

Highlights

Global	<p>With growing concerns about Emerging Market (EM) contagion, risk appetite for Asian assets may remain very selective in the near-term. Notably, the IDR is rapidly approaching the 15,000 handle even as Indonesia hiked import tariffs on 1,147 consumer goods to discourage demand and guard rupiah from weakening further. Meanwhile, both BNM and BOC kept rates unchanged yesterday, with the latter reiterating that “gradual” hikes will eventually be warranted but is currently “monitoring closely the course of NAFTA negotiations and other trade policy developments, and their impact on the inflation outlook”. On the US-Canada talks on NAFTA, president Trump suggested “we should know over the next two or three days”, while suggesting that he may sign the US-South Korea trade deal at the UN General Assembly meeting this month.</p> <p>Given the EM risk-off sentiments, Asian markets may still trade with a soft tone today. Today’s economic releases include US’ initial jobless claims, non-manufacturing ISM, factory orders, ADP employment change and Challenger job cuts, and German factory orders. Speakers include ECB’s Lautenschlaeger, Fed’s Williams and RBNZ governor Orr.</p>
US	<p>US’ trade deficit widened at the fastest pace since 2015 by 9.5% to US\$50.1b, which is likely attributed to distortions ahead of the trade tariffs given that its bilateral trade deficit with China surged to a record US\$36.8b on frontloaded imports. Market players are mentally preparing for the next US\$200b tranche of additional US tariffs potentially hitting markets as early as this week. Meanwhile, a NYT article about internal opposition to president Trump saw the latter reacting to call it “treason”. Separately, Fed’s Bullard warned that “financial market information suggests that current monetary policy is neutral or even restrictive today” and “specifically, the yield curve is quite flat”. He opined that his “best guess would be that it would invert later this year, sometime next year” and “continuing to raise the policy rate in such an environment could cause the FOMC to go too far, raising recession risk unnecessarily”.</p>
SG	<p>S’pore and Malaysia have agreed to delay the HSR to 31 May 2020, with the first train unlikely before January 2031 instead of the original end-2026 commencement date. The deferral cost is \$15m which must be paid by end-Jan 2019. Meanwhile, COE premiums fell further for categories A, B and E in the latest tender.</p>
CH	<p>China’s big four banks plan to increase credit quota for the second half of 2018 according to local news wire. Other than increasing lending to infrastructure projects, the banks said they will also increase their allocations to local government bonds. In addition, PBoC Governor Yi Gang reiterated to further support micro and small business’s funding demand.</p>
ID	<p>The IDR was more stable yesterday as it ended against the USD at 14,938 compared to 14,935 the day before. However, the country saw its stock market walloped on Wednesday as the Jakarta Composite Index (JCI) closed 3.8% lower yesterday as continuing emerging market pressure lingers.</p> <p>Meanwhile, the government raised income tax on imports of 1,147 consumer goods with taxes on luxury goods raised to 10% from 7.5% whilst some goods that can be locally produced have been hiked to 10% from 2.5%.</p>

