

Highlights

Global	<p>Global risk sentiments are likely to remain tentative to start the week, given lingering concerns about US-China trade tensions and elsewhere for Italy and Brexit as well as rising USD interest rate expectations. Wall Street closed mixed (notwithstanding strong earnings from P&G which was offset by weakness in consumer-discretionary stocks), while the 10-year UST bond yield rose to 3.2%. Last Friday, China's 3Q18 GDP growth had surprised lower than expected at 6.5% yoy (1.6% qoq), which was below the consensus forecast of 6.6% and marked a slowdown from the previous quarter's 6.7%. This prompted Chinese officials to verbally signal policy support – president Xi vowed “unwavering” support for the private sector, while PBOC also “actively encourage” local governments to help private firms facing financing difficulties. Meanwhile, Italy was downgraded to Baa3 (the lowest investment grade) with a stable outlook by Moody's (ie. no immediate junk status risk), which may pave the way for a short-term relief rally, but does not mean that the EU clash over its draft budget has gone away.</p> <p>Asian markets may still tread carefully today, awaiting further cues from China to see if Friday's equity rally can be sustained. The economic data calendar is relatively light with only Thai trade data, Malaysia's foreign reserves, Taiwan's export orders and unemployment rate and US' Chicago Fed National activity index. RBA's Debelle is also speaking. The key focus this week will be BI rate decision on 23 Oct (where market consensus is for no change at 5.75% in a brief hiatus before the upcoming December FOMC rate hike), followed by BOC on 24 Oct (where a 25bp rate hike to 1.75% is likely) and ECB on 25 Oct (where no move is expected but Draghi's press conference will be closely scrutinised), and ending off with the US' advance 3Q18 GDP growth report (forecast: 3.3% annualised). Fed speakers run the gamut of Bostic, Kaplan, Brainard, Mester and Vice Chair Clarida (his first speech on the economic outlook). US' earnings season also continues with Amazon, Alphabet, Caterpillar, Halliburton, Intel, McDonalds, Microsoft, Twitter and UBS.</p>
US	<p>Existing home sales fell for the sixth month by 3.4% mom in Sep, suggesting that not all the weakness was due to Hurricane Florence. Meanwhile, president Trump also threatened “full efforts” to “stop the onslaught of illegal aliens from crossing our Southern Border”, offered a new middle-income tax cut before the midterm elections, and pull out of a major arms control treaty with Russia claiming “we're not going to let them violate a nuclear agreement”. This suggests to us that the noise level will continue to ratchet higher going into the mid-term elections.</p>
EU	<p>UK PM May remains under pressure to deliver progress on the Brexit negotiations amid a lawmaker backlash and following a weekend protest rally in London.</p>
MY	<p>According to Malaysiakini, Finance Minister Lim Guan Eng has reported that the amount in the consolidated revenue account balance has risen from RM450m to RM3.70bn between 30th April 2018 to 31st August 2018. The news portal also noted that the Finance Minister had said that the government had achieved a current account surplus of RM3.25bn</p>

Major Markets

- **US:** Wall Street ended mixed on Friday, with S&P500 and the Nasdaq composite slipping 0.04% and 0.48%, respectively, while the DJIA rose 0.26%.
- Procter & Gamble equity gained 8.80% after the company announced its best quarterly sales growth in 5 years.
- PayPal shares surged 9.42% on quarterly earnings that exceeded expectations, and the firm's outlook upgrade for 4Q18.
- DowDuPont stock slipped 1.86% as the world's largest chemical maker reduced the asset value of its agriculture arm by \$4.6bn.

- **Singapore:** The STI closed down 0.23% at 3062.51 on Friday amid the weak investor sentiments following China's release of its 3Q18 GDP results and may extend the consolidation today amid a likely sea of red ink for Nikkei and Kospi this morning. STI may see a potential retest of its 3034 close on 16 Oct, followed by the 3000 support handle. Despite the equity market weakness, the bear-flattening in the UST bond market may prompt the same for the SGS market today. MAS will announce the size (likely to be \$1b) for the mini-auction of the 4-year SGS bonds (NY07100X) maturing Sep2022 for issue on 1 Nov.

