

Highlights

Global	<p>Wall Street ended higher yesterday following a choppy session with the S&P500 and NASDAQ both closing higher by 1.6%. US markets were bolstered by a report from the Conference Board showing that consumer confidence was at an 18 year high in October 2018. Meanwhile, former Fed Chair Janet Yellen has said that she “think it’s appropriate for the Fed to be raising rates” to “stabilize growth at a sustainable pace” but she did add, “nothing is ever set in stone and I would watch developments very carefully.” She also expressed concern about President Trump’s complaints about US monetary policy and stated that “it’s important that the public have confidence in the Fed”. On the EU front, Germany’s CPI accelerated at a faster pace to 2.4% yoy in October (Aug 2018: 2.2% yoy) despite the Bundesbank believing that economic growth probably stalled in 3Q 2018. In China, the manufacturing PMI slowed in October to 50.2 in October from 50.8 the previous month. In other parts of Asia and Oceania, Japan’s industrial production index declined by 2.9% yoy for September whilst Australian CPI rose by 1.9% yoy in 3Q 2018 compared to 2.1% yoy in the previous quarter. Asian markets may likely open higher today following the US rally. Aside that, await for the BOJ decision later with expectation that the current interest-rate will be held although the focus would be on the bank’s assessment of economic risks aside cues on stimulus programs. Today’s economic data calendar also comprises of Germany retail sales, Thailand trade data, France and Italy CPI and Japan’s consumer confidence index.</p>
US	<p>US Conference Board Consumer Confidence climbed to an 18-year high with a 137.9 print, higher than consensus estimates of 135.9, from a revised September figure of 135.3. The strong labour market as well as firm consumer spending reaffirm public confidence in the economy, although note that tax cuts likely fueled the sugar rush on the personal consumption front, which saw a boost of 4% qoq in the recent 3Q GDP release.</p>
EU	<p>S&P Global warned that risks of a “No Deal” Brexit scenario has “increased sufficiently to become a relevant rating consideration”, suggesting that UK’s AA rating may come under consideration in the event that the nation leaves the bloc without a deal. The ratings agency also predicted that the UK economy would be poised to shrink by 1.2% in 2019 and 1.5% in 2020, while employment would rise to 7% by 2020 if no deal could be reached between UK and the bloc.</p>
JP	<p>No surprises expected on Bank of Japan’s balance policy rate today, which will likely be held static. BOJ’s stance on yield curve control (YCC) will be of interest, as changes to the flexibility of the $\pm 0.2\%$ range may be utilised as a form of monetary tightening.</p> <p>On the economic data front, watch Governor Kuroda’s comments for hints of impact of the sales tax hike recently implemented on 15 October, as well as his view on the signs of real estate and loans heating up as mentioned in BOJ’s recent Financial System Report.</p>
CH	<p>The CBIRC states that the credit support will be leaned toward the private sector by raising the percentage of new loans to private companies as well as small and micro companies. Meanwhile, the CBIRC said the time needed for private companies’ loan approval will be shortened.</p>

Major Markets

- **US:** Wall Street closed higher on Tuesday, with the S&P500 and Nasdaq composite rising by 1.57% and 1.77%, respectively. The DJIA (+1.77%) gained the most out of the 3 major indexes.
- General Electric plummeted 8.78% after the industrial conglomerate reported a net loss of \$22.8bn last quarter. Clamour from restructuring woes relating to its core power business, dividend cuts, and SEC & DOJ investigations into the firm's accounting practices likely unnerved investors as well.
- Coca-Cola Co. (+2.52%) released 3Q earnings that exceeded expectations, with net income rising to 44 cents per share (from 33 cents). The beverage firm reiterated its 2018 EPS growth guidance of 8-10%.
- Under Armour equity surged 27.71% on stronger-than-expected profits and adjusted EPS results on the back of solid growth in golf and team sports attire and accessories.
- **Singapore:** The STI slipped 0.51% on Tuesday to close down at 2966.45 as Venture Corp (-0.68%), DBS (-0.23%) and UOB (-0.15%) shares fell, although gains in Jardine Strategic Holdings (+0.38%), Jardine Cycle & Carriage (+0.20%) and OCBC (+0.08%) cushioned the decline.
- **China:** The CSRC will encourage value investors by inducing medium and long term investments to the equity market. To prevent market sentiment from worsening amid trade war escalation and domestic economic slowdown, Chinese regulators may continue to unveil supportive measures in the near term. With more supportive measures, onshore rates continued to edge lower. The resultant narrowing of USD-CNY yield differential would be a major drag on RMB's prospects.
- **Indonesia:** Foreign direct investment fell by 20.2% yoy during the July – September period, according to the Indonesia's Investment Coordinating Board. However, domestic-direct investment rose by 30.5% yoy.
- **Philippines:** Producer price index fell by 0.22% yoy for the month of September, a slower fall compared to the previous month at 0.79% yoy.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with swap rates trading 2-4bps higher across most tenors (with the exception of the 15-year swap rates trading 1bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 16bps to 563bps. Overall, 10Y UST yields rose 4bps to close at 3.12% as equities recovered from Monday's sell-off on the back of trade prospects between the US and China.
- **New Issues:** Scenery Journey Ltd has priced a USD1.8bn deal across three tranches (guaranteed by Tianji Holding Ltd, keepwell provider: Hengda Real Estate Group Co Ltd) with the USD565mn 2-year bond priced at 11.0%, in line with the final price guidance; the USD645mn 4NC2 priced at 13.0%, in line with the final price guidance and the USD590mn 5NC3 at 13.75%, in line with the final price guidance. China CITIC Bank International Ltd has priced a USD500mn PerpNC5 AT1 at 7.1%, tightening from its initial price guidance of 7.3%. Soar Wise Ltd has priced a USD350mn 3-year bond (guaranteed by AVIC International Leasing Co Ltd) at CT3+175bps, tightening from its initial price guidance of CT3+190bps area. Taizhou Infrastructure Construction

