

Highlights

Global	<p>Wall Street slipped at the prospect of US president Trump hinting that he wants to move ahead with the US\$200b of tariffs on Chinese imports next week (after the public comment period ends on 6 September), as well as withdraw from the WTO if “they don’t shape up”. News that the Turkish deputy central bank governor is set to resign and Argentinian policymakers’ emergency rate hike to 60% (after asking for early IMF aid) also weighed on EM sentiments, with the MSCI EM Index sinking 1.2% (largest correction in more than two weeks). S&P500 tested the key 2,900 while crude oil prices broke through the US\$70 per barrel handle, and the 10-year UST bond yield dipped 2bps to 2.86%. It looks like we’re primed for a choppy start for September next week amid these headwinds as the FOMC is likely to proceed with its third rate hike this year. Asian markets may trade with a cautious tone today given the trade uncertainties and ahead of the weekend, especially with the long holiday weekend in the US.</p> <p>Key to focus for today includes China’s official PMI data. Other economic data releases include S’pore’s bank loans growth, UK’ Nationwide house prices, German retail sales, Thai trade data for July, US’ Chicago PMI and final University of Michigan sentiments index.</p>
US	<p>President Trump hinted that “I think we’re close to a deal” with Canada for NAFTA, whereas for China’s currency manipulation, he opined that “it is a formula...and we are looking very strongly at the formula”.</p>
EU	<p>Chief Brexit negotiator Barnier from EU warned that “I don’t think we can speak about a success when speaking about Brexit because Brexit is a negative negotiation” and “our responsibility is to be prepared for any and all the options. That includes a no-deal scenario.”</p>
KR	<p>Bank of Korea (BoK) left its 7-day repo rate pat at 1.50% as expected as a cooling labour market leading up to the meeting had dampened speculation of a rate hike.</p>
CH	<p>The State Council announced new measures to further support the opening of domestic bond market to foreign investors. Interest income from domestic bond market will be exempted from corporate income tax and value added tax for three years. RMB weakened again after the trade war topic re-emerged following Trump’s comments he wants to move ahead with a plan to impose tariffs on US\$200 billion in Chinese imports.</p>
SG	<p>July bank loans growth likely expanded around 5-6% yoy, similar to the June’s 5.9% pace.</p>
ID	<p>Australian prime minister Scott Morrison will be officially meeting Indonesia president Joko Widodo today as the two sides look to close out negotiations on a free trade agreement that could cover trade in a range of sectors including education, agricultural and manufacturing. According to Australian trade minister Simon Birmingham, a deal between the two sides could be signed by Christmas.</p>

Major Markets

- **US:** The S&P500 fell 0.44% and ended its 4-day streak of gains, as news that Trump was ready to impose the \$200bn tariffs on Chinese imports right after the end of the public comment period of September 6 outweighed the positive developments on the US-Canada trade talk front.
- Apple stock rose 0.92% as Berkshire Hathaway CEO Warren Buffet said that he has been purchasing more shares, and calling the iPhone “enormously underpriced”. An announcement was also released that Apple will hold an event on 12 September, where it is expected to unveil the new iPhone.
- Abercrombie Fitch Co. saw its shares slid 17.16% as it missed sales estimates, dragged by its Hollister subsidiary’s prematurely sold-out summer clothing in Europe.
- Electronic Arts (EA) slumped 9.79% after it announced that the released of the much-hyped “Battlefield V” video game will be postponed to 20 November, causing it to reduce its net bookings guidance by \$350mn.
- Meanwhile, the VIX Index rose to 13.53 on Thursday, as compared to 12.25 on Wednesday.

- **Singapore:** The STI traded down 0.56% to close at 3225.72 yesterday, and may extend its slide amid the sea of red ink and market caution surrounding EM risk markets. Given Wall Street’s overnight declines and a softer morning open by Kospi as well, the STI may test the 3200 handle to its recent 21 August low of 3196. With risk-off sentiments prevailing, UST bond yields ended lower by up to 3bps led by the belly of the curve, and SGS bonds should similarly be better bid today

- **Malaysia:** Petronas has announced that it will boost dividends to the government to RM24bn, an increase of RM5bn from the RM19bn that the firm had initially planned to contribute. This comes after profits doubled in the second quarter for the state energy company.

