

Highlights

Global	<p>Geopolitical noise may continue to linger – over the weekend, Catalonia declared independence whilst Spanish PM Rajoy ousted Catalan president Puidgemont and dissolved the latter's government to impose direct rule, suggesting further developments from here will be closely watched. Separately, a US grand jury has also approved first charges from special counsel Mueller's probe into Russian meddling in the 2016 election and possible involvement in Trump's campaign. Meanwhile, market speculation is heightening that US president Trump will appoint Powell as Fed chair replacement for Yellen before his 3 Nov deadline when he will start a 11-day trip to Asia covering Japan, South Korea, China, Vietnam and the Philippines, whereas BOJ governor Kuroda is likely to get another term in Apr18 according to the Nikkei newspaper.</p> <p>Asian bourses are likely to trade on a risk-on tone today, amid positive Friday cues from Wall Street amid encouraging US earnings results from Exxon and Chevron. Today's economic data calendar comprises US' personal income/spending and core PCE, Eurozone's consumer confidence, and German CPI. ECB's Costa and Hansson are also speaking. Main market focus this week will be BOJ (likely static on 31 Oct), FOMC (also likely unchanged on 2 Nov, but likely to signal a Dec rate hike), BOE (market is eyeing potential hike to 0.5% for the bank rate in a possible one-hike-and-done scenario), US' nonfarm payrolls and unemployment rate on 3 Nov (consensus forecast is for a 310k surge post-hurricanes and the unemployment rate to be steady at 4.2%) as well as more corporate earnings (eg. Apple on Friday)</p>
US	The 3Q17 GDP growth was revised higher to 3.0% qoq annualised, as personal consumption was also revised higher to 2.4%.
CN	The liquidity injection via an innovative 63-day reverse repo for the first time last Friday to support banks' longer tenor funding needs failed to stabilise sentiment in China's bond market. China's 10-year government bond yield broke 3.80% and is expected to test higher this week.
SG	The overall and citizen unemployment rate edged lower by 0.1% point to 2.1% and 3.2% respectively in 3Q17, while the resident unemployment rate was steady at 3.1%. The drop in total employment has moderated to 2.5k in 3Q17, down from 1H17 (1Q17: -9.4k and 2Q17: -7.9k). Redundancies remained stable at 3.6k in 3Q17, similar to the 3.64k in 2Q17 and marked the third straight quarter where redundancies decreased from a quarter ago, albeit marginally.
MA	In his highly waited Budget speech, Prime Minister Najib upgraded Malaysia's growth outlook to 5.2 – 5.7% in 2017 while 2018 growth is pencilled at 5.0 – 5.5%. Budget deficit is slated to be at 2.8% of GDP into 2018.
CMD	Brent surged above its \$60/bbl handle into Friday's closing on Saudi Crown Prince Salman's comment that he "of course" wants to prolong the deal, referring to the current oil production deal where OPEC members indicate plans to cut production to their respective targets. Elsewhere, US oil rig counts remained flattish (+1) into the week ended 27th October, suggesting that despite the uptick in oil prices to-date, there remains little signs for a quick recovery in US oil production.