Major Markets

- **US:** The S&P500 slipped by 0.28%, dragged by a dip in tech stocks as Facebook COO Sheryl Sandberg and Twitter CEO Jack Dorsey testified at Congress with regard to the management of foreign intervention via their social media platforms in the 2016 presidential election. The Nasdaq composite fell 1.19% to close down at 7,995.17, below the 8,000 milestone achieved just last week.
- Twitter and Facebook plunged 6.06% and 2.33%, respectively. Other major tech stocks that registered losses include Netflix (-6.17%) and Amazon (-2.19%).
- **Singapore:** The STI slumped 1.69% to close at 3156.28 yesterday and may extend declines today given the sea of red ink permeating across EM. Overnight, S&P500 slipped and both Nikkei and Kospi continued to slide this morning, hence STI support is tipped at 3126 with resistance at 3200. With UST bond yields little changed overnight, SGS bonds may also stay sidelined for now.
- **Malaysia:** Both Singapore and Malaysia have signed a deal to postpone construction of the high-speed rail project until May 31 2020. Service on the line is expected to start on January 2031 instead of December 2026 as initially planned. Malaysia will have to pay Singapore S\$15 million in abortive costs before the end of January 2019 for suspending the project.
- Meanwhile, the government has set the minimum wage at RM1,050 nationwide effective starting from 1st January 2019. This was an increase from a minimum monthly salary of RM1,000 for peninsular Malaysia and RM920 for east Malaysia.
- On the interest rate front, Bank Negara Malaysia (BNM) held the overnight policy rate (OPR) at 3.25% as expected.
- **Hong Kong:** Housing transaction volume and value dropped for the second consecutive month by 20.8% mom and 28.3% mom respectively in August. Lately, property developers have been accelerating the pace of new project launches. Some even cut the price to sell the new projects. However, the oversubscription rate of the new projects is still much lower than months ago. Similarly, secondary home sellers lowered the price but failed to attract much potential buyers. Taken all together, it reinforces that the housing market starts to slow down. Moving forward, China's economic slowdown and trade concerns may hurt investor sentiment. Besides, banks have lifted mortgage rates and may continue to do so before lifting prime rate. Finally, new housing measures announced in June might have shifted some housing demand to public market. All in all, we expect housing prices will drop by 5% in 2H18 and fall by another 5%-8% in 2019. Should the government roll out more restrictions on non-local homebuyers, the slowdown of housing market may decelerate further.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 1-2bps higher across most tenors (with the exception of the 20-year swap rates trading 3bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 490bps. 10Y UST yields rose 2bps to 2.92% in the earlier part of the trading session after Bloomberg said Germany was ready to accept a less detailed agreement on future economic and trade ties between Britain and the EU. Yields subsequently fell 1bps to close at 2.90% as renewed weakness in emerging market sentiment boosted safe-haven demand.
