

**Highlights**

<b>Global</b>	Market-watchers clearly zoomed in on the recent FOMC decision to raise its fed fund rate by 25bps to a range of 2 – 2.25%, amid dropping language saying that “the stance of monetary policy remains accommodative”. The latest FOMC quarterly projections also indicated an upward revision of GDP growth to 3.1% (from 2.8%) and 2.5% (from 2.4%) into 2018 and 2019, respectively, while the dot plot chart indicated a potential one more rate hike into end 2018, three more hikes into 2019 and one increase into 2020. Elsewhere, RBNZ kept its interest rate unchanged at 1.75% as widely expected, though governor Adrian Orr indicated that future direction of the official cash rate “could be up or down”, while adding that there are still downside risks to the growth outlook. Asian stock futures however, look poised for a mixed start into the trading day today, with HK futures rising while Japanese shares indicated a lower start, even as investors look ahead to key Asian central bank policy decisions in Indonesia and Philippines, where both may raise rates then, while Taiwan’s CBC will likely stay pat. Beyond central bank meetings, today’s economic calendar appears packed with key events: note a slew of Eurozone-centric economic prints including consumer confidence, Germany CPI and Italy’s manufacturing confidence & economic sentiment. Look out for Hong Kong’s trade prints as well, which could prove exceedingly interesting given the ongoing US-Sino trade tensions and its potential impact on trade winds in Asia. Lastly, US-centric data which includes 2Q GDP, initial jobless claims and durable goods orders are also expected later tonight.
<b>US</b>	US home sales rebounded 3.5% to a seasonally adjusted annual rate of 629,000 units in August after two straight monthly declines, while July’s sales pace was revised lower to 608k (from 627k). We note that mortgage rates in the US are likely to rise further given the recent FOMC rate hike.
<b>CN</b>	China is said to cut tariffs for products including machinery, electrical equipment and textile products beginning 1 <sup>st</sup> November, in a move to mitigate higher trade tariffs imposed by the US. This move, which will reduce overall tariff rate to 7.5% from 9.8%, is said to lower costs for consumers and companies by about CNY60bn in 2018.
<b>SI</b>	Industrial production rose 3.3% yoy (-2.0% momsa) in August, printing close to our forecast of 3.2% yoy (-0.6% momsa) and marking the slowest expansion pace since December 2017. Note that July’s industrial production has been revised higher to 6.7% yoy (up from the previous print of 6.0%).
<b>MA</b>	PM Mahathir Mohamad said that US President Donald Trump’s diplomatic style is undermining US efforts in Asia and he also believes that China can outlast the US in the latest trade dispute between the two biggest economies.
<b>CMD</b>	Commodity prices fell across the board, seen from lower crude oil prices to base metals, precious metals and soft commodities. Crude oil futures, including WTI and Brent, fell 0.98% and 0.65% respectively, likely as further profit-taking and potential dollar strength curbed investors’ bullish outlook. Note that US oil inventories also unexpectedly rose last week due to a decline in refinery activity. Gold also fell and closed below its \$1,200/oz support handle as market-watchers saw the recent FOMC rate hike as a sign to engage in further yield-chasing behaviour and neglected the yellow metal given its zero-yield asset status.