Investment Group Co Ltd has priced a USD300mn 3-year bond at 5.8%, tightening from its initial price guidance of 6.1%. Guohui International (BVI) Co Ltd has hired banks for its potential USD bond issuance (guaranteed by Shandong Guohui Investment Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	97.011	0.45%	USD-SGD	1.3849	0.09%
USD-JPY	113.130	0.68%	EUR-SGD	1.5712	-0.15%
EUR-USD	1.1345	-0.25%	JPY-SGD	1.2248	-0.53%
AUD-USD	0.7105	0.71%	GBP-SGD	1.7595	-0.60%
GBP-USD	1.2706	-0.68%	AUD-SGD	0.9841	0.80%
USD-MYR	4.1807	0.03%	NZD-SGD	0.9077	0.60%
USD-CNY	6.9672	0.07%	CHF-SGD	1.3778	-0.23%
USD-IDR	15223	--	SGD-MYR	3.0214	-0.04%
USD-VND	23337	-0.06%	SGD-CNY	5.0347	0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	2.1789	--
2M	-0.3380	--	1M	2.3020	--
3M	-0.3180	--	2M	2.3911	--
6M	-0.2590	--	3M	2.5266	--
9M	-0.1990	--	6M	2.7818	--
12M	-0.1490	--	12M	3.0638	--

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	5.5%	5.5%	0.0%	0.0%	0.0%
12/19/2018	73.2%	69.3%	3.9%	0.0%	0.0%
01/30/2019	74.1%	67.9%	6.1%	0.1%	0.0%
03/20/2019	91.9%	39.0%	48.6%	4.2%	0.1%
05/01/2019	92.7%	35.8%	47.6%	8.8%	0.5%
06/19/2019	96.2%	22.0%	41.9%	27.5%	4.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	66.18	-1.28%	Coffee (per lb)	1.124	-1.62%
Brent (per barrel)	75.91	-1.85%	Cotton (per lb)	0.7690	-0.35%
Heating Oil (per gallon)	2.2598	-1.07%	Sugar (per lb)	0.1332	-1.33%
Gasoline (per gallon)	1.8059	-1.04%	Orange Juice (per lb)	1.3555	-1.92%
Natural Gas (per MMBtu)	3.1870	0.06%	Cocoa (per mt)	2,215	0.91%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,873.1	-2.79%	Wheat (per bushel)	4.9975	-1.48%
Nickel (per mt)	11,705.5	0.05%	Soybean (per bushel)	8.335	-0.66%
Aluminium (per mt)	1,959.5	-0.82%	Corn (per bushel)	3.6475	-0.55%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,225.3	0.07%	Crude Palm Oil (MYR/MT)	2,057.0	-0.87%
Silver (per oz)	14.462	0.14%	Rubber (JPY/KG)	145.2	-0.68%

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

Equity and Commodity

Index	Value	Net change
DJIA	24,874.64	431.72
S&P	2,682.63	41.38
Nasdaq	7,161.65	111.36
Nikkei 225	21,457.29	307.49
STI	2,966.45	-15.09
KLCI	1,685.94	2.21
JCI	5,789.10	34.49
Baltic Dry	1,519.00	--
VIX	23.35	-1.35

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.05 (+0.02)	2.85 (+0.03)
5Y	2.28 (+0.03)	2.96 (+0.04)
10Y	2.50 (+0.02)	3.12 (+0.04)
15Y	2.79 (+0.02)	--
20Y	2.82 (+0.02)	--
30Y	2.94 (+0.03)	3.36 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.97	-0.15
EURIBOR-OIS	4.08	0.06
TED	20.89	--

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).