

### Highlights

|               |  |
|---------------|--|
| <b>Global</b> | <p>The 10-year US Treasury bond yield broke below the 2.1% handle to touch 2.08% (lowest since 10 Nov) before recovering to 2.13% whilst Asian bourses also stabilised after an initial knee-jerk risk-off bout fuelled by North Korean flying a missile over Japan. In an extension of the war of words, Kim Jong Un said it was a “meaningful prelude” to containing Guam, while US President said the US will consider “all options”. The futures pricing of a third FOMC rate hike fell below 30% probability amid the risk-off dovish market environment. Meanwhile gasoline continued to be buoyed by Tropical Storm Harvey news.</p> <p>Asian bourses may see some further stabilisation if not recovery today as the risk-off concerns fade a little. Today’s economic data calendar comprises of US’ ADP employment, German CPI and Eurozone’s consumer confidence. Fed’s Powell is speaking.</p> |
| <b>US</b>     | <p>US’ June S&amp;P house prices rose 5.8% for the year through June, the most in three years, amid strong buying interest against limited inventories. Meanwhile, the Conference Board consumer confidence index picked up from a downwardly revised 120 in July to 122.9 for Aug, the second-highest reading since late 2000 amid strong spending sentiments. The present conditions and expectations gauges both improved to 151.2 (highest since July 2011) and 104 respectively, up from 145.4 and 103 previously.</p>  |
| <b>EZ</b>     | <p>PM May is visiting Japan to prepare the ground for an ambitious FTA after Brexit, based on the EU-Japan agreement. Meanwhile, on the Euro strength, German Chancellor Merkel opined “I don’t view the trade surplus as so dramatic” and “if the trade surplus should now shrink, then that would be one of those developments that’s really out of our hands”.</p>  |
| <b>SG</b>     | <p>The \$1.3b re-opening of the Sep’33 SGS bond fetched a median yield of 2.36% with cut-off at 2.4% and a bid-cover ratio of 2.18x.</p>   |
| <b>CN</b>     | <p>RMB outperformed on Tuesday tracking stronger EUR. The USDCNY ended down below 6.60 at 4:30pm after EURUSD broke 1.20 level. The unwind of Long dollar position may add further momentum do RMB in the near term. In addition, PBoC completed to purchase the issuance of rollover of special bond with no significant impact on liquidity.</p>   |
| <b>KR</b>     | <p>The Korea Stock Exchange KOSPI index saw its second consecutive day of decline, erasing some of the gains seen in the previous week. The repeated decline in Korean equities suggested lacklustre market appetite given the intensified geopolitical tensions.</p>  |
| <b>CMD</b>    | <p>The precious metal complex continued to point higher. Gold prices soared to \$1,318.9/oz yesterday as market-watchers continue to fret over renewed North Korean tensions, while palladium (+1.2%) and platinum (+1.4%) followed suit. Gasoline prices surged to its highest since July 2015 at \$1.78/gallon at closing yesterday, with the refined oil continuing to edge higher \$1.82/gallon in early morning trading. Much of the energy price movements will now depend largely on the progress of Hurricane Harvey, which has since been downgraded to a tropical storm. Still, it had since caused increasing damage to the US oil refining industry and affected more than 19% (or 3.65 million barrels per day) of the country’s refining capacity.</p>   |