## Major Market

- **Wall Street:** US stocks closed lower yesterday, seen from the drop in financial and material-related stocks after the Federal Reserve took interest rates higher and signalled a continued gradual path of rate increases in 2019 and 2020. Note that the DJIA fell 0.4%, while S&P and Nasdaq declined 0.33% and 0.21%, respectively.
- **Singapore:** The STI rose 0.09% overnight, gaining for its sixth consecutive trading day, the longest streak seen since the start of this year when STI rose for a similar six-day pattern. Overall, the STI was supported by gains in Venture Corp (+2.2%), City Developments (+1.4%) and Ascendas REIT (+1.2%), although losses in Hutchison Port Holdings (-2.0%), Singapore Exchange (-1.7%) and YZJ Shipbuilding (-1.7%) limited the gains.
- **We opine that the recent industrial print cements the domestic manufacturing slowdown theme,** albeit the likelihood for some potential short-term realignment of production chains as a natural response to the ongoing US-China tariffs. We observe some pertinent similar signs with yesterday's industrial production print and last week's NODX growth print: the recent non-oil domestic export print in August has also reflected nine consecutive months of contraction in the electronic export space, amid further slowdown in pharmaceutical exports which grew 33.4% yoy in August (down from July's 109.2%). With industrial production seeing a high base in September-October 2017 (14.6% and 15.3% yoy respectively), there remains a risk for industrial production growth to slow further into the next two months. As such, our view for Singapore 3Q18 GDP and manufacturing growth to print 2.3% yoy and 3.9% yoy are intact.
- **Indonesia:** According to the Jakarta Post, Finance Minister Sri Mulyani has said that the large current account deficit will continue through to the third quarter, as government measures to curb imports had not produced significant results in the second quarter. Meanwhile, also according to the news portal, the government is revising its initial plan (in an attempt to cut imports) to delay power projects amounting to a total of 15.2GW, worth around US\$25bn but instead only delay 4.6GW projects. On other items, credit rating agency Fitch Ratings said that the currency depreciation and higher domestic rates are likely to halt the recent improvement in Indonesian banks' asset quality and put downward pressure on profitability although they did state that the margins are likely to remain strong which, together with high core capital ratios, will act as a buffer against the impact of the market turbulence. Bank Indonesia will announce their benchmark rate decision today of which we are expecting a 50bps increase.
- **Thailand:** The Bank of Thailand is said to have raised the online monetary transfer ceiling, effective October. With the amendment, Thai commercial banks are faced with a higher transfer ceiling to THB699,999 per transaction, up from THB50,000, in a bid to cope with the growing popularity of internet banking.
- **Philippines:** The central bank will be announcing its policy rate decision today with the potential of a 50bps hike as inflation stands at a nine-year high and the peso faces depreciating pressure. Earlier, Bangko Sentral ng Pilipinas Governor Nestor Espenilla had said that the central bank was ready to deliver another "strong monetary action" on 27th September 2018.
- **Vietnam:** The Asian Development Bank (ADB) has revised up its forecast on Vietnam's inflation to 4% yoy from 3.7% yoy as it believes that "inflationary pressures are likely to persist over the near term" amid increases in international oil and food prices. The development bank also noted that "the depreciation of the renminbi against the dollar, if

it continues, could further put pressure on the dong, adding to inflation". The ADB also revised down its growth forecast for the country from 7.1% yoy to 6.9% yoy as it believes that exports, agriculture, construction and mining may decline slightly in the second half of the year.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve bull flattened yesterday, with swap rates for the shorter tenors trading 2-4bps lower while the longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 472bps. 10Y UST yields fell 5bps to close at 3.05%, retreating from four-month highs as the Fed signalled it would remain on a gradual rate-hike path in response to solid economic growth after raising rates for the third time in 2018 from a target range of 2.0% to 2.25%.
- **New Issues:** CIFIC Holdings (Group) Co Ltd has priced a USD300mn re-tap of its CIFIHG 5.5%'22s (subsidiary guarantors: certain non-PRC subsidiaries of issuer) at 8.625%, in line with the initial price guidance. Surbana Jurong Pte Ltd has priced a SGD350mn 7-year bond at 4.11%, tightening from its initial price guidance of 4.25%. Kookmin Bank has scheduled for investor meetings from 3 Oct for its potential USD bond issuance.

### Key Financial Indicators

#### Foreign Exchange

	Day Close	% Change		Day Close	% Change
<b>DXY</b>	94.193	0.06%	<b>USD-SGD</b>	1.3655	-0.04%
<b>USD-JPY</b>	112.730	-0.21%	<b>EUR-SGD</b>	1.6030	-0.27%
<b>EUR-USD</b>	1.1739	-0.24%	<b>JPY-SGD</b>	1.2113	0.18%
<b>AUD-USD</b>	0.7258	0.11%	<b>GBP-SGD</b>	1.7980	-0.16%
<b>GBP-USD</b>	1.3167	-0.13%	<b>AUD-SGD</b>	0.9910	0.06%
<b>USD-MYR</b>	4.1410	0.08%	<b>NZD-SGD</b>	0.9098	0.19%
<b>USD-CNY</b>	6.8786	0.16%	<b>CHF-SGD</b>	1.4136	-0.13%
<b>USD-IDR</b>	14911	-0.05%	<b>SGD-MYR</b>	3.0336	0.16%
<b>USD-VND</b>	23330	-0.06%	<b>SGD-CNY</b>	5.0394	0.21%

#### Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
<b>1M</b>	-0.3700	--	<b>O/N</b>	1.9163	--
<b>2M</b>	-0.3380	--	<b>1M</b>	2.2301	--
<b>3M</b>	-0.3190	--	<b>2M</b>	2.2830	--
<b>6M</b>	-0.2670	--	<b>3M</b>	2.3810	--
<b>9M</b>	-0.2070	--	<b>6M</b>	2.5954	--
<b>12M</b>	-0.1650	--	<b>12M</b>	2.9119	--