Major Market

- **US:** Equities closed the week with strong gains on Friday, with tech mega-caps pushing even higher after strong earnings releases from Microsoft and Alphabet. Amazon led the charts, jumping 13.2% after providing an optimistic outlook on the holiday season. Outside of tech, the broader market was more mixed. Gains were seen in consumer discretionary and utility stocks, while losses are concentrated in materials and consumer staples. Overall, the Nasdaq Composite surged 2.20%, while the S&P 500 was up 0.81%. The Dow lagged, having only gained 0.14%. VIX slipped below 10 again, closing at 9.80. Meanwhile, US Treasuries gained on news that Powell is firmly in the lead to be named Fed Chair. Yields tumbled 3-5 bps, with 2y and 10y benchmark yields standing at 1.59% and 2.41% respectively.
- This week will be a key week on the US front, as we expect several developments to shake up the markets. Trump is expected to announce his nominee for Fed Chair by midweek, with the perceived dove, Powell, in appearing to be in the lead. November FOMC decision will come on Thursday, though it should be comparatively non-eventful with the markets more focused on the Fed Chair announcement. Meanwhile, House Republications are expected to unveil a tax reform bill on Wednesday, the next step in getting Trump's tax reform policies passed into legislation.
- **Singapore:** MOM expects that labour demand will pick up in 4Q 2017, in line with seasonal hiring as seen in previous years. Hiring remains selective across sectors, with Construction and Marine remaining cautious, whereas other like Infocomms & Media, Finance & Insurance, Healthcare, Professional Services, and Wholesale Trade would fare better. Overall, the resident unemployment rate could remain elevated in the medium term due to on-going economic restructuring, shift in composition of resident labour force and job-skills mismatch. The labour market slack has not fully dissipated, hence wage inflation is unlikely to rear its ugly head in the near-term.
- The STI added 0.90% to close up at 3386.44 on Friday, and may sustain its uptrend today amid positive signals from Wall Street on Friday. The STI resistance and support are tipped at 3400 (last seen in May15) and 3360 respectively. With the UST bond yields falling by up to 5bps amid the Friday rally, led by the longer-dated bonds, the SGS bond market may also extend gains today.
- **Korea:** President Moon commented that Korea can "easily" meet its 3.0% growth target in 2017, adding that the recent 3Q17 growth print of 1.4% qoqsa is a "surprising outcome".
- **Macau:** Unemployment rate remained static at 2% in 3Q. However, all major sectors showed month-on-month decrease in their employment as the two typhoons probably have tamed hiring sentiments. Specifically, employment in the construction sector dropped for the third consecutive month by 2.3% mom as mega projects completed successively. Meanwhile, gaming sector's employment fell 0.2% mom. Hotels, restaurants and similar activities cut jobs by 1.3% mom. For these two sectors, decrease in jobs was attributed to the delayed opening of a mega project until 1Q 2018. Furthermore, tepid tourism activities in 3Q amid bad weather were to blame for the reduction in retail sector's employment (-0.6%). Labor demand is expected to remain sluggish in 4Q and may regain momentum as a slew of new projects open in the coming years. Still, tight labor supply may allow unemployment rate to remain low around 2%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards on Friday, with swap rates trading 1-4bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp fell 1bps to 176bps, while the yield on JACI HY Corp rose 2bps to 6.86%. 10Y UST yields fell 5bps on Friday, as a report stated that US President Donald Trump is leaning towards Jerome Powell to be the next chairman of the Fed.
- **New Issues:** Huarong Finance 2017 Co has scheduled investor meetings for potential USD and SGD bonds issuance (guaranteed by China Huarong International Holdings Ltd) from 30 Oct. China Minmetals Corporation has scheduled investor meetings for potential USD Perp issuance from 30 Oct. The expected issue ratings are 'NR/Baa1/NR'.
- **Rating Changes:** Moody's has placed the ratings of CK Hutchison Holdings Ltd, Longfor Properties Co Ltd and Jardine Strategic Holdings Ltd on review for upgrade. At the same time, Moody's has placed the senior unsecured ratings of Modern Land (China) Co Ltd, Country Garden Holdings Co Ltd, Yuzhou Properties Company Ltd, Central China Real Estate Ltd and Yanlord (HK) Co Ltd on review for downgrade. The rating action follows Moody's update of its methodology regarding priority of claim and structural subordination at the operating subsidiary level which will have various impacts on the ratings of holding companies.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.916	0.32%	USD-SGD	1.3648	-0.19%
USD-JPY	113.670	-0.27%	EUR-SGD	1.5845	-0.53%
EUR-USD	1.1608	-0.37%	JPY-SGD	1.2006	0.08%
AUD-USD	0.7677	0.22%	GBP-SGD	1.7925	-0.38%
GBP-USD	1.3128	-0.25%	AUD-SGD	1.0481	0.08%
USD-MYR	4.2420	0.18%	NZD-SGD	0.9385	0.33%
USD-CNY	6.6505	0.12%	CHF-SGD	1.3672	-0.24%
USD-IDR	13609	0.16%	SGD-MYR	3.0974	-0.45%
USD-VND	22717	-0.02%	SGD-CNY	4.8638	-0.08%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	-0.0010	O/N	1.1844	--
2M	-0.3410	--	1M	1.2423	0.0007
3M	-0.3310	--	2M	1.3138	0.0016
6M	-0.2750	-0.0010	3M	1.3801	0.0021
9M	-0.2240	-0.0010	6M	1.5727	0.0082
12M	-0.1840	-0.0010	12M	1.8479	0.0050