- **Indonesia:** According to the Jakarta Post, Manpower Minister Hanif Dhakiri has proposed an 8.13% rise in the provincial minimum wage (UMP) for 2019 as he says the increase of that amount was based on the inflation and GDP growth number. However, the Indonesian Workers Confederation (KSPI) has rejected the proposal, instead demanding for a 20 – 25% increase. The Indonesian All Workers Organization (OPSI) though said it could understand the proposal of a single-digit UMP increase. Meanwhile, Bank Indonesia (BI) is set to hold their policy meeting today and tomorrow (22nd – 23rd October 2018) of which our expectations is for the benchmark rate to hold.

- **Philippines:** The country's foreign reserves for September 2018 have been revised down to US\$74.94bn from US\$75.16bn. This means that between end-January 2018 and end-September 2018, the reserves have fallen by about US\$6.3bn.

- **Hong Kong:** Jobless rate stabilized at an over twenty-year low of 2.8% in 3Q 2018. Zooming in, the unemployment rate of retail sector increased to 4% from a more than 6-year low of 3.9% in Jun-Aug. This is due to muted outlook of the retail sector as tourist spending and local consumption might have been weighed down by stock market correction, trade war concerns and muted economic outlook. On the other hand, trade sector's jobless rate decreased from 2.5% in Jun-Aug to 2.4% in 3Q. The resilient labor demand of the trade sector may be attributed to the front-loading of trading activities before US-China trade war accelerates. Nevertheless, we may gradually see the impact of the escalating US-China trade conflict on HK's trade sector as well as its employment. Moving forward, the concerns over trade war, China's economic slowdown and global monetary tightening could be headwinds to HK's economy and its labor market. We expect jobless rate will climb to 2.9% in the coming quarter.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 2-3bps higher while the longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 141bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 7bps to 500bps. Overall, 10Y UST yields rose 2bps to close at 3.19% as hopes for reduced tension between Italy and the European Commission over the Italian budget lowered safe haven demand.
- **New Issues:** China CITIC Bank International Ltd has scheduled for investor meetings from 22 Oct for its potential USD AT1 Perp bond issuance. Zhaojin Mining International Finance Ltd has scheduled for investor meetings from 22 Oct for its potential USD bond issuance (guaranteed by Zhaojin Mining Industry Company). PT Pertamina (Persero) has scheduled for investor meetings from 22 Oct for its potential USD bond issuance. SP Group Treasury Pte Ltd (wholly-owned subsidiary of Singapore Power Limited) has scheduled for investor meetings from 29 Oct for its potential bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.713	-0.19%	USD-SGD	1.3778	-0.30%
USD-JPY	112.550	0.30%	EUR-SGD	1.5864	0.25%
EUR-USD	1.1514	0.53%	JPY-SGD	1.2242	-0.60%
AUD-USD	0.7119	0.28%	GBP-SGD	1.8018	0.18%
GBP-USD	1.3076	0.45%	AUD-SGD	0.9806	-0.04%
USD-MYR	4.1575	0.01%	NZD-SGD	0.9084	0.49%
USD-CNY	6.9290	-0.12%	CHF-SGD	1.3831	-0.33%
USD-IDR	15187	-0.05%	SGD-MYR	3.0147	-0.09%
USD-VND	23345	0.00%	SGD-CNY	5.0282	-0.07%

Equity and Commodity

Index	Value	Net change
DJIA	25,444.34	64.89
S&P	2,767.78	-1.00
Nasdaq	7,449.03	-36.11
Nikkei 225	22,532.08	-126.08
STI	3,062.51	-7.16
KLCI	1,732.14	-5.87
JCI	5,837.29	-7.95
Baltic Dry	1,576.00	11.00
VIX	19.89	-0.17

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	-0.0010	O/N	2.1711	0.0009
2M	-0.3370	0.0010	1M	2.2819	0.0023
3M	-0.3170	--	2M	2.3554	0.0070
6M	-0.2620	0.0030	3M	2.4772	0.0082
9M	-0.2030	0.0020	6M	2.7235	0.0294
12M	-0.1540	0.0010	12M	3.0204	0.0198

