

Highlights

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|---------------|--|
| Global | Global risk sentiments continued to improve, with Wall Street hitting new highs overnight as US-China trade war fears subsided and the 10-year UST bond yield hit 3.09% as investors have fully anticipated next week's FOMC rate hike. The 3-month LIBOR also climbed further to 2.36% (highest since 4 May). Meanwhile, the OECD tips global growth at 3.7% for 2018-19, but said trade growth had slowed from 2017's 5% to around 3% this year amid the trade tensions. The OECD also pared the growth forecast for the Eurozone to 2.0% (previously 2.2%) for 2018 and 1.9% (previously 2.1%) for 2019, and kept the US' forecast at 2.9% for 2018 but cut from 2.8% to 2.7% for 2019. Crude oil prices slipped after President Trump opined that the "OPEC monopoly must get prices down now" ahead of the OPEC meeting this weekend. Over in Asia, Abe was re-elected for a third term as Japan's LDP leader while North Korean Kim Jong Un is supposedly keen to hold a second summit with US president Trump soon to discuss the denuclearization timeline. Asian markets are likely to start trading with a brighter tone today, focusing on Wall Street's overnight bounce. Today's economic data calendar is again lightweight and comprises of September preliminary manufacturing/services/ composite PMIs from the US and Eurozone, and Thai trade data. |
| US | Initial jobless claims fell 3k to 201k last week, the lowest since November 1969 and bringing the 4-week average to 205k, while existing home sales were unchanged at 5.34m. Meanwhile, the Trump administration said there was no exclusion process for the US\$200 billion of Chinese imports that would face additional 10% tariffs from 24 September, unlike earlier rounds as they have had more than three months to transition their supply chains away from China. |
| EU | No Brexit deal was forthcoming during the recent EU-UK talks, but EU leaders will push for a deal in October. Meanwhile, ECB's Weidmann warned that policy normalisation "is a long road which hides big challenges and whose end-point has yet to be determined", while Praet noted that "our communication on policy adjustments beyond the first rate hike will become increasingly important". |
| CH | The Chinese government unveiled the guidance to improve the income distribution mechanism to unlock the consumption potential. In addition, PBoC signed a "Memorandum of Co-operation on Using Central Moneymarkets unit for issuance of PBoC Bills" with HKMA to improve the yield curve of offshore RMB market and meet the demand for shorter tenor high quality RMB assets in Hong Kong. The liquidity management tool will help stabilize the RMB in the offshore market which in turn help support the currency. |
| CMD | Some profit-taking in energy prices were seen into yesterday's closing, although other growth-related commodities like copper tuned higher, signalling that risk-taking appetite continues to stay buoyant. Gold also rose to its highest in more than three weeks to close \$1,211/oz amid further dollar weakness. In Asia, palm oil prices crashed to its lowest in three years to MYR2,146/MT on ample soy supplies, amid easing El Nino weather signals to-date. |