## Major Market

- **US:** U.S Stocks closed higher likely on short-covering behaviour, though safe haven demand into gold, US Treasuries and JPY were still being observed. The Dow Jones Index rose to close 21,865.4 (+0.3%), while the S&P (+0.1%) and NASDAQ composite (+0.3%) tagged closely after. Gains by aircraft-equipment giant United Technologies helped lift the index after their decision to acquire Rockwell Collins for US 20bn. Elsewhere, the 2y- and 10y- US Treasury yields softened to 1.3155%(-0.97bp) 2.129% (-2.8bp), respectively. The VIX, or better known as the fear index, rose for its second consecutive trading day to 11.7 (+3.4%).
- **Singapore:** STI declined 0.56% to close at 3249.34 yesterday but may attempt to stabilise today, with support at 3240 and resistance at 3260. While UST bonds registering lower yields of 1-4bps, SGS bonds rallied harder yesterday as investors snapped up longer-dated bonds. The 10-year SGS bond yield also broke the 2.1% support and make a run for the 2% key support if the dovish environment is exacerbated by other event risks.
- **Hong Kong:** Retail sales climbed 4% yoy in July, beating estimates. Sales of jewellery, watches and other luxurious goods increased at the fastest pace since August 2013 by 12.9% yoy while sales growth of goods in department stores accelerated to 5.5% yoy. Sales of clothing, footwear and allied products and those of medicines and cosmetics rebounded by 0.6% yoy and 3% yoy respectively. Robust sales of these items reflected that retail sector's rosy performance was mainly attributed to revival in tourism activities amid the effect of summer holiday. Adding on low base effect, we expect retail sector to sustain its growth in August. Elsewhere, sales of consumer durable goods dropped by 0.9% yoy amid the nearly one-year consecutive tumbles in the sales of electrical goods and photographic equipment (-6.0% yoy in July). As Apple is to launch iPhone 8 in September, we expect the sales of consumer durable goods to regain some momentum. However, with low base effect fading, retail sales may moderate in 4Q2017. Local consumers' preference over online shopping may also have long-term impact on the retail sector. We expect retail sales to only see marginal growth over 2017.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards yesterday, with swap rates trading 4-6bps lower across all tenors (with the exception of the 12-year tenor, which traded 13bps lower). In the broader dollar space, the spread on JACI IG Corporates rose 2bps to 192bps, while the yield on JACI HY Corp fell 1bps to 6.91%. 10y UST yields fell 3bps to 2.13%, after a missile launch by North Korea caused investors to switch to safe haven assets.
- **New Issues:** BDO Unibank Inc has scheduled investor meetings for potential USD bond issuance from 29 Aug. Sun Hung Kai & Co (BVI) Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Sun Hung Kai & Co Ltd) from 30 Aug. Asahi Group Holdings Ltd has scheduled investor meetings for potential EUR 4-year and 8-year bonds from 4 Sep. The expected issue ratings are 'NR/Baa2/NR'. SP PowerAssets has scheduled investor meetings starting 11 Sep.

- **Rating Changes:** S&P has upgraded Yuzhou Properties Co Ltd's (Yuzhou) corporate credit rating to 'BB-' from 'B+', while raising the rating on its senior unsecured notes to 'B+' from 'B'. The outlook is stable. The rating action reflects Yuzhou's increased operating scale and earnings stability, as well as its increasingly more diversified sales. Moody's has affirmed Rural Electrification Corporation Limited's (REC) and Power Finance Corporation Limited's (PFC) issuer ratings at 'Baa3'. The outlook has been changed to positive. The rating action reflects REC and PFC's strategic role in the power space in India, as well as Moody's repositioning of its support assumptions for Indian's public sector banks. Moody's has downgraded IDBI Bank Ltd's (IDBI) bank deposit rating and senior unsecured rating to 'B1' from 'Ba2'. At the same time, Moody's has downgraded the counterparty risk assessment for IDBI to 'Ba3' from 'Ba1', while confirming its baseline credit assessment at 'Caa1'. The outlook has been changed to stable. The rating action is driven by a reduction in the amount of extraordinary government support incorporated into the bank's ratings and its weak standalone credit profile.