#### 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%	99.0%	1.0%	0.0%	0.0%
11/08/2018	100.0%	99.0%	1.0%	0.0%	0.0%
12/19/2018	100.0%	19.7%	79.5%	0.8%	0.0%
01/30/2019	100.0%	18.5%	75.8%	5.7%	0.0%
03/20/2019	100.0%	7.0%	40.3%	49.1%	3.5%
05/01/2019	100.0%	6.0%	35.5%	47.9%	10.1%

#### Commodities Futures

<b>Energy</b>		<b>Futures</b>	<b>% chg</b>	<b>Soft Commodities</b>		<b>Futures</b>	<b>% chg</b>
WTI (per barrel)		71.57	-0.98%	Coffee (per lb)		0.978	0.67%
Brent (per barrel)		81.34	-0.65%	Cotton (per lb)		0.7855	-0.56%
Heating Oil (per gallon)		2.2998	-0.24%	Sugar (per lb)		0.1091	-2.15%
Gasoline (per gallon)		2.0585	-0.44%	Orange Juice (per lb)		1.4780	-1.34%
Natural Gas (per MMBtu)		3.0210	-1.98%	Cocoa (per mt)		2,151	-2.00%
<b>Base Metals</b>		<b>Futures</b>	<b>% chg</b>	<b>Grains</b>		<b>Futures</b>	<b>% chg</b>
Copper (per mt)		6,234.7	0.16%	Wheat (per bushel)		5.1750	-0.62%
Nickel (per mt)		12,750.5	-1.01%	Soybean (per bushel)		8.500	0.50%
Aluminium (per mt)		2,053.8	-0.01%	Corn (per bushel)		3.6300	-0.21%
<b>Precious Metals</b>		<b>Futures</b>	<b>% chg</b>	<b>Asian Commodities</b>		<b>Futures</b>	<b>% chg</b>
Gold (per oz)		1,199.1	-0.50%	Crude Palm Oil (MYR/MT)		2,190.0	0.41%
Silver (per oz)		14.401	-0.63%	Rubber (JPY/KG)		169.0	0.72%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

#### Equity and Commodity

Index	Value	Net change
<b>DJIA</b>	26,385.28	-106.93
<b>S&amp;P</b>	2,905.97	-9.59
<b>Nasdaq</b>	7,990.37	-17.10
<b>Nikkei 225</b>	24,033.79	93.53
<b>STI</b>	3,239.10	3.02
<b>KLCI</b>	1,798.72	4.25
<b>JCI</b>	5,873.27	-1.03
<b>Baltic Dry</b>	1,450.00	--
<b>VIX</b>	12.89	0.47

#### Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
<b>2Y</b>	2.02 (--)	2.81 (-0.02)
<b>5Y</b>	2.33 (--)	2.94 (-0.04)
<b>10Y</b>	2.59 (--)	3.05 (-0.05)
<b>15Y</b>	2.86 (--)	--
<b>20Y</b>	2.89 (--)	--
<b>30Y</b>	2.91 (--)	3.18 (-0.04)

#### Financial Spread (bps)

	Value	Change
<b>LIBOR-OIS</b>	17.89	-0.01
<b>EURIBOR-OIS</b>	3.83	0.01
<b>TED</b>	18.14	--