Major Markets

- **US:** Wall Street closed higher on Thursday, with the S&P500 and DJIA ascending to record highs, rising by 0.78% and 0.95% respectively, as market watchers appeared to shift focus to strong economic data instead of trade barbs.
- Under Armour equity gained 6.61% as the firm revised its profit outlook upwards, and announced a 3% reduction of its workforce in its restructuring plan.
- Caterpillar stock rose 2.12%, along with other industrial stocks, elevating DJIA up to 26,656.98.
- Nike shares (+1.11%) received a boost from news that it sold out 61% more of its goods following its new advertisement campaign.
- **Singapore:** The STI gained 0.12% to close up at 3180.43 yesterday and given the overnight bounce in Wall Street, STI may attempt to trade higher today. STI' resistance and support are tipped at 3200 and 3160 respectively. Market anticipation of next week's FOMC rate hike story is likely to keep the pressure on the SGS bond market. The 10-year SGS bond yield has crossed the 2.5% handle as we expected, and given the upcoming \$1.5b re-opening of the 15-year SGS bond maturing on September 2033, we see further potential for spread with the 10-year UST bond yield to narrow further to less than 50bps.
- **Thailand:** Watch for Thailand's custom trade data later, which could give further color on Thailand's economic growth momentum and policy-rate trajectory into end 2018.
- **Hong Kong:** Inflation decelerated to 2.3% yoy in August. For the two most heavily-weighted items, food inflation remained elevated at 3.5% while housing inflation rebounded to the strongest since March at 2.3% yoy given the rising residential rentals. However, due to slower growth of the charges for package tours, the inflation of miscellaneous services retreated to 1.5% yoy in August from 1.8% yoy in July. Besides, transportation inflation slowed down from 2.2% in July to 1.4% in Aug amid lower inbound and outbound transport fares. Moving forward, given higher commodity prices and rentals, overall CPI may tick up gradually in the coming months. Nevertheless, companies may remain cautious about passing on the costs to customers due to muted economic outlook. At this juncture, we expect the inflationary risk to remain contained and CPI growth to print 2.3% yoy in 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1bps lower while the longer tenors traded 1-2bps higher (with the exception of the 20-year swap rates trading 1bps lower). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps yesterday while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 482bps. 10Y UST yields rose 3bps to 3.09% in the earlier part of the trading session as stock markets rallied yesterday. Yields subsequently fell 3bps to close at 3.06% as investors remained cautious about the US-China trade dispute.
- **New Issues:** There were no new issuances over 20 Sept 2018.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.912 | -0.66% | USD-SGD | 1.3645 | -0.33% |
| USD-JPY | 112.490 | 0.19% | EUR-SGD | 1.6069 | 0.56% |
| EUR-USD | 1.1777 | 0.89% | JPY-SGD | 1.2131 | -0.51% |
| AUD-USD | 0.7292 | 0.40% | GBP-SGD | 1.8104 | 0.61% |
| GBP-USD | 1.3265 | 0.92% | AUD-SGD | 0.9950 | 0.06% |
| USD-MYR | 4.1378 | -0.15% | NZD-SGD | 0.9121 | 0.72% |
| USD-CNY | 6.8468 | -0.02% | CHF-SGD | 1.4229 | 0.52% |
| USD-IDR | 14849 | -0.17% | SGD-MYR | 3.0232 | -0.12% |
| USD-VND | 23016 | -0.96% | SGD-CNY | 5.0100 | 0.21% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|--------|------------|-----------|--------|
| 1M | -0.3710 | -- | O/N | 1.9186 | -- |
| 2M | -0.3390 | -- | 1M | 2.1824 | -- |
| 3M | -0.3180 | -- | 2M | 2.2475 | -- |
| 6M | -0.2670 | -- | 3M | 2.3534 | -- |
| 9M | -0.2090 | -- | 6M | 2.5718 | -- |
| 12M | -0.1670 | -- | 12M | 2.8871 | -- |

