

## Highlights

Global	<p>With the China market out for Golden Week holidays this week, Asian markets are likely to tread water in the interim, albeit positive weekend news about Deutsche Bank AG (supposedly poised to reach an agreement with labor unions for 1,000 planned job cuts and also nearing a settlement to pay a smaller fine) saw the stock price rebound on Friday and may lend a slightly more risk-supportive tone to markets today. Meanwhile, UK PM May's comments that the Brexit process will start in 1Q 2017, despite leaving most questions about the negotiations unanswered weighed on the GBP. Elsewhere, Japan's Tankan large manufacturers' sentiments was unchanged at 6 in September, with a slightly higher percentage (6.3%) of large companies planning to increase capital spending, but the large non-manufacturers fell from 19 to 18, and suggesting that economic progress remains tepid.</p> <p>The economic data calendar today comprises of US' manufacturing ISM, and the slew of manufacturing PMIs from Europe and Asia including Singapore, as well as Thai CPI. For the week ahead, the focus will be on RBA (with new RBA governor Lowe likely to keep the cash rate at 1.5%) and RBI (also likely static) tomorrow, and culminating with US' nonfarm payrolls and unemployment rate on Friday (market consensus forecast: +170k and 4.9% respectively, versus August pints of +151k and 4.9%).</p>
US	<p>US' personal spending unexpectedly flatlined in August after a revised 0.0% gain in July, while personal income also moderated from +0.4% to +0.2%. Real spending fell for the first time since January while after-tax incomes also eased. The household savings rate also edged up from 5.6% to 5.7%. This suggested that consumption momentum could be cooling after a very healthy 1H and will deliver a smaller but still respectable contribution to 3Q GDP growth. Meanwhile, the core PCE deflator accelerated to 0.2% mom (+1.7% yoy) in August, and moving slightly closer to the Fed's 2% yoy objective. However, the Chicago PMI improved more than expected from 51.5 to 54.2 in September, the strongest since 4Q14. The final print for the University of Michigan confidence was also stronger at 91.2.</p>
SG	<p>Bank loans growth fell 1.6% yoy for the 11th straight month but surged 1.1% mom to hit a 9-month high of \$603.85b in August. The August data also marked the smallest yoy decline since May 2016. Loan demand has stabilized at the headline level from a month to month basis, but core business demand still remains mixed at this juncture. Business sentiments are still soft, given the clouds on the risk horizon such as the US presidential elections and more immediate concerns about German/Eurozone banking sector stability. Bank loans growth probably bottomed in 2Q16 and should see modest improvements for the remainder of this year and gradually creep back to flat or even slightly positive yoy territory as the base effects for 4Q15 turn more supportive (4Q15 bank loans shrank by 1.2% yoy). Our forecast for banks loans growth remains at -1.5% yoy for the full year.</p>

