

Highlights

Global	North Korea fired a ballistic missile over Japan, with Japanese PM calling it an “unprecedented, grave and serious threat” while the South Korean government also convened its National Security Council. This is likely to cast a shadow over Asian bourses today as nervous investors seek flight to quality – note gold jumped above US\$1,300 an ounce for the first time since November. Tropical Storm Harvey continued to wreck havoc in Houston as well. Keep an eye on today’s auction of US\$25b 4-week T-bills which will mature on 28 September, just a day before the US debt ceiling deadline. Today’s economic data calendar comprises of US’ June S&P house prices and Conference Board consumer confidence index for Aug, France’s preliminary 2Q17 GDP and UK’s Nationwide House prices.
US	US’ wholesale inventories moderated from a revised 0.6% in June to 0.4% in July, while the Dallas Fed manufacturing activity rose from 16.8 to 17.0 in Aug.
CN	China continues to consolidate its SOE as part of SOE reform. China’s largest coal miner Shenhua and largest power generators Guodian will be merged to create the world’s largest power company.
SG	With the UST bonds extending their rally yesterday, SGS bonds may also open firmer today on safe-haven bids. In turn, there may be better support for today’s auction that closes at noon. To recap, the \$1.3b re-opening of the Sep’33 SGS bond (approximately 16-years tenor) is currently trading around 2.40%, 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.
Macau	Jobless rate remained static at 2% in the three months through July. Meanwhile, total employment rose from 382,300 to 384,100. On a monthly basis, employment in the construction sector dropped by 2.2%. Due to the successive completion of mega entertainment projects, labor demand in the construction sector may remain sluggish throughout this year. On the other hand, as one mega project is scheduled to be opened in the coming months, we expect gaming sector (-0.9% mom), retail sector (0.2% mom) and hotel & restaurants sector (2.0% mom) to increase employment correspondingly. In the next few years, the scheduled completion of a new wave of mega recreational projects may buoy construction sector’s hiring sentiment and lead to higher labor demand in the gaming sector and tourism-related sectors. Given revival of domestic economy, the labor market is expected to remain tight with unemployment rate stabilizing around 2%. Though wage growth has been stagnant since 1Q 2015, the impact on consumer sentiment might be offset by muted inflation. Therefore, we believe that solid labor market will continue to support domestic consumption.
CMD	Hurricane Harvey reportedly affected as much as 3 million barrels of US crude oil processing capacity (or 16.7% of total US refining capacity). Gasoline futures surged to \$1.71/gallon (+2.7%) while crude oil futures especially seen in WTI (-2.7%) and Brent (-1.0%) edged lower. Elsewhere, gold futures surged to above its \$1,300/oz handle on Pyongyang’s missile launch over Japan territories.

Major Market

- **US:** US equities traded mixed, largely dragged by insurance and energy companies amid growing intensity of the impacts of Tropical Storm Harvey. Nevertheless, the fall was limited by higher tech and healthcare stocks. Dow Jones slid marginally (-0.02%) while Nasdaq closed higher (+0.28%) and S&P 500 following suit (+0.05%). Treasury yields 2yr and 10 yr fell to 1.32% (-0.6bps) and 2.15% (-0.9bps). CBOE VIX rose 0.35% to close at 11.32.
- **Singapore:** STI added 0.25% to close at 3267.62 yesterday but may surrender gains today amid the risk-off sentiments in the market following North Korea's latest missile launch. The STI may see support at 3240. With the UST bonds extending their rally yesterday, SGS bonds may also open firmer today on safe-haven bids. In turn, there may better support for today's auction that closes at noon. To recap, the \$1.3b re-opening of the Sep'33 SGS bond (approximately 16-years tenor) is currently trading around 2.40%, 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.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 4-5bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 190bps, while the yield on JACI HY Corp fell 2bps to 6.92%. 10y UST yields fell 1bps to 2.16%, after strong demand was seen in the five-year note auction.
- **New Issues:** Keppel Land Limited has priced a SGD150mn 6-year bond at 2.843%. Woodside Finance Ltd has scheduled investor meetings for potential USD bond issuance from 30 Aug. Westpac Banking Corp has hired banks for potential EUR 5.5-year and 10-year issuance. The expected issue ratings are 'AA-/Aa3/NR'. Origin Energy Ltd has scheduled investor meetings for a debt investor update on 31 Aug.
- **Rating Changes:** S&P has downgraded MIE Holdings Corp's (MIE) corporate credit rating to 'SD' from 'CC' following the completion of an exchange offer for its senior unsecured notes due 2018 and 2019. Fitch has assigned the Postal Savings Bank of China (PSBC) an issuer default rating of 'A+'. The outlook is stable. The rating action reflects Fitch's expectation that the central government of China would support the bank in the event of stress.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.207	-0.57%	USD-SGD	1.3536	-0.16%
USD-JPY	109.250	-0.10%	EUR-SGD	1.6214	0.26%
EUR-USD	1.1979	0.46%	JPY-SGD	1.2388	-0.06%
AUD-USD	0.7963	0.39%	GBP-SGD	1.7505	0.17%
GBP-USD	1.2933	0.40%	AUD-SGD	1.0780	0.12%
USD-MYR	4.2677	-0.11%	NZD-SGD	0.9821	0.05%
USD-CNY	6.6144	-0.48%	CHF-SGD	1.4168	0.03%
USD-IDR	13340	-0.03%	SGD-MYR	3.1492	0.27%
USD-VND	22733	0.00%	SGD-CNY	4.8880	-0.26%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1778	--
2M	-0.3410	--	1M	1.2356	--
3M	-0.3290	--	2M	1.2711	--
6M	-0.2720	--	3M	1.3178	--
9M	-0.2120	--	6M	1.4550	--
12M	-0.1590	--	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	1.1%	98.9%	1.1%	0.0%	0.0%
11/01/2017	3.9%	96.1%	3.9%	0.0%	0.0%
12/13/2017	24.5%	75.5%	23.7%	0.9%	0.0%
01/31/2018	24.3%	74.9%	23.4%	0.9%	0.0%
03/21/2018	39.2%	60.1%	33.7%	5.4%	0.2%
05/02/2018	39.1%	60.0%	33.6%	5.3%	0.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	46.57	-2.72%	Copper (per mt)	6,803.5	0.97%
Brent (per barrel)	51.89	-0.99%	Nickel (per mt)	11,441.0	--
Heating Oil (per gallon)	1.6352	0.80%	Aluminium (per mt)	2,057.3	--
Gasoline (per gallon)	1.7123	2.74%			
Natural Gas (per MMBtu)	2.9250	1.14%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,738.0	-0.44%
			Rubber (JPY/KG)	217.0	-1.00%
Precious Metals	Futures	% chg			
Gold (per oz)	1,315.3	1.34%			
Silver (per oz)	17.529	2.32%			

