

Highlights

Global	While news that the US and Canada had struck a new NAFTA trade deal together with Mexico (renamed as the US-Mexico-Canada Agreement) gave S&P500 a lift overnight, nevertheless the dark clouds are gathering. IMF's Lagarde suggested a potential downgrade of the 3.9% global growth forecast for 2018-19, citing "signs that global growth has plateaued" and risks that trade disputes may exacerbate China's slowdown and hurt emerging markets through uncertainty on investment and manufacturing as well. With some signs of weakness in the European and Asian manufacturing PMIs Asian markets may trade with a slightly more cautious tone today. First up will be RBA's policy decision (likely static at 1.5%) while today's economic data calendar is relatively lightweight and comprises of UK's Nationwide House prices, HK retail sales and Singapore's manufacturing and electronics PMIs. Speakers include Fed's chair Powell's speech to the NABE conference and Quarles' testimony to the Senate Banking Committee, BOE's Haldane and Haskel, and ECB's Villeroy.
US	The manufacturing ISM softened from 61.3 (highest since May 2004) to 59.8 in September as new orders slowed from 65.1 to 61.8, while construction spending eased from a revised 0.2% mom in July to 0.1% mom in August.
PMI	Manufacturing PMIs slipped in September for Japan (52.5), Taiwan (50.8), Vietnam (51.5), Indonesia (50.7), but saw stabilisation or improvements for South Korea (back in expansion territory at 51.3), Malaysia (51.5), Thailand (50.0) and Philippines (52.0) which could be due to diverted production as a consequence of the escalating US-China trade spat. For the Eurozone, the manufacturing PMI also fell to a two-year low of 53.2 in September (August: 54.6), whereas the UK saw an upside surprise at 53.8.
SG	MAS will conduct a mini-auction which will be a re-opening of the SIGB 3.125% maturing in September 2022. MAS will announce the auction size on 22 October, which is likely capped below \$1 billion, with the auction taking place on 29 October. Separately, Transport Minister Khaw said there will be no further suspension of the HSR beyond 31 May 2020.
KR	Despite the contraction in export growth, Korea's industrial production growth rose higher than expected by 2.5% y/y (vs est 1.3%), while manufacturers' business confidence in Sept rose by 1pt to 78 (up from 77 in Sept). Still, overall confidence continues to stay in pessimistic area given that the reading remains below 100.
CMD	Crude oil futures rallied further overnight, with Brent touching its high since Oct 2014, as investors continue eye on potential supply shocks especially with Iranian's plunge in oil exports to its lowest level in 30 months. The upside trend in oil prices are potentially seen from investors' anticipation for Iranian sanctions to bite further into November 2018, although we note that OPEC's overall oil production rose 30,000 barrels per day despite lower Iranian oil production, thus suggesting that other nations including Saudi Arabia, Angola and Libya had effectively offset the losses.

Major Markets

- **US:** Fed's Kashkari (non-voter) opined that "the bond market is sending us flashing yellow signs, saying, 'Hey, it may not be all roses looking ahead'" and "I don't see any reason yet that we should be moving interest rates up and tapping the brakes". This contrasted with Rosengren who believes that policymakers "will likely need to move interest rates gradually from a mildly accommodative stance to a mildly restrictive stance".
- The S&P500 (+0.36%) and DJIA (+0.73%) rose on Monday following news that a new US-Mexico-Canada (USMCA) trade agreement has been formed. President Donald Trump lauded the deal as the "most important trade deal we've ever made so far", as was said to be confident that it would "easily" pass in Congress after he signs it by the end of November.
- General Electric shares surged 7.09% after a management shake-up with the replacement of its CEO John Flannery with board member Larry Culp.
- Industrial stocks such as Boeing (+2.79%), Ford (+0.92%) and General Motors (1.35%) reacted positively to the newly formed trade pact on expectations of lower tariff costs.
- Tesla soared 17.35% after CEO Elon Musk and SEC came to a settlement for the security fraud probe involving the chief executive.

- **Singapore:** The STI declined 0.05% to close at 3255.46 yesterday, and may continue to tread water in a 3211-3260 range for now, albeit Nikkei and Kospi are trading firmer this morning. The 10-year UST bond yield pushed higher to 3.08% amid higher oil prices, and SGS bonds are likely to remain under selling pressure today, especially with the upcoming mini-auction of the Sep-22 bond. Note gross SGS bond issuance reached \$19.2b for the year-to-date, up from \$15.5b for the whole of 2017. However, after subtracting redemptions, net SGS bond issuance was only \$5.7b, which is still higher than the \$5.5b seen for the whole of last year, and is the highest since the \$7.1b seen back in 2015. The average monthly turnover for SGS bonds also hit \$1.9b for the year-to-date, which is up 12.6% from the same period last year, and marked the highest average turnover since at least 2010.

- **Malaysia:** Prime Minister Mahathir Mohamad has said that Malaysia will hold separate trade talks with the UK post-Brexit. He was quoted as saying, "When the UK leaves the EU, we will talk with the UK alone. To us, what is important is trade with these countries."