Fed Rate Hike Probability

Meeting	Prob Hike	1.25 - 1.5	1.5 - 1.75	1.75 - 2.0	2.0 - 2.25
11/01/2017	0.3%	0.3%	0.0%	0.0%	0.0%
12/13/2017	85.3%	85.1%	0.2%	0.0%	0.0%
01/31/2018	85.8%	83.1%	2.6%	0.0%	0.0%
03/21/2018	92.1%	52.3%	38.7%	1.2%	0.0%
05/02/2018	92.5%	50.1%	39.3%	3.0%	0.1%
06/13/2018	94.8%	37.4%	42.5%	13.9%	0.9%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	53.90	2.39%	Copper (per mt)	6,842.0	-2.33%
Brent (per barrel)	60.44	1.92%	Nickel (per mt)	11,546.0	-1.45%
Heating Oil (per gallon)	1.8669	1.36%	Aluminium (per mt)	2,156.3	-1.11%
Gasoline (per gallon)	1.7686	1.03%			
Natural Gas (per MMBtu)	2.7520	-4.78%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,817.0	0.14%
Precious Metals	Futures	% chg	Rubber (JPY/KG)	200.5	-0.45%
Gold (per oz)	1,271.8	0.17%			
Silver (per oz)	16.752	-0.35%			

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

Equity and Commodity

Index	Value	Net change
DJIA	23,434.19	33.33
S&P	2,581.07	20.67
Nasdaq	6,701.26	144.49
Nikkei 225	22,008.45	268.67
STI	3,386.44	30.19
KLCI	1,746.13	9.33
JCI	5,975.28	-20.57
Baltic Dry	1,555.00	--
VIX	9.80	-1.50

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.49 (+0.02)	1.59 (-0.03)
5Y	1.79 (+0.01)	2.03 (-0.05)
10Y	2.28 (+0.01)	2.41 (-0.05)
15Y	2.56 (+0.04)	--
20Y	2.54 (+0.04)	--
30Y	2.60 (+0.04)	2.92 (-0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.12	-0.04
EURIBOR-OIS	2.58	0.68
TED	28.73	0.73

CFTC Commodities Positioning Update

For the week ended: 24 Oct 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Nymex Crude	496,074	478,294	17,780	Soybean	49,670	81,215	-31,545
Cocoa	1,496	-8,719	10,215	Natural Gas	-72,139	-57,953	-14,186
Live Cattle	138,489	129,869	8,620	Corn	-109,066	-96,318	-12,748
RBOB Gasoline	72,231	68,160	4,071	Gold	198,596	209,646	-11,050
Sugar	-63,836	-66,576	2,740	Coffee	-37,605	-33,063	-4,542
Lean Hogs	62,423	59,874	2,549	Platinum	20,904	24,189	-3,285
Copper	52,114	50,488	1,626	Wheat	-53,965	-51,198	-2,767
Silver	64,034	62,928	1,106	Heating Oil	49,728	50,813	-1,085
Cotton	62,315	62,129	186	Palladium	21,635	22,708	-1,073

Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
10/27/2017 05:00	SK	Consumer Confidence	Oct	--	109.2	107.7	--
10/27/2017 07:30	JN	Natl CPI YoY	Sep	0.70%	0.70%	0.70%	--
10/27/2017 07:30	JN	Natl CPI Ex Fresh Food YoY	Sep	0.70%	0.70%	0.70%	--
10/27/2017 07:30	JN	Tokyo CPI YoY	Oct	0.10%	-0.20%	0.50%	--
10/27/2017 07:30	JN	Tokyo CPI Ex-Fresh Food YoY	Oct	0.50%	0.60%	0.50%	--
10/27/2017 08:30	AU	PPI QoQ	3Q	--	0.20%	0.50%	--
10/27/2017 08:30	AU	PPI YoY	3Q	--	1.60%	1.70%	--
10/27/2017 10:30	SI	Unemployment rate SA	3Q	2.20%	2.10%	2.20%	--
10/27/2017 11:24	MU	Unemployment Rate	Sep	--	2.00%	2.00%	--
10/27/2017 11:26	MU	Trade Balance	Sep	--	-6200m	-5529m	--
10/27/2017 14:00	GE	Import Price Index MoM	Sep	0.50%	0.90%	0.00%	--
10/27/2017 14:00	GE	Import Price Index YoY	Sep	2.60%	3.00%	2.10%	--
10/27/2017 14:45	FR	Consumer Confidence	Oct	101	100	101	--
10/27/2017 15:30	TH	Foreign Reserves	Oct-20	--	\$200.2b	\$200.5b	--
10/27/2017 20:30	US	GDP Annualized QoQ	3Q A	2.60%	3.00%	3.10%	--
10/27/2017 20:30	US	Personal Consumption	3Q A	2.10%	2.40%	3.30%	--
10/27/2017 20:30	US	GDP Price Index	3Q A	1.70%	2.20%	1.00%	--
10/27/2017 20:30	US	Core PCE QoQ	3Q A	1.30%	1.30%	0.90%	--
10/27/2017 22:00	US	U. of Mich. Sentiment	Oct F	100.7	100.7	101.1	--
10/29/2017 10:00	SK	Discount Store Sales YoY	Sep	--	-4.90%	-4.70%	--
10/29/2017 10:00	SK	Department Store Sales YoY	Sep	--	4.90%	-0.80%	--
10/29/2017 10:02	VN	CPI YoY	Oct	3.10%	2.98%	3.40%	--
10/29/2017 10:02	VN	Exports YTD YoY	Oct	20.60%	20.70%	19.80%	--
10/30/2017 07:50	JN	Retail Sales MoM	Sep	0.80%	--	-1.70%	-1.60%
10/30/2017 07:50	JN	Retail Trade YoY	Sep	2.30%	--	1.70%	1.80%
10/30/2017 15:00	GE	Retail Sales MoM	Sep	0.50%	--	-0.40%	-0.20%
10/30/2017 15:00	GE	Retail Sales YoY	Sep	3.00%	--	2.80%	--
10/30/2017 17:30	UK	Mortgage Approvals	Sep	66.0k	--	66.6k	--
10/30/2017 17:30	UK	Money Supply M4 MoM	Sep	--	--	0.90%	--
10/30/2017 17:30	UK	M4 Money Supply YoY	Sep	--	--	4.40%	--
10/30/2017 18:00	EC	Economic Confidence	Oct	113.3	--	113	--
10/30/2017 18:00	EC	Consumer Confidence	Oct F	-1	--	-1	--
10/30/2017 20:30	US	Personal Income	Sep	0.40%	--	0.20%	--
10/30/2017 20:30	US	Personal Spending	Sep	0.90%	--	0.10%	--
10/30/2017 20:30	US	PCE Core MoM	Sep	0.10%	--	0.10%	--
10/30/2017 20:30	US	PCE Core YoY	Sep	1.30%	--	1.30%	--
10/30/2017 21:00	GE	CPI MoM	Oct P	0.10%	--	0.10%	--
10/30/2017 21:00	GE	CPI YoY	Oct P	1.70%	--	1.80%	--
10/30/2017 21:00	GE	CPI EU Harmonized MoM	Oct P	0.10%	--	0.00%	--
10/30/2017 21:00	GE	CPI EU Harmonized YoY	Oct P	1.70%	--	1.80%	--
10/30/2017 22:30	US	Dallas Fed Manf. Activity	Oct	21	--	21.3	--

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