- **Hong Kong:** Retail sales growth decelerated to 7.8% yoy in July from 12% yoy in June. The slowdown could be attributed to four unfavorable factors, including the faded low-base effect, a stronger HKD on USD strength, China’s slowdown as well as trade war concerns. By retail outlets, the sales of foods, alcohol and tobacco grew at the slowest pace since this January by 3% yoy. As trade fears weighed down stock market and in turn reduced wealth effect, consumer sentiments weakened. China’s slowdown and US-China trade war have clouded HK’s economic outlook as well as the salary prospect. This also curbs household spending.
- On the other hand, sales growth of clothing, footwear and allied products and that of jewellery, watches and other luxury goods decelerated to 3.6% yoy and 16.8% yoy in July from 6.2% yoy and 27.8% yoy in June respectively. As HKD followed USD strength to appreciate against major currencies while Asia’s outlook was clouded by trade concerns, tourism activities and tourist spending might have been slowing down. All in all, we expect the four unfavorable factors will continue to soften the growth of retail sales in the coming months.

Bond Market Updates

- **Market Commentary:** The SGD swap curve was range-bound yesterday, with swap rates trading 0-2bps higher across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 479bps. Overall, 10Y UST yields fell 2bps to close at 2.86% on the back of safe-haven demand after Argentina's central bank raised its interest rates to 60% (from 45%) which led to renewed fears over emerging markets, as well as reports that President Donald Trump planned to impose tariffs on USD200bn worth of Chinese goods next week.
- **New Issues:** Vigorous Champion International Ltd has priced a USD500mn 5-year bond (guaranteed by China Ping An Insurance Overseas Holdings Ltd) at CT5+167.5bps, tightening from its initial price guidance of CT5+190bps area. Chalco Hong Kong Investment Co Ltd has priced a USD400mn 3-year bond (guaranteed by Chalco HongKong Limited, Keepwell provider: Aluminium Corporation of China Limited) at CT3+235bps, tightening from its initial price guidance of CT3+275bps area. Gemdale Ever Prosperity Investment Limited has priced a USD150mn 3NC2 bond (guaranteed by Famous Commercial Limited, Keepwell provider: Gemdale Corporation) at 6.0%, in line with its final price guidance. Central Japan Railway Co Ltd has priced a USD350mn 5-year bond at CT5+65bps, tightening from its initial price guidance of CT5+90bps area. Singtel Optus Pty has price a AUD500mn 5-year MTN at ASW+102bps, tightening from its initial price guidance of ASW+105 to 110bps area. Development Bank of Japan Inc has hired banks for its potential USD/EUR 5-7 year sustainability bond issuance. Bangkok Bank PCL has scheduled for investor meetings from 3 Sept for its potential USD bond issuance. Bank of China (Hong Kong) Ltd has scheduled for investor meetings from 3-7 Sept for its potential USD AT1 bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	94.723	0.13%	USD-SGD	1.3676	0.18%
USD-JPY	110.980	-0.63%	EUR-SGD	1.5960	-0.15%
EUR-USD	1.1671	-0.31%	JPY-SGD	1.2322	0.82%
AUD-USD	0.7263	-0.66%	GBP-SGD	1.7791	0.03%
GBP-USD	1.3009	-0.13%	AUD-SGD	0.9933	-0.50%
USD-MYR	4.1090	0.09%	NZD-SGD	0.9104	-0.65%
USD-CNY	6.8445	0.34%	CHF-SGD	1.4111	0.32%
USD-IDR	14680	0.24%	SGD-MYR	3.0074	0.08%
USD-VND	23302	0.03%	SGD-CNY	5.0021	0.14%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9154	--
2M	-0.3380	--	1M	2.0759	--
3M	-0.3190	--	2M	2.1950	--
6M	-0.2660	--	3M	2.3126	--
9M	-0.2060	--	6M	2.5275	--
12M	-0.1650	--	12M	2.8330	--