## Key Financial Indicators

### Foreign Exchange

|                | Day Close | % Change |                | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| <b>DXY</b>     | 92.249    | 0.05%    | <b>USD-SGD</b> | 1.3550    | 0.10%    |
| <b>USD-JPY</b> | 109.710   | 0.42%    | <b>EUR-SGD</b> | 1.6223    | 0.06%    |
| <b>EUR-USD</b> | 1.1972    | -0.06%   | <b>JPY-SGD</b> | 1.2346    | -0.34%   |
| <b>AUD-USD</b> | 0.7951    | -0.15%   | <b>GBP-SGD</b> | 1.7505    | --       |
| <b>GBP-USD</b> | 1.2918    | -0.12%   | <b>AUD-SGD</b> | 1.0774    | -0.06%   |
| <b>USD-MYR</b> | 4.2670    | -0.02%   | <b>NZD-SGD</b> | 0.9829    | 0.08%    |
| <b>USD-CNY</b> | 6.5968    | -0.27%   | <b>CHF-SGD</b> | 1.4179    | 0.08%    |
| <b>USD-IDR</b> | 13340     | --       | <b>SGD-MYR</b> | 3.1561    | 0.22%    |
| <b>USD-VND</b> | 22732     | 0.00%    | <b>SGD-CNY</b> | 4.8794    | -0.18%   |

### Interbank Offer Rates (%)

| Tenor      | EURIBOR | Change | Tenor      | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| <b>1M</b>  | -0.3720 | --     | <b>O/N</b> | 1.1778    | --     |
| <b>2M</b>  | -0.3410 | --     | <b>1M</b>  | 1.2356    | --     |
| <b>3M</b>  | -0.3290 | --     | <b>2M</b>  | 1.2711    | --     |
| <b>6M</b>  | -0.2730 | --     | <b>3M</b>  | 1.3178    | --     |
| <b>9M</b>  | -0.2110 | --     | <b>6M</b>  | 1.4550    | --     |
| <b>12M</b> | -0.1590 | --     | <b>12M</b> | 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 | 1.9%      | 98.1%  | 1.9%     | 0.0%     | 0.0%       |
| 12/13/2017 | 29.8%     | 70.2%  | 29.2%    | 0.5%     | 0.0%       |
| 01/31/2018 | 30.4%     | 69.6%  | 29.6%    | 0.8%     | 0.0%       |
| 03/21/2018 | 44.3%     | 55.7%  | 37.6%    | 6.5%     | 0.2%       |
| 05/02/2018 | 43.7%     | 55.4%  | 37.1%    | 6.4%     | 0.2%       |

### Commodities Futures

| Energy                   | Futures        | % chg        | Base Metals              | Futures        | % chg        |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel)         | 46.44          | -0.28%       | Copper (per mt)          | 6,844.2        | 0.60%        |
| Brent (per barrel)       | 52.00          | 0.21%        | Nickel (per mt)          | 11,663.0       | 1.94%        |
| Heating Oil (per gallon) | 1.6655         | 1.85%        | Aluminium (per mt)       | 2,081.8        | 1.19%        |
| Gasoline (per gallon)    | 1.7833         | 4.15%        |                          |                |              |
| Natural Gas (per MMBtu)  | 2.9610         | 1.23%        | <b>Asian Commodities</b> | <b>Futures</b> | <b>% chg</b> |
|                          |                |              | Crude Palm Oil (MYR/MT)  | 2,713.0        | -0.91%       |
| <b>Precious Metals</b>   | <b>Futures</b> | <b>% chg</b> | Rubber (JPY/KG)          | 215.5          | -0.69%       |
| Gold (per oz)            | 1,318.9        | 0.27%        |                          |                |              |
| Silver (per oz)          | 17.516         | -0.07%       |                          |                |              |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### Equity and Commodity

| Index             | Value     | Net change |
|-------------------|-----------|------------|
| <b>DJIA</b>       | 21,865.37 | 56.97      |
| <b>S&amp;P</b>    | 2,446.30  | 2.06       |
| <b>Nasdaq</b>     | 6,301.89  | 18.87      |
| <b>Nikkei 225</b> | 19,362.55 | -87.35     |
| <b>STI</b>        | 3,249.34  | -18.28     |
| <b>KLCI</b>       | 1,761.14  | -8.35      |
| <b>JCI</b>        | 5,888.21  | -15.13     |
| <b>Baltic Dry</b> | 1,209.00  | --         |
| <b>VIX</b>        | 11.70     | 0.38       |