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## Major Market

- **US:** Equities staged a rebound on Friday amidst positive newsflow from Deutsche Bank. Agence France-Presse reported that the beleaguered bank is close to a US\$5.4b settlement with the US Department of Justice, significantly lower than the US\$14b first mentioned. This led a relief rally in financials, leading the S&P 500 higher by 0.80%. The Dow and Nasdaq also rose 0.91% and 0.81% respectively. VIX closed lower by 5.21% at 13.29. Weekly gains on the US Treasuries were pared on Friday, as yields recovered on retreating risk-off sentiments. Yields were higher by 2-4 bps, with 2-year and 10-year benchmark yields closing at 0.76% and 1.59% respectively.
- **Singapore:** Business loans decreased by a less severe 4.2% yoy and expanded 1.6% mom in Aug. Business loans saw a surge for financial institutions (+9.0% yoy from +7.0% previously and +4.7% mom), business services (+7.3% yoy versus +1.6% previously) and building & construction sector (+1.9% yoy, up from +1.2% previously). In contrast, manufacturing loans worsened to -12.5% yoy in Aug (July: -12.0%) and general commerce continued to shrink by double-digits (-20.5% yoy). The latter points to the sustained doldrums for the manufacturing and export activities within Singapore and the region. Note the WTO recently downgraded its 2016 global trade forecast from 2.8% to 1.7%, marking the first time global trade will lag global GDP growth, and also pared its 2017 growth forecast from 3.6% to 1.8-3.1%. Consumer loans growth also accelerated from 2.2% yoy (+0.4% mom) in July to 2.6% in August, as housing/bridging loan activity held steady (+3.4% yoy and +0.3% mom) and the decline in car loans moderated further (-2.0% yoy and +0.3% mom). Buying interest and transactions appear to be picking up modestly for both the domestic asset markets – for property, the benign interest rate environment and speculation of potential cooling measures tweaks may have been contributing factors, while the recent auto loan tweaks have also aided the pick-up/stabilization in COE premiums. Year-to-date bank loans growth is currently averaging -1.5% yoy.
- STI fell 0.56% to close at 2869.47 on Friday, but may rebound today given the Wall Street gains on Friday and morning optimism in Nikkei and Kospi. SGS bonds rallied 5-11bps on Friday, with the longer-dated tenors benefiting the most, but may see the bids ease up today as global risk appetite improves.
- **China:** Official PMI remained unchanged at 50.4 in September, in line with market expectation. This reinforced market expectation that Chinese economy may have found the near-term bottom. Meanwhile, China's currency regulator SAFE published the detailed report on the China's Balance of Payment for first half of 2016. Capital outflow improved in the second half with FDI and portfolio inflows recovered. In addition, more Chinese cities announced property tightening measures. For details, please refer to today's Greater China Week in Review.
- **Hong Kong:** Total deposits increased 6.6% yoy in August to HK\$ 11,362 billion, with total demand deposits slowing down by 10.7% yoy (vs +14.3% yoy in July) to HK\$ 1,781 billion. We believe that the upsurge in recent asset market amid the influx of capital from Mainland could attract investors back to the stock market again, and that the growth in total demand deposits may be slower in coming months. RMB deposits shrank further by 33.3% yoy for the 12th straight month to 3.5-year low of RMB 653 billion in August as CNH depreciated 0.9% during the previous month. Looking ahead, RMB could remain dampened given (1) China's economic slowdown, (2) sustained capital outflow amid increasing M&A activities of enterprises as well as diversified portfolios of residents, and (3) the strong greenback amid the expected rate hike of the Fed. As a result, the ongoing angst of RMB depreciation could result in persistent contraction in offshore RMB deposit. In addition, USD deposits skyrocketed 22.4% yoy to HKD 4,058 billion. Total loan and advances increased by 1.8% yoy to HK\$ 7,734 billion. Loans for use outside of HK grew 1% mom (-1.3% yoy), indicating that demand for Mainland related loan remains soft amid cheaper borrowing cost in Mainland and a persistent high credit risk of Mainland enterprises. Moreover, loans for use in HK rose by 3.2% yoy while loan to finance HK's visible trade slumped by 4.4% yoy. Sagging trade activity amid weak

external demand could continue to depress growth in loan to finance HK's visible trade.

- **Macau:** Hotel guests rose in tandem with the overnight visitors, up by 7.7% yoy in August to its record high in volume terms. The persistent room rate cuts, new hotel openings and seasonality together have helped to attract more hotel guests. On a more positive note, despite an increase in hotel room supply, hotel occupancy rate rose to the highest at 90.3% since November 2014. It is said that the hotel rooms have been nearly fully booked for the Golden Week in October despite upward adjustments in room rates. Based on this, we believe that another new hotel opening in September as well as the effect of Mid-Autumn Festival and Golden Week will help sustain the growth in hotel guests and occupancy rate into the next months. However, after the short-term boosts diminish, whether occupancy rate will retreat amid hotel room glut remain to be watched. Still, more hotel guests and longer average length of stay will lend some momentum to the gaming sector, which has shifted focus onto the mass market segment.
- **Commodities:** Crude oil prices continue to point north, just after the unexpected OPEC oil deal made last week. Money managers flocked to bring speculative net-long positions higher, suggesting increased wagers on rising prices. With this morning's spike seen in Brent futures (Brent touched its \$50/bbl handle briefly in the early hours), market-watchers appears to shrug off the higher US oil rig counts (+7) over the week ended 30 Sept 2016. **We continue to perceive downside risk to oil prices into the coming weeks**, especially as (1) non-OPEC oil producers switch on their oil taps on higher oil prices, while (2) Iran's purported aim to raise oil exports to 2.35 million barrels per day (mbpd) starts to spook the market as the hype over last week's deal subsides.

## Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards last Friday with swap rates trading 1-9bps lower across all tenors except shorter term rates (less than 1 year). Flows in the SGD corporates were heavy with better buying seen in SCISP 4.75%'49s and GENSSP 5.13%'49s while better selling were seen in UOBSP 4%'49s, ABNAV 4.75%'26s and ABNAV 4.7%'22s. There were mixed interests seen in FCLSP 4.88%'49s, SOCGEN 4.3%'26s, CROESP 5%'20s and STANLN 4.4%'26s. In the broader dollar space, the spread on JACI IG corporates increased 3bps to 207bps while the yield on JACI HY corporates increased 6bps to 6.48%. 10y UST yield increased 4bps to 1.59% as investors turned risk-on on market expectation that Deutsche Bank AG will likely pay less than half the penalty sought by US department of Justice, sparking a risk-asset rally and a recovery in the bank's shares.
- **New Issues:** The Wharf Holdings Ltd. has mandated Bank of China and Industrial & Commercial Bank of China Ltd. for a CNY4bn 3-year panda bond issue. The expected issue ratings are "NR/AAA/NR".
- **Rating Changes:** S&P downgraded Shanghai International Port (Group) Co. Ltd.'s (SIPG) corporate credit rating to "A+" from "AA-" with a stable outlook. The downgrade reflects S&P's expectation that SIPG's financial strength will rapidly deteriorate following its debt-funded investment in the IPO of Postal Savings Bank of China (PSBC). Moody's revised its outlook on China Aoyuan Property Group Limited's "B2" corporate family rating to positive from stable. The outlook revision reflects the improving trend in China Aoyuan's credit profile, stemming in turn from its strengthened level of sales execution, lower borrowing costs, and disciplined approach in land acquisitions. Moody's placed Gajah Tunggal Tbk's "B2" corporate family rating on review for downgrade. The ratings review reflects the likelihood of a downgrade if the company fails to make substantial progress over the next three months in refinancing its USD500mn senior secured notes coming due February 2018. Moody's withdrew its issuer rating of "Baa3" on Keppel REIT for its own business reasons.

## Key Financial Indicators

Foreign Exchange						Equity and Commodity		
	Day Close	% Change		Day Close	% Change	Index	Value	Net change
DXY	95.463	-0.08%	USD-SGD	1.3631	-0.09%	DJIA	18,308.15	164.70
USD-JPY	101.350	0.32%	EUR-SGD	1.5317	0.05%	S&P	2,168.27	17.14
EUR-USD	1.1235	0.12%	JPY-SGD	1.3452	-0.38%	Nasdaq	5,312.00	42.85
AUD-USD	0.7664	0.37%	GBP-SGD	1.7678	-0.08%	Nikkei 225	16,449.84	-243.87
GBP-USD	1.2972	0.03%	AUD-SGD	1.0444	0.26%	STI	2,869.47	-16.24
USD-MYR	4.1385	0.37%	NZD-SGD	0.9933	0.37%	KLCI	1,652.55	-17.09
USD-CNY	6.6718	0.07%	CHF-SGD	1.4027	-0.67%	JCI	5,364.80	-67.15
USD-IDR	13042	0.54%	SGD-MYR	3.0311	0.30%	Baltic Dry	875.00	-13.00
USD-VND	22296	-0.03%	SGD-CNY	4.8967	0.06%	VIX	13.29	-0.73

  