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%	94.6%	0.0%	0.0%	0.0%
11/08/2018	100.0%	92.2%	2.6%	0.0%	0.0%
12/19/2018	100.0%	30.9%	65.7%	1.8%	0.0%
01/30/2019	100.0%	29.1%	63.6%	5.8%	0.1%
03/20/2019	100.0%	15.1%	46.1%	35.1%	3.0%
05/01/2019	100.0%	13.6%	42.9%	36.2%	6.3%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.25	1.06%	Coffee (per lb)	1.027	-0.24%
Brent (per barrel)	77.77	0.82%	Cotton (per lb)	0.8226	-0.60%
Heating Oil (per gallon)	2.2483	0.28%	Sugar (per lb)	0.1057	1.93%
Gasoline (per gallon)	2.1435	1.78%	Orange Juice (per lb)	1.5490	1.21%
Natural Gas (per MMBtu)	2.8740	-0.73%	Cocoa (per mt)	2,275	-3.15%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,991.1	-0.69%	Wheat (per bushel)	5.3500	-1.25%
Nickel (per mt)	13,206.5	-1.62%	Soybean (per bushel)	8.315	-0.54%
Aluminium (per mt)	2,118.3	-1.79%	Corn (per bushel)	3.5650	--
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,205.0	-0.54%	Crude Palm Oil (MYR/MT)	2,248.0	1.40%
Silver (per oz)	14.594	-1.46%	Rubber (JPY/KG)	173.9	0.81%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,986.92	-137.65
S&P	2,901.13	-12.91
Nasdaq	8,088.36	-21.32
Nikkei 225	22,869.50	21.28
STI	3,225.72	-18.20
KLCI	1,819.66	-0.98
JCI	6,018.96	-46.19
Baltic Dry	1,661.00	--
VIX	13.53	1.28