### Government Bond Yields (%)

| Tenor      | SGS (chg)    | UST (chg)    |
|------------|--------------|--------------|
| <b>2Y</b>  | 1.28 (-0.03) | 1.32 (-0.01) |
| <b>5Y</b>  | 1.56 (-0.04) | 1.70 (-0.04) |
| <b>10Y</b> | 2.09 (-0.05) | 2.13 (-0.03) |
| <b>15Y</b> | 2.27 (-0.05) | --           |
| <b>20Y</b> | 2.36 (-0.05) | --           |
| <b>30Y</b> | 2.43 (-0.05) | 2.74 (-0.02) |

### Financial Spread (bps)

|                    | Value | Change |
|--------------------|-------|--------|
| <b>LIBOR-OIS</b>   | 15.62 | 0.10   |
| <b>EURIBOR-OIS</b> | 2.83  | 0.05   |
| <b>TED</b>         | 31.28 | --     |

### Economic Calendar

| Date Time               | Event                                     | Survey        | Actual       | Prior         | Revised       |               |
|-------------------------|---|---------------|--------------|---------------|---------------|---------------|
| 08/29/2017 05:00        | SK Business Survey Manufacturing          | Sep           | --           | 83            | 78            | --            |
| <b>08/29/2017 07:30</b> | <b>JN Jobless Rate</b>                    | <b>Jul</b>    | <b>2.80%</b> | <b>2.80%</b>  | <b>2.80%</b>  | --            |
| <b>08/29/2017 07:30</b> | <b>JN Job-To-Applicant Ratio</b>          | <b>Jul</b>    | <b>1.52</b>  | <b>1.52</b>   | <b>1.51</b>   | --            |
| 08/29/2017 07:30        | JN Overall Household Spending YoY         | Jul           | 0.70%        | -0.20%        | 2.30%         | --            |
| 08/29/2017 09:07        | AU HIA New Home Sales MoM                 | Jul           | --           | -3.70%        | -6.90%        | --            |
| <b>08/29/2017 10:15</b> | <b>VN CPI YoY</b>                         | <b>Aug</b>    | <b>2.50%</b> | <b>3.35%</b>  | <b>2.52%</b>  | --            |
| 08/29/2017 10:15        | VN Exports YTD YoY                        | Aug           | 18.40%       | 17.90%        | 18.70%        | --            |
| <b>08/29/2017 14:00</b> | <b>UK Nationwide House PX MoM</b>         | <b>Aug</b>    | <b>0.00%</b> | <b>-0.10%</b> | <b>0.30%</b>  | <b>0.20%</b>  |
| <b>08/29/2017 14:00</b> | <b>UK Nationwide House Px NSA YoY</b>     | <b>Aug</b>    | <b>2.50%</b> | <b>2.10%</b>  | <b>2.90%</b>  | --            |
| 08/29/2017 14:00        | GE GfK Consumer Confidence                | Sep           | 10.8         | 10.9          | 10.8          | --            |
| <b>08/29/2017 14:45</b> | <b>FR GDP YoY</b>                         | <b>2Q P</b>   | <b>1.80%</b> | <b>1.70%</b>  | <b>1.80%</b>  | --            |
| <b>08/29/2017 16:30</b> | <b>HK Retail Sales Value YoY</b>          | <b>Jul</b>    | <b>0.80%</b> | <b>4.00%</b>  | <b>0.10%</b>  | --            |
| 08/29/2017 16:30        | HK Retail Sales Volume YoY                | Jul           | 0.90%        | 4.60%         | 0.40%         | 0.50%         |
| 08/29/2017 20:30        | CA Industrial Product Price MoM           | Jul           | -0.70%       | -1.50%        | -1.00%        | -1.10%        |
| 08/29/2017 20:30        | CA Raw Materials Price Index MoM          | Jul           | -0.30%       | -0.60%        | -3.70%        | -3.60%        |
| 08/29/2017 21:00        | US Index                                  | Jun           | --           | 200.54        | 198.97        | 199.05        |