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% | 97.9% | 2.1% | 0.0% | 0.0% |
| 11/08/2018 | 100.0% | 95.2% | 4.7% | 0.1% | 0.0% |
| 12/19/2018 | 100.0% | 23.2% | 73.2% | 3.6% | 0.0% |
| 01/30/2019 | 100.0% | 21.8% | 70.1% | 7.9% | 0.3% |
| 03/20/2019 | 100.0% | 8.3% | 40.1% | 46.4% | 5.0% |
| 05/01/2019 | 100.0% | 7.2% | 35.8% | 45.6% | 10.6% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|--------|
| WTI (per barrel) | 70.80 | -0.45% | Coffee (per lb) | 0.998 | 3.15% |
| Brent (per barrel) | 78.70 | -0.88% | Cotton (per lb) | 0.7847 | -0.32% |
| Heating Oil (per gallon) | 2.2280 | -0.83% | Sugar (per lb) | 0.1162 | -0.17% |
| Gasoline (per gallon) | 2.0146 | -0.30% | Orange Juice (per lb) | 1.4740 | 0.55% |
| Natural Gas (per MMBtu) | 2.9760 | 2.34% | Cocoa (per mt) | 2,201 | 0.27% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 6,040.7 | 0.38% | Wheat (per bushel) | 5.2400 | 0.29% |
| Nickel (per mt) | 12,563.0 | 0.94% | Soybean (per bushel) | 8.503 | 2.44% |
| Aluminium (per mt) | 2,023.5 | 1.02% | Corn (per bushel) | 3.5250 | 1.95% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,211.3 | 0.25% | Crude Palm Oil (MYR/MT) | 2,146.0 | -0.56% |
| Silver (per oz) | 14.305 | 0.18% | Rubber (JPY/KG) | 169.6 | 2.23% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 26,656.98 | 251.22 |
| S&P | 2,930.75 | 22.80 |
| Nasdaq | 8,028.23 | 78.19 |
| Nikkei 225 | 23,674.93 | 2.41 |
| STI | 3,180.43 | 3.86 |
| KLCI | 1,803.70 | 2.99 |
| JCI | 5,931.27 | 57.67 |
| Baltic Dry | 1,373.00 | -- |
| VIX | 11.80 | 0.05 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.98 (--) | 2.80 (+0.01) |
| 5Y | 2.29 (--) | 2.95 (+0.01) |
| 10Y | 2.53 (+0.01) | 3.06 (--) |
| 15Y | 2.82 (+0.01) | -- |
| 20Y | 2.84 (+0.01) | -- |
| 30Y | 2.87 (+0.01) | 3.20 (-0.01) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 17.28 | -0.29 |
| EURIBOR-OIS | 3.20 | -0.88 |
| TED | 19.75 | -- |

