Harvey to last for days. Elsewhere, latest CFTC net-long positions indicated that money-managers remained bullish on precious metals: gold and silver topped the charts in clocking the most net-long accumulations while % open interest in platinum and palladium were the highest in 25 weeks and 12 weeks, respectively.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards on Friday, with swap rates trading 2-4bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corporates fell 1bps to 188bps. Similarly, the yield on JACI HY Corp fell 1bps to 6.95%. 10y UST yields fell 3bps to 2.17%, after Yellen and Draghi both failed to offer any insight regarding policies at the Jackson Hole Economic Symposium.
- **New Issues:** Keppel Telecommunications & Transportation Ltd has priced a SGD100mn 7NC5 bond at 2.85%, tightening from initial guidance of 3%.
- **Rating Changes:** S&P has affirmed Hitachi Ltd's (Hitachi) 'A-' corporate credit rating. The outlook has been revised to positive from stable. The rating action reflects Hitachi's improved profitability following the reshuffling of its company's business portfolio, as seen by the improvement in Hitachi's EBITDA margin. S&P has downgraded the financial strength and counterparty credit ratings of Arch MI Asia Ltd (Arch MI) to 'A' from 'A+'. S&P has removed the ratings from CreditWatch, where they were placed with negative implications. The outlook is stable. The rating action follows the acquisition of Arch MI by Arch Capital Group Ltd (ACGL) from American International Group. S&P treats Arch MI as highly strategic to ACGL, and as such, Arch MI would be rated one notch below the ratings on ACGL's core operating subsidiaries. The negative outlook reflects the negative outlook on ACGL. Moody's has affirmed Woodside Finance Limited's (Woodside) 'Baa1' backed senior unsecured ratings. At the same time, Moody's has assigned Woodside Petroleum Ltd a 'Baa1' issuer rating. The outlook remains negative. The rating action reflects Moody's expectation that Woodside will generate solid earnings and cash flow due to the low production costs, but it is balanced by Woodside's higher net debt on the back of increased growth spending. Moody's has assigned Asahi Group Holdings Ltd (Asahi) an issuer rating of 'Baa2'. The outlook is stable. The rating action reflects Asahi's diversified portfolio, its strong presence in the domestic beer market, and its stable cash flow generation. However, the rating is constrained by the company's high debt leverage and execution risks due to the acquisition of European beer businesses, low margins, and limited geographic diversification relative to its overseas peers.

## Key Financial Indicators

### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DX</b>	92.740	-0.58%	<b>USD-SGD</b>	1.3558	-0.45%
<b>USD-JPY</b>	109.360	-0.18%	<b>EUR-SGD</b>	1.6172	0.64%
<b>EUR-USD</b>	1.1924	1.06%	<b>JPY-SGD</b>	1.2396	-0.28%
<b>AUD-USD</b>	0.7932	0.34%	<b>GBP-SGD</b>	1.7476	0.24%
<b>GBP-USD</b>	1.2882	0.63%	<b>AUD-SGD</b>	1.0767	-0.01%
<b>USD-MYR</b>	4.2723	-0.17%	<b>NZD-SGD</b>	0.9816	-0.12%
<b>USD-CNY</b>	6.6465	-0.23%	<b>CHF-SGD</b>	1.4164	0.41%
<b>USD-IDR</b>	13344	-0.01%	<b>SGD-MYR</b>	3.1407	-0.09%
<b>USD-VND</b>	22734	-0.02%	<b>SGD-CNY</b>	4.9005	0.14%

### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3710	--	<b>O/N</b>	1.1778	--
<b>2M</b>	-0.3410	-0.0010	<b>1M</b>	1.2356	0.0017
<b>3M</b>	-0.3290	--	<b>2M</b>	1.2711	0.0011
<b>6M</b>	-0.2720	--	<b>3M</b>	1.3178	0.0006
<b>9M</b>	-0.2120	--	<b>6M</b>	1.4550	0.0011
<b>12M</b>	-0.1590	--	<b>12M</b>	1.7279	0.0044

### 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	8.3%	91.7%	8.2%	0.2%	0.0%
12/13/2017	37.4%	62.6%	34.7%	2.7%	0.1%
01/31/2018	37.0%	62.2%	34.3%	2.7%	0.1%
03/21/2018	53.3%	46.1%	41.6%	11.0%	0.7%
05/02/2018	52.7%	46.1%	41.2%	10.8%	0.7%

### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	21,813.67	30.27
<b>S&amp;P</b>	2,443.05	4.08
<b>Nasdaq</b>	6,265.64	-5.68
<b>Nikkei 225</b>	19,452.61	98.84
<b>STI</b>	3,259.57	-12.59
<b>KLCI</b>	1,769.17	-6.33
<b>JCI</b>	5,915.36	21.25
<b>Baltic Dry</b>	1,209.00	9.00
<b>VIX</b>	11.28	-0.95

### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	1.35 (+0.03)	1.33 (--)
<b>5Y</b>	1.65 (+0.03)	1.76 (-0.02)
<b>10Y</b>	2.18 (+0.02)	2.17 (-0.03)
<b>15Y</b>	2.37 (+0.02)	--
<b>20Y</b>	2.46 (+0.02)	--
<b>30Y</b>	2.52 (+0.03)	2.75 (-0.02)

### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	15.52	-0.11
<b>EURIBOR-OIS</b>	2.86	0.03
<b>TED</b>	31.42	0.33

### Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.87	0.93%	Copper (per mt)	6,738.4	--
Brent (per barrel)	52.41	0.71%	Nickel (per mt)	11,441.0	-2.23%
Heating Oil (per gallon)	1.6223	0.08%	Aluminium (per mt)	2,057.3	-1.73%
Gasoline (per gallon)	1.6666	0.15%			
Natural Gas (per MMBtu)	2.8920	-1.93%	<b>Asian Commodities</b>	<b>Futures</b>	<b>% chg</b>
			Crude Palm Oil (MYR/MT)	2,750.0	-0.97%
			Rubber (JPY/KG)	219.2	1.20%
<b>Precious Metals</b>	<b>Futures</b>	<b>% chg</b>			
Gold (per oz)	1,297.9	0.46%			
Silver (per oz)	17.132	0.50%			

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

## CFTC Commodity Positioning Update

For the week ended: 22 Aug 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	215,452	191,831	23,621	Corn	39,448	85,855	-46,407
Silver	43,862	37,975	5,887	Wheat	-42,493	-20,735	-21,758
Platinum	32,259	27,599	4,660	Sugar	-77,495	-60,509	-16,986
Copper	40,490	36,587	3,903	Nymex Crude	499,126	514,636	-15,510
Palladium	22,489	20,896	1,593	Coffee	-10,570	4,697	-15,267
RBOB Gasoline	64,543	63,109	1,434	Soybean	-10,878	1,379	-12,257
Live Cattle	109,552	109,950	-398	Cocoa	-37,083	-26,300	-10,783
Cotton	34,767	41,552	-6,785	Natural Gas	-43,934	-34,706	-9,228
Lean Hogs	74,691	81,834	-7,143	Heating Oil	25,022	32,805	-7,783

Source: Bloomberg, CFTC

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
08/25/2017 07:30	JN	Natl CPI YoY	Jul	0.40%	0.40%	0.40%	--
08/25/2017 07:30	JN	Natl CPI Ex Fresh Food YoY	Jul	0.50%	0.50%	0.40%	--
08/25/2017 07:30	JN	Tokyo CPI YoY	Aug	0.30%	0.50%	0.10%	0.20%
08/25/2017 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Aug	0.30%	0.40%	0.20%	--
08/25/2017 13:00	SI	Industrial Production YoY	Jul	12.90%	21.00%	13.10%	12.70%
08/25/2017 13:00	SI	Industrial Production SA MoM	Jul	-3.90%	1.00%	9.70%	9.00%
08/25/2017 14:00	GE	Import Price Index YoY	Jul	2.30%	1.90%	2.50%	--
08/25/2017 14:00	GE	GDP SA QoQ	2Q F	0.60%	0.60%	0.60%	--
08/25/2017 14:00	GE	GDP WDA YoY	2Q F	2.10%	2.10%	2.10%	--
08/25/2017 14:00	GE	GDP NSA YoY	2Q F	0.80%	0.80%	0.80%	--
08/25/2017 14:00	GE	Exports QoQ	2Q	1.20%	0.70%	1.30%	1.60%
08/25/2017 14:00	GE	Imports QoQ	2Q	2.00%	1.70%	0.40%	--
08/25/2017 14:45	FR	Consumer Confidence	Aug	103	103	104	--
08/25/2017 15:30	TH	Foreign Reserves	Aug-18	--	\$192.9b	\$192.2b	--
08/25/2017 16:00	GE	IFO Business Climate	Aug	115.5	115.9	116	--
08/25/2017 16:00	GE	IFO Expectations	Aug	106.8	107.9	107.3	--
08/25/2017 16:00	GE	IFO Current Assessment	Aug	125	124.6	125.4	125.5
08/25/2017 16:49	MU	GDP YoY	2Q	--	11.50%	10.30%	--
08/25/2017 20:30	US	Durable Goods Orders	Jul P	-6.00%	-6.80%	6.40%	--
08/25/2017 20:30	US	Durables Ex Transportation	Jul P	0.40%	0.50%	0.10%	--
08/25/2017 20:30	US	Cap Goods Orders Nondef Ex Air	Jul P	0.40%	0.40%	0.00%	--
08/25/2017 20:30	US	Cap Goods Ship Nondef Ex Air	Jul P	0.20%	1.00%	0.10%	0.60%
08/28/2017 16:00	EC	M3 Money Supply YoY	Jul	4.90%	--	5.00%	--
08/28/2017 16:00	IT	Economic Sentiment	Aug	--	--	105.5	--
08/28/2017 16:00	IT	Manufacturing Confidence	Aug	108	--	107.7	--
08/28/2017 16:00	IT	Consumer Confidence Index	Aug	106.9	--	106.7	--
08/28/2017 20:30	US	Wholesale Inventories MoM	Jul P	0.30%	--	0.70%	--
08/28/2017 22:30	US	Dallas Fed Manf. Activity	Aug	16.8	--	16.8	--
08/28/2017	MU	Unemployment Rate	Jul	--	--	2.00%	--

Source: Bloomberg

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