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (-0.02)	2.65 (-0.03)
5Y	2.11 (--)	2.75 (-0.03)
10Y	2.38 (--)	2.86 (-0.03)
15Y	2.65 (--)	--
20Y	2.69 (+0.01)	--
30Y	2.77 (--)	3.00 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	21.92	-0.17
EURIBOR-OIS	4.00	0.11
TED	20.28	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/30/2018 06:45	NZ Building Permits MoM	Jul	--	-10.30%	-7.60%	-8.20%
08/30/2018 07:50	JN Retail Trade YoY	Jul	1.20%	1.50%	1.80%	1.70%
08/30/2018 07:50	JN Japan Buying Foreign Bonds	Aug-24	--	¥235.5b	¥1929.4b	¥1922.1b
08/30/2018 07:50	JN Foreign Buying Japan Stocks	Aug-24	--	¥334.9b	¥510.6b	¥510.1b
08/30/2018 09:00	NZ ANZ Business Confidence	Aug	--	-50.3	-44.9	--
08/30/2018 09:30	AU Building Approvals MoM	Jul	-2.00%	-5.20%	6.40%	6.80%
08/30/2018 10:00	SK Department Store Sales YoY	Jul	--	2.90%	5.40%	--
08/30/2018 15:55	GE Unemployment Change (000's)	Aug	-8k	-8k	-6k	--
08/30/2018 15:55	GE Unemployment Claims Rate SA	Aug	5.20%	5.20%	5.20%	--
08/30/2018 16:15	MU Hotel Occupancy Rate	Jul	--	88.7	88	--
08/30/2018 16:30	UK Mortgage Approvals	Jul	65.0k	64.8k	65.6k	65.4k
08/30/2018 16:30	HK Retail Sales Value YoY	Jul	9.70%	7.80%	12.00%	11.90%
08/30/2018 17:00	EC Consumer Confidence	Aug F	-1.9	-1.9	-1.9	--
08/30/2018 20:00	GE CPI MoM	Aug P	0.10%	0.10%	0.30%	--
08/30/2018 20:00	GE CPI YoY	Aug P	2.00%	2.00%	2.00%	--
08/30/2018 20:00	GE CPI EU Harmonized MoM	Aug P	0.20%	0.00%	0.40%	--
08/30/2018 20:00	GE CPI EU Harmonized YoY	Aug P	2.10%	1.90%	2.10%	--
08/30/2018 20:30	CA Quarterly GDP Annualized	2Q	3.10%	2.90%	1.30%	1.40%
08/30/2018 20:30	US Personal Income	Jul	0.40%	0.30%	0.40%	--
08/30/2018 20:30	CA GDP MoM	Jun	0.10%	0.00%	0.50%	--
08/30/2018 20:30	US Personal Spending	Jul	0.40%	0.40%	0.40%	--
08/30/2018 20:30	US PCE Core MoM	Jul	0.20%	0.20%	0.10%	--
08/30/2018 20:30	US Initial Jobless Claims	Aug-25	212k	213k	210k	--
08/31/2018 07:00	SK Industrial Production YoY	Jul	0.50%	0.90%	-0.40%	--
08/31/2018 07:01	UK GfK Consumer Confidence	Aug	-10	-7	-10	--
08/31/2018 07:30	JN Job-To-Applicant Ratio	Jul	1.63	1.63	1.62	--
08/31/2018 07:30	JN Jobless Rate	Jul	2.40%	2.50%	2.40%	--
08/31/2018 07:30	JN Tokyo CPI YoY	Aug	1.00%	1.20%	0.90%	--
08/31/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Aug	0.80%	0.90%	0.80%	--
08/31/2018 07:50	JN Industrial Production MoM	Jul P	0.20%	-0.10%	-1.80%	--
08/31/2018 07:50	JN Industrial Production YoY	Jul P	2.70%	2.30%	-0.90%	--
08/31/2018 09:00	CH Non-manufacturing PMI	Aug	53.7	--	54	--
08/31/2018 09:00	CH Manufacturing PMI	Aug	51	--	51.2	--
08/31/2018 09:30	AU Private Sector Credit MoM	Jul	0.30%	--	0.30%	--
08/31/2018 09:30	AU Private Sector Credit YoY	Jul	4.40%	--	4.50%	--
08/31/2018 13:00	JN Housing Starts YoY	Jul	-4.10%	--	-7.10%	--
08/31/2018 14:00	UK Nationwide House PX MoM	Aug	0.10%	--	0.60%	--
08/31/2018 14:00	UK Nationwide House Px NSA YoY	Aug	2.70%	--	2.50%	--
08/31/2018 14:00	TH BoP Current Account Balance	Jul	\$2200m	--	\$4084m	--
08/31/2018 14:45	FR CPI YoY	Aug P	2.20%	--	2.30%	--
08/31/2018 15:30	TH Foreign Reserves	Aug-24	--	--	\$202.9b	--
08/31/2018 15:30	TH Exports YoY	Jul	--	--	10.00%	--
08/31/2018 17:00	EC Unemployment Rate	Jul	8.20%	--	8.30%	--
08/31/2018 17:00	EC CPI Estimate YoY	Aug	2.10%	--	2.10%	--
08/31/2018 17:00	IT CPI EU Harmonized MoM	Aug P	-0.20%	--	-1.40%	--
08/31/2018 17:00	IT CPI NIC incl. tobacco MoM	Aug P	0.30%	--	0.30%	--
08/31/2018 17:00	IT CPI EU Harmonized YoY	Aug P	1.70%	--	1.90%	--
08/31/2018 18:00	IT GDP WDA QoQ	2Q F	0.20%	--	0.20%	--
08/31/2018 21:45	US Chicago Purchasing Manager	Aug	63	--	65.5	--
08/31/2018 22:00	US U. of Mich. Sentiment	Aug F	95.5	--	95.3	--
08/31/2018	SK BoK 7-Day Repo Rate	Aug-31	1.50%	--	1.50%	--

Source: Bloomberg

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