- **New Issues:** Sinopec Group Overseas Development (2018) Limited has priced a USD2.4bn deal across four tranches (guaranteed by China Petrochemical Corp), with the 750mn 5-year bond at CT5+110bps, tightening from the initial price guidance of CT5+125bps area; the 500mn 7-year bond at CT7+135bps, tightening from the initial price guidance of CT7+145bps area; the 750mn 10-year bond at CT10+145bps, tightening from the initial price guidance of CT10+160bps area and the 400mn 30-year bond at 4.60%, tightening from the initial price guidance of 4.65%. Credit Suisse Group AG has priced a USD1.5bn PerpNC7 AT1 at 7.25%, tightening from its initial price guidance of 7.5%. Mizuho Financial Group Inc has priced a USD2.75bn deal across three tranches, with the USD1.1bn 6NC5 Fxd-to-FRN at CT6+115bps, tightening from its initial price guidance of CT6+130bps area; the USD650mn 6NC5 FRN at 3mL+100bps, in line with its initial price guidance and the USD1bn 11NC10 Fxd-to-FRN at CT11+135bps, tightening from its initial price guidance of CT11+150bps area. Granda Century Ltd has priced a USD300mn 3-year bond (guaranteed by Suning Appliance Group Co Ltd) at 7.5%, in line with its final price guidance. Future Land Development Holdings Ltd has priced a USD300mn 2-year bond at 7.0%, tightening from its initial price guidance of 7.25%. DBS Group Holdings has priced a SGD1bn PerpNC7 AT1 at 3.98%, tightening from its initial price guidance of 4.375%. Poly Real Estate Finance Ltd has scheduled for investor meetings from 6 Sept for its potential USD bond issuance (guaranteed by Hengli (Hong Kong) Real Estate Limited). China Southern Power Grid International Finance (BVI 2018) Co Ltd has scheduled for investor meetings from 6 Sept for its potential bond issuance (guaranteed by China Southern Power Grid Co Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.184	-0.27%	USD-SGD	1.3757	-0.04%
USD-JPY	111.530	0.11%	EUR-SGD	1.6001	0.38%
EUR-USD	1.1630	0.41%	JPY-SGD	1.2332	-0.14%
AUD-USD	0.7193	0.21%	GBP-SGD	1.7754	0.36%
GBP-USD	1.2905	0.39%	AUD-SGD	0.9895	0.16%
USD-MYR	4.1477	0.22%	NZD-SGD	0.9070	0.52%
USD-CNY	6.8300	-0.21%	CHF-SGD	1.4156	0.23%
USD-IDR	14938	0.02%	SGD-MYR	3.0082	-0.02%
USD-VND	23315	--	SGD-CNY	4.9616	-0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9136	--
2M	-0.3380	--	1M	2.1203	--
3M	-0.3190	--	2M	2.2119	--
6M	-0.2690	--	3M	2.3228	--
9M	-0.2070	--	6M	2.5390	--
12M	-0.1660	--	12M	2.8429	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	96.3%	0.00%	0.0%	0.0%
11/08/2018	100.0%	93.8%	2.6%	0.0%	0.0%
12/19/2018	100.0%	34.9%	62.2%	1.7%	0.0%
01/30/2019	100.0%	33.5%	61.0%	4.2%	0.1%
03/20/2019	100.0%	15.3%	45.5%	36.2%	2.4%
05/01/2019	100.0%	14.1%	43.0%	37.0%	5.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.72	-1.65%	Coffee (per lb)	1.038	2.32%
Brent (per barrel)	77.27	-1.15%	Cotton (per lb)	0.8171	-1.29%
Heating Oil (per gallon)	2.2345	-0.90%	Sugar (per lb)	0.1089	2.35%
Gasoline (per gallon)	1.9648	-1.47%	Orange Juice (per lb)	1.5290	-1.51%
Natural Gas (per MMBtu)	2.7950	-0.99%	Cocoa (per mt)	2,311	-0.90%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,754.1	0.31%	Wheat (per bushel)	5.2175	-1.83%
Nickel (per mt)	12,363.5	-0.21%	Soybean (per bushel)	8.380	-0.74%
Aluminium (per mt)	2,044.3	0.22%	Corn (per bushel)	3.6525	-0.81%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,201.3	0.18%	Crude Palm Oil (MYR/MT)	2,291.0	-0.30%
Silver (per oz)	14.220	0.28%	Rubber (JPY/KG)	168.0	-0.47%