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.09 (+0.03)	2.90 (+0.03)
5Y	2.35 (--)	3.05 (+0.02)
10Y	2.58 (-0.03)	3.19 (+0.01)
15Y	2.85 (-0.02)	--
20Y	2.88 (-0.02)	--
30Y	2.93 (-0.02)	3.38 (+0.01)

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	7.5%	7.5%	0.0%	0.0%	0.0%
12/19/2018	81.0%	75.0%	6.0%	0.0%	0.0%
01/30/2019	81.9%	72.5%	9.1%	0.3%	0.0%
03/20/2019	94.5%	34.6%	53.3%	6.4%	0.2%
05/01/2019	95.0%	31.9%	51.6%	10.8%	0.8%
06/19/2019	97.5%	18.3%	41.7%	31.3%	5.8%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	19.47	1.19
EURIBOR-OIS	3.25	-0.92
TED	17.32	-0.42

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	69.12	0.68%	Coffee (per lb)	1.221	0.04%
Brent (per barrel)	79.78	0.62%	Cotton (per lb)	0.7792	-0.17%
Heating Oil (per gallon)	2.3020	0.31%	Sugar (per lb)	0.1389	0.14%
Gasoline (per gallon)	1.9139	1.21%	Orange Juice (per lb)	1.3980	-1.58%
Natural Gas (per MMBtu)	3.2500	1.63%	Cocoa (per mt)	2,162	0.79%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,124.4	1.15%	Wheat (per bushel)	5.1475	0.34%
Nickel (per mt)	12,398.0	0.76%	Soybean (per bushel)	8.568	-0.78%
Aluminium (per mt)	2,010.5	-0.63%	Corn (per bushel)	3.6700	-1.01%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,228.7	-0.11%	Crude Palm Oil (MYR/MT)	2,224.0	-0.67%
Silver (per oz)	14.650	0.31%	Rubber (JPY/KG)	166.8	0.60%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 16 Oct 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	14,959	-56,998	71,957	Nymex Crude	509,991	538,782	-28,791
Corn	83,833	20,492	63,341	RBOB Gasoline	101,424	111,201	-9,777
Sugar	19,761	-25,737	45,498	Heating Oil	43,952	48,330	-4,378
Coffee	-55,855	-76,238	20,383	Cotton	55,213	56,417	-1,204
Soybean	-26,904	-42,835	15,931	Live Cattle	97,419	98,053	-634
Silver	-15,448	-22,958	7,510	Natural Gas	-6,071	-6,056	-15
Platinum	14,551	9,211	5,340	Palladium	12,019	11,733	286
Cocoa	-25,007	-28,978	3,971	Lean Hogs	29,044	28,457	587
Wheat	-5,506	-7,957	2,451	Copper	8,141	7,225	916