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

Equity and Commodity

Index	Value	Net change
DJIA	21,808.40	-5.27
S&P	2,444.24	1.19
Nasdaq	6,283.02	17.37
Nikkei 225	19,449.90	-2.71
STI	3,267.62	8.05
KLCI	1,769.49	0.32
JCI	5,903.34	-12.02
Baltic Dry	1,209.00	--
VIX	11.32	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.31 (-0.04)	1.33 (-0.01)
5Y	1.60 (-0.05)	1.74 (-0.02)
10Y	2.14 (-0.04)	2.16 (-0.01)
15Y	2.33 (-0.05)	--
20Y	2.42 (-0.04)	--
30Y	2.48 (-0.04)	2.76 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.52	0.03
EURIBOR-OIS	2.78	-0.08
TED	31.42	--

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
08/28/2017 11:21	MU	Unemployment Rate	Jul	--	2.00%	2.00%	--
08/28/2017 16:00	EC	M3 Money Supply YoY	Jul	4.90%	4.50%	5.00%	--
08/28/2017 16:00	IT	Economic Sentiment	Aug	--	107	105.5	105.6
08/28/2017 16:00	IT	Manufacturing Confidence	Aug	108	108.1	107.7	107.8
08/28/2017 16:00	IT	Consumer Confidence Index	Aug	106.9	110.8	106.7	106.9
08/28/2017 20:30	US	Wholesale Inventories MoM	Jul P	0.30%	0.40%	0.70%	0.60%
08/28/2017 22:30	US	Dallas Fed Manf. Activity	Aug	17	17	16.8	--
08/29/2017 05:00	SK	Business Survey Manufacturing	Sep	--	83	78	--
08/29/2017 05:00	SK	Business Survey Non-Manufacturing	Sep	--	78	77	--
08/29/2017 07:30	JN	Jobless Rate	Jul	2.80%	--	2.80%	--
08/29/2017 07:30	JN	Job-To-Applicant Ratio	Jul	1.52	--	1.51	--
08/29/2017 07:30	JN	Overall Household Spending YoY	Jul	0.70%	--	2.30%	--
08/29/2017 14:00	UK	Nationwide House PX MoM	Aug	0.00%	--	0.30%	--
08/29/2017 14:00	UK	Nationwide House Px NSA YoY	Aug	2.50%	--	2.90%	--
08/29/2017 14:00	GE	GfK Consumer Confidence	Sep	10.8	--	10.8	--
08/29/2017 14:45	FR	Consumer Spending YoY	Jul	1.80%	--	0.50%	--
08/29/2017 14:45	FR	GDP QoQ	2Q P	0.50%	--	0.50%	--
08/29/2017 14:45	FR	GDP YoY	2Q P	1.80%	--	1.80%	--
08/29/2017 16:30	HK	Retail Sales Value YoY	Jul	0.80%	--	0.10%	--
08/29/2017 16:30	HK	Retail Sales Volume YoY	Jul	0.90%	--	0.40%	--
08/29/2017 20:30	CA	Industrial Product Price MoM	Jul	-0.70%	--	-1.00%	--
08/29/2017 20:30	CA	Raw Materials Price Index MoM	Jul	-0.30%	--	-3.70%	--
08/29/2017 21:00	US	S&P CoreLogic CS 20-City YoY NSA	Jun	5.60%	--	5.69%	--
08/29/2017 21:00	US	Index	Jun	--	--	198.97	--
08/29/2017 22:00	US	Conf. Board Consumer Confidence	Aug	120.7	--	121.1	--
08/29/2017	VN	CPI YoY	Aug	2.50%	--	2.52%	--
08/29/2017	VN	Exports YTD YoY	Aug	18.40%	--	18.70%	--

Source: Bloomberg

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