| <b>08/29/2017 22:00</b> | <b>US Conf. Board Consumer Confidence</b> | <b>Aug</b>    | <b>120.7</b> | <b>122.9</b>  | <b>121.1</b>  | <b>120</b>    |
| <b>08/30/2017 06:45</b> | <b>NZ Building Permits MoM</b>            | <b>Jul</b>    | <b>--</b>    | <b>-0.70%</b> | <b>-1.00%</b> | <b>-1.30%</b> |
| 08/30/2017 07:50        | JN Retail Sales MoM                       | Jul           | 0.30%        | --            | 0.20%         | --            |
| <b>08/30/2017 07:50</b> | <b>JN Retail Trade YoY</b>                | <b>Jul</b>    | <b>1.00%</b> | <b>--</b>     | <b>2.10%</b>  | <b>2.20%</b>  |
| 08/30/2017 09:30        | AU Building Approvals YoY                 | Jul           | -16.60%      | --            | -2.30%        | --            |
| 08/30/2017 10:00        | SK Department Store Sales YoY             | Jul           | --           | --            | --            | --            |
| <b>08/30/2017 16:30</b> | <b>UK Mortgage Approvals</b>              | <b>Jul</b>    | <b>65.5k</b> | <b>--</b>     | <b>64.7k</b>  | <b>--</b>     |
| 08/30/2017 16:30        | UK M4 Money Supply YoY                    | Jul           | --           | --            | 5.30%         | --            |
| 08/30/2017 17:00        | EC Economic Confidence                    | Aug           | 111.3        | --            | 111.2         | --            |
| <b>08/30/2017 17:00</b> | <b>EC Consumer Confidence</b>             | <b>Aug F</b>  | <b>-1.5</b>  | <b>--</b>     | <b>-1.5</b>   | <b>--</b>     |
| 08/30/2017 17:00        | IT PPI MoM                                | Jul           | --           | --            | 0.40%         | --            |
| <b>08/30/2017 19:00</b> | <b>US MBA Mortgage Applications</b>       | <b>Aug-25</b> | <b>--</b>    | <b>--</b>     | <b>-0.50%</b> | <b>--</b>     |
| <b>08/30/2017 20:00</b> | <b>GE CPI YoY</b>                         | <b>Aug P</b>  | <b>1.80%</b> | <b>--</b>     | <b>1.70%</b>  | <b>--</b>     |
| <b>08/30/2017 20:00</b> | <b>GE CPI EU Harmonized YoY</b>           | <b>Aug P</b>  | <b>1.70%</b> | <b>--</b>     | <b>1.50%</b>  | <b>--</b>     |
| <b>08/30/2017 20:15</b> | <b>US ADP Employment Change</b>           | <b>Aug</b>    | <b>185k</b>  | <b>--</b>     | <b>178k</b>   | <b>--</b>     |
| 08/30/2017 20:30        | CA Current Account Balance                | 2Q            | -\$17.40b    | --            | -\$14.05b     | --            |
| <b>08/30/2017 20:30</b> | <b>US GDP Annualized QoQ</b>              | <b>2Q S</b>   | <b>2.70%</b> | <b>--</b>     | <b>2.60%</b>  | <b>--</b>     |
| 08/30/2017 20:30        | US Personal Consumption                   | 2Q S          | 3.00%        | --            | 2.80%         | --            |
| <b>08/30/2017 20:30</b> | <b>US GDP Price Index</b>                 | <b>2Q S</b>   | <b>1.00%</b> | <b>--</b>     | <b>1.00%</b>  | <b>--</b>     |
| 08/30/2017 20:30        | US Core PCE QoQ                           | 2Q S          | 0.90%        | --            | 0.90%         | --            |
| 08/30/2017              | MU Hotel Occupancy Rate                   | Jul           | --           | --            | 85.1          | --            |

Source: Bloomberg

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