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/19/2018 05:45	NZ Net Migration SA	Sep	--	4640	5010	4990
10/19/2018 07:30	JN Natl CPI YoY	Sep	1.30%	1.20%	1.30%	--
10/19/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Sep	1.00%	1.00%	0.90%	--
10/19/2018 07:30	JN Natl CPI Ex Fresh Food, Energy YoY	Sep	0.40%	0.40%	0.40%	--
10/19/2018 10:00	NZ Credit Card Spending MoM	Sep	--	0.80%	2.60%	2.90%
10/19/2018 10:00	NZ Credit Card Spending YoY	Sep	--	7.80%	7.70%	7.80%
10/19/2018 10:00	CH GDP YoY	3Q	6.60%	6.50%	6.70%	--
10/19/2018 10:00	CH GDP SA QoQ	3Q	1.60%	1.60%	1.80%	1.70%
10/19/2018 10:00	CH GDP YTD YoY	3Q	6.70%	6.70%	6.80%	--
10/19/2018 10:00	CH Retail Sales YoY	Sep	9.00%	9.20%	9.00%	--
10/19/2018 10:00	CH Retail Sales YTD YoY	Sep	9.30%	9.30%	9.30%	--
10/19/2018 10:00	CH Industrial Production YoY	Sep	6.00%	5.80%	6.10%	--
10/19/2018 10:00	CH Industrial Production YTD YoY	Sep	6.40%	6.40%	6.50%	--
10/19/2018 10:00	CH Fixed Assets Ex Rural YTD YoY	Sep	5.30%	5.40%	5.30%	--
10/19/2018 10:00	CH Surveyed Jobless Rate	Sep	--	4.90%	5.00%	--
10/19/2018 13:04	PH BoP Overall	Sep	--	-\$2696m	\$1272m	--
10/19/2018 15:30	TH Foreign Reserves	Oct-12	--	\$203.2b	\$203.2b	--
10/19/2018 15:30	TH Forward Contracts	Oct-12	--	\$32.8b	\$32.5b	--
10/19/2018 16:00	EC ECB Current Account SA	Aug	--	23.9b	21.3b	19.5b
10/19/2018 16:00	IT Current Account Balance	Aug	--	4994m	8607m	7544m
10/19/2018 16:30	UK PSNB ex Banking Groups	Sep	4.5b	4.1b	6.8b	5.6b
10/19/2018 16:30	UK Public Sector Net Borrowing	Sep	4.6b	3.3b	5.9b	4.8b
10/19/2018 16:30	UK Central Government NCR	Sep	--	14.7b	5.2b	--
10/19/2018 16:30	UK Public Finances (PSNCR)	Sep	--	15.8b	3.1b	--
10/19/2018 16:30	HK Composite Interest Rate	Sep	--	0.76%	0.66%	--
10/19/2018 16:30	HK Unemployment Rate SA	Sep	2.80%	2.80%	2.80%	--
10/19/2018 20:30	CA Retail Sales MoM	Aug	0.30%	-0.10%	0.30%	0.20%
10/19/2018 20:30	CA Retail Sales Ex Auto MoM	Aug	0.10%	-0.40%	0.90%	0.80%
10/19/2018 20:30	CA CPI NSA MoM	Sep	0.10%	-0.40%	-0.10%	--
10/19/2018 20:30	CA CPI YoY	Sep	2.70%	2.20%	2.80%	--
10/19/2018 20:30	CA Consumer Price Index	Sep	134.4	133.7	134.2	--
10/19/2018 20:30	CA CPI Core- Common YoY%	Sep	2.00%	1.90%	2.00%	--
10/19/2018 20:30	CA CPI Core- Median YoY%	Sep	--	2.00%	2.10%	--
10/19/2018 20:30	CA CPI Core- Trim YoY%	Sep	--	2.10%	2.20%	--
10/19/2018 22:00	US Existing Home Sales	Sep	5.29m	5.15m	5.34m	5.33m
10/19/2018 22:00	US Existing Home Sales MoM	Sep	-0.90%	-3.40%	0.00%	-0.20%
10/20/2018 09:30	CH New Home Prices MoM	Sep	--	1.00%	1.49%	--
10/22/2018 11:30	TH Customs Trade Balance	Sep	\$1832m	--	-\$588m	--
10/22/2018 11:30	TH Customs Exports YoY	Sep	5.30%	--	6.68%	--
10/22/2018 11:30	TH Customs Imports YoY	Sep	14.34%	--	22.80%	--
10/22/2018 12:30	JN All Industry Activity Index MoM	Aug	0.40%	--	0.00%	--
10/22/2018 15:00	MA Foreign Reserves	Oct-15	--	--	\$103.0b	--
10/22/2018 15:00	JN Convenience Store Sales YoY	Sep	--	--	1.00%	--
10/22/2018 16:00	TA Export Orders YoY	Sep	5.60%	--	7.10%	--
10/22/2018 16:00	TA Unemployment Rate	Sep	3.70%	--	3.69%	--
10/22/2018 20:30	CA Wholesale Trade Sales MoM	Aug	-0.20%	--	1.50%	--
10/22/2018 20:30	US Chicago Fed Nat Activity Index	Sep	0.22	--	0.18	--
10/22/2018 22:00	CA Bloomberg Nanos Confidence	Oct-19	--	--	56.3	--
10/22/2018	SK Exports 20 Days YoY	Oct	--	--	21.60%	--
10/22/2018	PH Budget Balance PHP	Sep	--	--	-2.6b	--
10/22/2018	MU CPI Composite YoY	Sep	--	--	3.32%	--

Source: Bloomberg

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