- **Indonesia:** Headline inflation for September fell to 2.88% yoy (August 2018: 3.20% yoy) and very much remains within the Bank Indonesia (BI) target range of 2.50 – 4.50%. At this point, it very much though appears that BI's focus is on the IDR as the central bank continues to try to ensure stability.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-4bps higher. Both the Bloomberg Barclays Asia USD IG Bond Index average OAS and the Bloomberg Barclays Asia USD HY Bond Index average OAS were unchanged at 138bps and 466bps respectively. 10Y UST yields rose 3bps to 3.09% on the back of the announcement that the United States and Canada had reached a trilateral pact with Mexico. Yields subsequently fell 1bps to close at 3.08%.
- **New Issues:** Unibail-Rodamco-Westfield SE has priced a USD1bn deal across two tranches with the USD500mn 10-year bond priced at 4.125% and the USD500mn 30year bond at 4.625%.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.298	0.17%	USD-SGD	1.3717	0.34%
USD-JPY	113.930	0.20%	EUR-SGD	1.5882	0.11%
EUR-USD	1.1578	-0.22%	JPY-SGD	1.2040	0.17%
AUD-USD	0.7224	--	GBP-SGD	1.7891	0.46%
GBP-USD	1.3042	0.08%	AUD-SGD	0.9910	0.32%
USD-MYR	4.1380	-0.01%	NZD-SGD	0.9079	0.28%
USD-CNY	6.8688	--	CHF-SGD	1.3942	0.11%
USD-IDR	14911	0.05%	SGD-MYR	3.0222	-0.10%
USD-VND	23311	-0.02%	SGD-CNY	5.0102	-0.33%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	2.1714	--
2M	-0.3380	--	1M	2.2606	--
3M	-0.3180	--	2M	2.3108	--
6M	-0.2680	--	3M	2.3984	--
9M	-0.2080	--	6M	2.6039	--
12M	-0.1590	--	12M	2.9186	--

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	2.0%	2.0%	0.0%	0.0%	0.0%
12/19/2018	71.5%	70.1%	1.5%	0.0%	0.0%
01/30/2019	72.7%	68.3%	4.3%	0.1%	0.0%
03/20/2019	89.6%	42.9%	44.0%	2.7%	0.0%
05/01/2019	90.9%	38.9%	43.9%	7.8%	0.4%
06/19/2019	95.3%	24.6%	41.5%	25.1%	3.9%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	75.30	2.80%	Coffee (per lb)	1.022	-0.24%
Brent (per barrel)	84.98	2.73%	Cotton (per lb)	0.7631	-0.08%
Heating Oil (per gallon)	2.4079	2.39%	Sugar (per lb)	0.1161	3.66%
Gasoline (per gallon)	2.1275	1.25%	Orange Juice (per lb)	1.4610	-1.02%
Natural Gas (per MMBtu)	3.0940	2.86%	Cocoa (per mt)	1,990	-3.26%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,145.4	-0.62%	Wheat (per bushel)	5.0950	0.10%
Nickel (per mt)	12,423.0	-0.81%	Soybean (per bushel)	8.578	1.45%
Aluminium (per mt)	2,079.0	1.12%	Corn (per bushel)	3.6575	2.67%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,191.7	-0.38%	Crude Palm Oil (MYR/MT)	2,157.0	-0.78%
Silver (per oz)	14.507	-1.39%	Rubber (JPY/KG)	171.5	2.08%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,651.21	192.90
S&P	2,924.59	10.61
Nasdaq	8,037.30	-9.05
Nikkei 225	24,245.76	125.72
STI	3,255.46	-1.59
KLCI	1,792.46	-0.69
JCI	5,944.60	-31.95
Baltic Dry	1,540.00	--
VIX	12.00	-0.12