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|------------------|--------------------------------------|--------|---------|---------|----------|-------|
| 09/20/2018 06:45 | NZ GDP SA QoQ | 2Q | 0.80% | 1.00% | 0.50% | -- |
| 09/20/2018 06:45 | NZ GDP YoY | 2Q | 2.50% | 2.80% | 2.70% | 2.60% |
| 09/20/2018 09:30 | AU RBA FX Transactions Market | Aug | -- | A\$608m | A\$573m | -- |
| 09/20/2018 16:00 | TA Export Orders YoY | Aug | 6.20% | 7.10% | 8.00% | -- |
| 09/20/2018 16:30 | UK Retail Sales Ex Auto Fuel MoM | Aug | -0.20% | 0.30% | 0.90% | 1.10% |
| 09/20/2018 16:30 | UK Retail Sales Ex Auto Fuel YoY | Aug | 2.40% | 3.50% | 3.70% | 4.00% |
| 09/20/2018 16:30 | UK Retail Sales Inc Auto Fuel MoM | Aug | -0.20% | 0.30% | 0.70% | 0.90% |
| 09/20/2018 16:30 | UK Retail Sales Inc Auto Fuel YoY | Aug | 2.30% | 3.30% | 3.50% | 3.80% |
| 09/20/2018 16:30 | HK CPI Composite YoY | Aug | 2.40% | 2.30% | 2.40% | -- |
| 09/20/2018 20:30 | US Philadelphia Fed Business Outlook | Sep | 18 | 22.9 | 11.9 | -- |
| 09/20/2018 20:30 | US Initial Jobless Claims | Sep-15 | 210k | 201k | 204k | -- |
| 09/20/2018 20:30 | US Continuing Claims | Sep-08 | 1705k | 1645k | 1696k | -- |
| 09/20/2018 21:45 | US Bloomberg Consumer Comfort | Sep-16 | -- | 60.2 | 59 | -- |
| 09/20/2018 22:00 | US Leading Index | Aug | 0.50% | 0.40% | 0.60% | 0.70% |
| 09/20/2018 22:00 | EC Consumer Confidence | Sep A | -2 | -2.9 | -1.9 | -- |
| 09/20/2018 22:00 | US Existing Home Sales | Aug | 5.37m | 5.34m | 5.34m | -- |
| 09/20/2018 22:00 | US Existing Home Sales MoM | Aug | 0.50% | 0.00% | -0.70% | -- |
| 09/21/2018 05:00 | SK PPI YoY | Aug | -- | 3.00% | 2.90% | 3.00% |
| 09/21/2018 07:30 | JN Natl CPI YoY | Aug | 1.10% | -- | 0.90% | -- |
| 09/21/2018 07:30 | JN Natl CPI Ex Fresh Food YoY | Aug | 0.90% | -- | 0.80% | -- |
| 09/21/2018 07:50 | JN Japan Buying Foreign Bonds | Sep-14 | -- | -- | ¥297.6b | -- |
| 09/21/2018 07:50 | JN Foreign Buying Japan Stocks | Sep-14 | -- | -- | ¥1063.2b | -- |
| 09/21/2018 08:30 | JN Nikkei Japan PMI Mfg | Sep P | -- | -- | 52.5 | -- |
| 09/21/2018 11:00 | NZ Credit Card Spending YoY | Aug | -- | -- | 3.20% | -- |
| 09/21/2018 11:00 | TH Customs Exports YoY | Aug | 4.50% | -- | 8.27% | -- |
| 09/21/2018 11:00 | TH Customs Imports YoY | Aug | 11.10% | -- | 10.53% | -- |
| 09/21/2018 11:00 | TH Customs Trade Balance | Aug | \$1190m | -- | -\$516m | -- |
| 09/21/2018 12:30 | JN All Industry Activity Index MoM | Jul | 0.10% | -- | -0.80% | -- |
| 09/21/2018 14:45 | FR GDP QoQ | 2Q F | 0.20% | -- | 0.20% | -- |
| 09/21/2018 14:45 | FR GDP YoY | 2Q F | 1.70% | -- | 1.70% | -- |
| 09/21/2018 15:00 | MA Foreign Reserves | Sep-14 | -- | -- | \$104.4b | -- |
| 09/21/2018 15:15 | FR Markit France Manufacturing PMI | Sep P | 53.3 | -- | 53.5 | -- |
| 09/21/2018 15:15 | FR Markit France Services PMI | Sep P | 55.3 | -- | 55.4 | -- |
| 09/21/2018 15:15 | FR Markit France Composite PMI | Sep P | 54.6 | -- | 54.9 | -- |
| 09/21/2018 15:30 | GE Markit GE Manufacturing PMI | Sep P | 55.7 | -- | 55.9 | -- |
| 09/21/2018 15:30 | TH Foreign Reserves | Sep-14 | -- | -- | \$203.6b | -- |
| 09/21/2018 15:30 | GE Markit Germany Services PMI | Sep P | 55 | -- | 55 | -- |
| 09/21/2018 15:30 | GE Markit/BME Germany Composite PMI | Sep P | 55.4 | -- | 55.6 | -- |
| 09/21/2018 16:00 | EC Markit Eurozone Manufacturing PMI | Sep P | 54.5 | -- | 54.6 | -- |
| 09/21/2018 16:00 | EC Markit Eurozone Services PMI | Sep P | 54.4 | -- | 54.4 | -- |
| 09/21/2018 16:00 | EC Markit Eurozone Composite PMI | Sep P | 54.5 | -- | 54.5 | -- |
| 09/21/2018 16:30 | UK PSNB ex Banking Groups | Aug | 3.4b | -- | -2.0b | -- |
| 09/21/2018 20:30 | CA Retail Sales MoM | Jul | 0.30% | -- | -0.20% | -- |
| 09/21/2018 20:30 | CA Retail Sales Ex Auto MoM | Jul | 0.60% | -- | -0.10% | -- |
| 09/21/2018 20:30 | CA CPI NSA MoM | Aug | -0.10% | -- | 0.50% | -- |
| 09/21/2018 20:30 | CA CPI YoY | Aug | 2.80% | -- | 3.00% | -- |
| 09/21/2018 21:45 | US Markit US Manufacturing PMI | Sep P | 55 | -- | 54.7 | -- |
| 09/21/2018 21:45 | US Markit US Services PMI | Sep P | 55 | -- | 54.8 | -- |
| 09/21/2018 21:45 | US Markit US Composite PMI | Sep P | -- | -- | 54.7 | -- |
| 09/21/2018 | MU CPI Composite YoY | Aug | -- | -- | 3.33% | -- |

Source: Bloomberg

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