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

Equity and Commodity

Index	Value	Net change
DJIA	25,974.99	22.51
S&P	2,888.60	-8.12
Nasdaq	7,995.17	-96.07
Nikkei 225	22,580.83	-116.07
STI	3,156.28	-54.23
KLCI	1,795.50	-17.26
JCI	5,683.50	-221.80
Baltic Dry	1,513.00	--
VIX	13.91	0.75

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-0.01)	2.65 (--)
5Y	2.13 (--)	2.77 (--)
10Y	2.40 (--)	2.90 (--)
15Y	2.69 (+0.01)	--
20Y	2.73 (--)	--
30Y	2.81 (--)	3.08 (+0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.09	0.46
EURIBOR-OIS	3.93	0.14
TED	20.26	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/05/2018 05:00	SK Foreign Reserves	Aug	--	\$401.13b	\$402.45b	--
09/05/2018 08:30	JN Nikkei Japan PMI Services	Aug	--	51.5	51.3	--
09/05/2018 08:30	JN Nikkei Japan PMI Composite	Aug	--	52	51.8	--
09/05/2018 08:30	HK Nikkei Hong Kong PMI	Aug	--	48.5	48.2	--
09/05/2018 09:00	NZ ANZ Commodity Price	Aug	--	-1.10%	-3.20%	-3.30%
09/05/2018 09:30	AU GDP SA QoQ	2Q	0.70%	0.90%	1.00%	1.10%
09/05/2018 09:30	AU GDP YoY	2Q	2.90%	3.40%	3.10%	3.20%
09/05/2018 09:45	CH Caixin China PMI Composite	Aug	--	52	52.3	--
09/05/2018 09:45	CH Caixin China PMI Services	Aug	52.6	51.5	52.8	--
09/05/2018 10:19	PH CPI YoY 2012=100	Aug	5.90%	6.40%	5.70%	--
09/05/2018 12:00	MA Trade Balance MYR	Jul	6.70b	8.30b	6.05b	6.00b
09/05/2018 15:00	MA BNM Overnight Policy Rate	Sep-05	3.25%	3.25%	3.25%	--
09/05/2018 15:45	IT Markit/ADACI Italy Services PMI	Aug	53.1	52.6	54	--
09/05/2018 15:45	IT Markit/ADACI Italy Composite PMI	Aug	52.2	51.7	53	--
09/05/2018 15:50	FR Markit France Services PMI	Aug F	55.7	55.4	55.7	--
09/05/2018 15:50	FR Markit France Composite PMI	Aug F	55.1	54.9	55.1	--
09/05/2018 15:55	GE Markit Germany Services PMI	Aug F	55.2	55	55.2	--
09/05/2018 15:55	GE Markit/BME Germany Composite PMI	Aug F	55.7	55.6	55.7	--
09/05/2018 16:00	SI Automobile COE Open Bid Cat A	Sep-05	--	30209	31997	--
09/05/2018 16:00	SI Automobile COE Open Bid Cat B	Sep-05	--	32001	32429	--
09/05/2018 16:00	TA CPI YoY	Aug	1.79%	1.53%	1.75%	--
09/05/2018 16:00	EC Markit Eurozone Services PMI	Aug F	54.4	54.4	54.4	--
09/05/2018 16:00	EC Markit Eurozone Composite PMI	Aug F	54.4	54.5	54.4	--
09/05/2018 16:30	UK Markit/CIPS UK Services PMI	Aug	53.9	54.3	53.5	--
09/05/2018 16:30	UK Markit/CIPS UK Composite PMI	Aug	54	54.2	53.6	53.5
09/05/2018 19:00	US MBA Mortgage Applications	Aug-31	--	-0.10%	-1.70%	--
09/05/2018 20:30	CA Int'l Merchandise Trade	Jul	-1.00b	-0.11b	-0.63b	-0.74b
09/05/2018 20:30	US Trade Balance	Jul	-\$50.2b	-\$50.1b	-\$46.3b	-\$45.7b
09/05/2018 22:00	CA Bank of Canada Rate Decision	Sep-05	1.50%	1.50%	1.50%	--
09/06/2018 01:00	NZ QV House Prices YoY	Aug	--	4.80%	5.10%	--
09/06/2018 07:00	SK BoP Current Account Balance	Jul	--	\$8757.8m	\$7377.0m	--
09/06/2018 07:50	JN Japan Buying Foreign Bonds	Aug-31	--	--	¥235.5b	--
09/06/2018 07:50	JN Foreign Buying Japan Stocks	Aug-31	--	--	-¥334.9b	--
09/06/2018 09:30	AU Trade Balance	Jul	A\$1450m	--	A\$1873m	--
09/06/2018 14:00	GE Factory Orders MoM	Jul	1.80%	--	-4.00%	--
09/06/2018 15:00	MA Foreign Reserves	Aug-30	--	--	\$104.2b	--
09/06/2018 15:30	GE Markit Germany Construction PMI	Aug	--	--	50	--
09/06/2018 20:15	US ADP Employment Change	Aug	200k	--	219k	--
09/06/2018 20:30	CA Building Permits MoM	Jul	1.00%	--	-2.30%	--
09/06/2018 20:30	US Initial Jobless Claims	Sep-01	213k	--	213k	--
09/06/2018 20:30	US Continuing Claims	Aug-25	1720k	--	1708k	--
09/06/2018 21:45	US Bloomberg Consumer Comfort	Sep-02	--	--	58.3	--
09/06/2018 21:45	US Markit US Services PMI	Aug F	55.2	--	55.2	--
09/06/2018 21:45	US Markit US Composite PMI	Aug F	--	--	55	--
09/06/2018 22:00	US ISM Non-Manufacturing Index	Aug	56.8	--	55.7	--
09/06/2018 22:00	US Factory Orders	Jul	-0.60%	--	0.70%	--
09/06/2018 22:00	US Durable Goods Orders	Jul F	-1.70%	--	-1.70%	--
09/06/2018 09/13	VN Domestic Vehicle Sales YoY	Aug	--	--	3.60%	--

Source: Bloomberg

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