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.96 (+0.01)	2.82 (--)
5Y	2.26 (+0.02)	2.96 (+0.01)
10Y	2.53 (+0.03)	3.08 (+0.02)
15Y	2.80 (+0.03)	--
20Y	2.84 (+0.02)	--
30Y	2.88 (+0.02)	3.23 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	18.48	0.29
EURIBOR-OIS	3.53	0.33
TED	20.20	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/01/2018 06:30	AU AiG Perf of Mfg Index	Sep	--	59	56.7	--
10/01/2018 07:50	JN Tankan Large Mfg Index	3Q	22	19	21	--
10/01/2018 07:50	JN Tankan Large Mfg Outlook	3Q	20	19	21	--
10/01/2018 07:50	JN Tankan Large Non-Mfg Index	3Q	23	22	24	--
10/01/2018 07:50	JN Tankan Large Non-Mfg Outlook	3Q	21	22	21	--
10/01/2018 07:50	JN Tankan Large All Industry Capex	3Q	13.90%	13.40%	13.60%	--
10/01/2018 08:00	SK Exports YoY	Sep	-5.50%	-8.20%	8.70%	--
10/01/2018 08:00	SK Trade Balance	Sep	\$8010m	\$9746m	\$6900m	\$6853m
10/01/2018 08:30	JN Nikkei Japan PMI Mfg	Sep F	--	52.5	52.9	--
10/01/2018 08:30	SK Nikkei South Korea PMI Mfg	Sep	--	51.3	49.9	--
10/01/2018 08:30	TA Nikkei Taiwan PMI Mfg	Sep	--	50.8	53	--
10/01/2018 08:30	VN Nikkei Vietnam PMI Mfg	Sep	--	51.5	53.7	--
10/01/2018 08:30	ID Nikkei Indonesia PMI Mfg	Sep	--	50.7	51.9	--
10/01/2018 08:32	SI URA Private Home Prices QoQ	3Q P	--	0.50%	3.40%	--
10/01/2018 09:00	AU Melbourne Institute Inflation MoM	Sep	--	0.30%	0.10%	--
10/01/2018 09:00	AU Melbourne Institute Inflation YoY	Sep	--	2.10%	2.10%	--
10/01/2018 11:00	TH CPI YoY	Sep	1.28%	1.33%	1.62%	--
10/01/2018 11:00	TH CPI NSA MoM	Sep	0.22%	0.29%	0.26%	--
10/01/2018 11:00	TH CPI Core YoY	Sep	0.72%	0.80%	0.75%	--
10/01/2018 12:00	ID CPI YoY	Sep	3.09%	2.88%	3.20%	--
10/01/2018 12:00	ID CPI NSA MoM	Sep	-0.03%	-0.18%	-0.05%	--
10/01/2018 12:00	ID CPI Core YoY	Sep	2.86%	2.82%	2.90%	--
10/01/2018 13:00	IN Nikkei India PMI Mfg	Sep	--	52.2	51.7	--
10/01/2018 14:00	GE Retail Sales MoM	Aug	0.50%	-0.10%	-0.40%	--
10/01/2018 14:00	GE Retail Sales YoY	Aug	1.60%	1.60%	0.80%	0.90%
10/01/2018 15:45	IT Markit/ADACI Italy Manufacturing PMI	Sep	50.2	50	50.1	--
10/01/2018 15:50	FR Markit France Manufacturing PMI	Sep F	52.5	52.5	52.5	--
10/01/2018 15:55	GE Markit Germany Manufacturing PMI	Sep F	53.7	53.7	53.7	--
10/01/2018 16:00	EC Markit Eurozone Manufacturing PMI	Sep F	53.3	53.2	53.3	--
10/01/2018 16:30	UK Mortgage Approvals	Aug	64.5k	66.4k	64.8k	65.2k
10/01/2018 16:30	UK Markit UK PMI Manufacturing SA	Sep	52.5	53.8	52.8	53
10/01/2018 17:00	EC Unemployment Rate	Aug	8.10%	8.10%	8.20%	--
10/01/2018 21:30	CA Markit Canada Manufacturing PMI	Sep	--	54.8	56.8	--
10/01/2018 21:45	US Markit US Manufacturing PMI	Sep F	55.6	55.6	55.6	--
10/01/2018 22:00	US Construction Spending MoM	Aug	0.40%	0.10%	0.10%	0.20%
10/01/2018 22:00	US ISM Manufacturing	Sep	60	59.8	61.3	--
10/01/2018 22:00	US ISM Prices Paid	Sep	71.4	66.9	72.1	--
10/02/2018 05:00	SK Business Survey Manufacturing	Oct	--	78	77	--
10/02/2018 07:00	SK Industrial Production SA MoM	Aug	0.40%	1.40%	0.40%	0.50%
10/02/2018 07:00	SK Industrial Production YoY	Aug	1.30%	2.50%	0.90%	1.00%
10/02/2018 07:50	JN Monetary Base YoY	Sep	--	5.90%	6.90%	--
10/02/2018 12:30	AU RBA Cash Rate Target	Oct-02	1.50%	--	1.50%	--
10/02/2018 14:00	UK Nationwide House PX MoM	Sep	0.20%	--	-0.50%	--
10/02/2018 14:00	UK Nationwide House Px NSA YoY	Sep	1.90%	--	2.00%	--
10/02/2018 14:30	AU Commodity Index SDR YoY	Sep	--	--	6.70%	--
10/02/2018 14:30	AU Commodity Index AUD	Sep	--	--	113.6	--
10/02/2018 16:30	UK Markit/CIPS UK Construction PMI	Sep	52.9	--	52.9	--
10/02/2018 16:30	HK Retail Sales Value YoY	Aug	8.00%	--	7.80%	--
10/02/2018 16:30	HK Retail Sales Volume YoY	Aug	6.40%	--	5.90%	--
10/02/2018 17:00	EC PPI YoY	Aug	3.80%	--	4.00%	--
10/02/2018 21:00	SI Purchasing Managers Index	Sep	52.4	--	52.6	--

Source: Bloomberg

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