### Economic Calendar

Date Time		Event		Survey	Actual	Prior	Revised
09/26/2018 06:45	NZ	Trade Balance NZD	Aug	-925m	-1484m	-143m	-196m
09/26/2018 06:45	NZ	Exports NZD	Aug	4.40b	4.05b	5.35b	5.34b
09/26/2018 06:45	NZ	Imports NZD	Aug	5.50b	5.54b	5.49b	5.54b
09/26/2018 06:45	NZ	Trade Balance 12 Mth YTD NZD	Aug	-4620m	-4814m	-4441m	-4504m
09/26/2018 09:00	NZ	ANZ Business Confidence	Sep	—	-38.3	-50.3	—
09/26/2018 13:00	SI	Industrial Production YoY	Aug	4.70%	3.30%	6.00%	6.70%
09/26/2018 14:00	JN	Machine Tool Orders YoY	Aug F	—	5.10%	5.30%	—
09/26/2018 14:45	FR	Consumer Confidence	Sep	97	94	97	96
09/26/2018 16:30	UK	UK Finance Loans for Housing	Aug	39559	39402	39584	39619
09/26/2018 19:00	US	MBA Mortgage Applications	Sep-21	—	2.90%	1.60%	—
09/26/2018 22:00	US	New Home Sales	Aug	630k	629k	627k	608k
09/27/2018 02:00	US	FOMC Rate Decision (Upper Bound)	Sep-26	2.25%	2.25%	2.00%	—
09/27/2018 05:00	NZ	RBNZ Official Cash Rate	Sep-27	1.75%	1.75%	1.75%	—
09/27/2018 09:30	CH	Industrial Profits YoY	Aug	—	—	16.20%	—
09/27/2018 14:00	GE	GfK Consumer Confidence	Oct	10.5	—	10.5	—
09/27/2018 15:00	GE	CPI Saxony YoY	Sep	—	—	2.00%	—
09/27/2018 16:00	EC	M3 Money Supply YoY	Aug	3.90%	—	4.00%	—
09/27/2018 16:00	GE	CPI Brandenburg MoM	Sep	—	—	-0.10%	—
09/27/2018 16:00	GE	CPI Hesse MoM	Sep	—	—	-0.10%	—
09/27/2018 16:00	GE	CPI Bavaria MoM	Sep	—	—	0.20%	—
09/27/2018 16:00	IT	Manufacturing Confidence	Sep	104.5	—	104.8	—
09/27/2018 16:00	IT	Consumer Confidence Index	Sep	115	—	115.2	—
09/27/2018 16:00	IT	Economic Sentiment	Sep	—	—	103.8	—
09/27/2018 16:00	PH	BSP Overnight Borrowing Rate	Sep-27	4.50%	—	4.00%	—
09/27/2018 16:30	GE	CPI North Rhine Westphalia YoY	Sep	—	—	2.00%	—
09/27/2018 16:30	HK	Exports YoY	Aug	8.30%	—	10.00%	—
09/27/2018 16:30	HK	Imports YoY	Aug	10.00%	—	14.00%	—
09/27/2018 16:30	HK	Trade Balance HKD	Aug	-45.0b	—	-47.1b	—
09/27/2018 17:00	EC	Economic Confidence	Sep	111.2	—	111.6	—
09/27/2018 17:00	EC	Business Climate Indicator	Sep	1.19	—	1.22	—
09/27/2018 17:00	EC	Industrial Confidence	Sep	5.1	—	5.5	—
09/27/2018 17:00	IT	PPI MoM	Aug	—	—	0.40%	—
09/27/2018 17:00	EC	Consumer Confidence	Sep F	-2.9	—	-2.9	—
09/27/2018 20:00	GE	CPI YoY	Sep P	2.00%	—	2.00%	—
09/27/2018 20:00	GE	CPI EU Harmonized YoY	Sep P	1.90%	—	1.90%	—
09/27/2018 20:30	US	Wholesale Inventories MoM	Aug P	0.30%	—	0.60%	—
09/27/2018 20:30	US	GDP Annualized QoQ	2Q T	4.20%	—	4.20%	—
09/27/2018 20:30	US	Personal Consumption	2Q T	3.80%	—	3.80%	—
09/27/2018 20:30	US	GDP Price Index	2Q T	3.00%	—	3.00%	—
09/27/2018 20:30	US	Core PCE QoQ	2Q T	2.00%	—	2.00%	—
09/27/2018 20:30	US	Durable Goods Orders	Aug P	2.00%	—	-1.70%	—
09/27/2018 20:30	US	Durables Ex Transportation	Aug P	0.40%	—	0.10%	—
09/27/2018 20:30	US	Cap Goods Orders Nondef Ex Air	Aug P	0.40%	—	1.60%	—
09/27/2018 20:30	US	Cap Goods Ship Nondef Ex Air	Aug P	0.50%	—	1.00%	—
09/27/2018 20:30	US	Initial Jobless Claims	Sep-22	210k	—	201k	—
09/27/2018 20:30	US	Continuing Claims	Sep-15	1678k	—	1645k	—
09/27/2018 21:45	US	Bloomberg Consumer Comfort	Sep-23	—	—	60.2	—
09/27/2018 22:00	US	Pending Home Sales MoM	Aug	-0.50%	—	-0.70%	—
09/27/2018	TA	CBC Benchmark Interest Rate	Sep-27	1.38%	—	1.38%	—
09/27/2018	ID	Bank Indonesia 7D Reverse Repo	Sep-27	5.75%	—	5.50%	—
09/27/2018	MU	Trade Balance	Aug	—	—	-6627m	—
09/27/2018	MU	Exports YoY	Aug	—	—	-18%	—

Source: Bloomberg

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