Interbank Offer Rates (%)						Government Bond Yields (%)		
Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change	Tenor	SGS (chg)	UST (chg)
1M	-0.3710	--	O/N	0.4238	0.0039	2Y	0.92 (-0.02)	0.76 (+0.03)
2M	-0.3380	--	1M	0.5311	0.0039	5Y	1.32 (-0.07)	1.15 (+0.03)
3M	-0.3010	--	2M	0.6490	--	10Y	1.78 (-0.1)	1.59 (+0.03)
6M	-0.2030	-0.0020	3M	0.8537	0.0081	15Y	2.04 (-0.1)	--
9M	-0.1310	-0.0010	6M	1.2397	0.0019	20Y	2.12 (-0.09)	--
12M	-0.0640	--	12M	1.5518	-0.0046	30Y	2.14 (-0.09)	2.32 (+0.04)

  

Eurozone & Russia Update						Financial Spread (bps)		
	2Y Bond Ylds (bpschg)		10Y Bond Ylds (bpschg)		10Y Bund Spread		Value	Change
Portugal	0.40	4.20	3.33	2.20	3.45	LIBOR-OIS	41.67	0.83
Italy	-0.11	-0.10	1.19	-2.30	1.31	EURIBOR-OIS	4.70	-0.10
Ireland	-0.45	-1.10	0.33	-0.10	0.45	TED	57.98	-2.23
Greece	7.65	--	8.28	2.00	8.40			
Spain	-0.22	-0.40	0.88	-3.70	1.00			
Russia	2.10	2.70	3.79	5.20	3.91			

  

Commodities Futures					
Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.24	0.86%	Coffee (per lb)	1.516	0.93%
Brent (per barrel)	49.06	-0.37%	Cotton (per lb)	0.6829	0.50%
Heating Oil (per gallon)	1.528	1.17%	Sugar (per lb)	0.2253	-1.01%
Gasoline (per gallon)	1.49	1.40%	Orange Juice (per lb)	2.0500	0.64%
Natural Gas (per MMBtu)	2.906	-1.79%	Cocoa (per mt)	2,761	1.21%

  

Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,865.0	0.50%	Wheat (per bushel)	4.0200	0.75%
Nickel (per mt)	10,536	1.33%	Soybean (per bushel)	9.540	0.39%
Aluminium (per mt)	1,664.8	0.15%	Corn (per bushel)	3.3675	2.28%

  

Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,313.3	-0.64%	Crude Palm Oil (MYR/MT)	2,775.0	0.51%
Silver (per oz)	19.214	0.14%	Rubber (JPY/KG)	168.6	-1.92%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

### CFTC Commodities Futures and Options

For the week ended: 27 Sep 2016

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	311,122	272,655	38,467	Soybean	72,783	101,274	-28,491
Natural Gas	-48,362	-73,772	25,410	Corn	-73,059	-51,189	-21,870
Nymex Crude	330,111	314,891	15,220	Coffee	47,331	49,827	-2,496
Copper	-2,216	-13,323	11,107	Lean Hogs	35,660	38,027	-2,367
Cotton	96,640	88,821	7,819	Wheat	-104,935	-104,123	-812
Cocoa	23,436	18,409	5,027	Platinum	36,915	37,366	-451
Live Cattle	36,096	31,335	4,761	Palladium	13,404	12,309	1,095
Sugar	351,383	347,139	4,244	Silver	87,948	85,965	1,983
RBOB Gasoline	63,819	60,117	3,702	Heating Oil	22,394	19,953	2,441

Source: CFTC

### Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
09/30/2016	05:45	NZ Building Permits MoM	Aug	--	-1.00%	-10.50%	-8.10%
09/30/2016	07:00	SK Industrial Production YoY	Aug	1.60%	2.30%	1.60%	--
09/30/2016	07:30	JN Jobless Rate	Aug	3.00%	3.10%	3.00%	--
09/30/2016	07:30	JN Natl CPI YoY	Aug	-0.50%	-0.50%	-0.40%	--
09/30/2016	07:30	JN Natl CPI Ex Fresh Food YoY	Aug	-0.40%	-0.50%	-0.50%	--
09/30/2016	07:50	JN Industrial Production MoM	Aug P	0.50%	1.50%	-0.40%	--
09/30/2016	08:30	MA Nikkei Malaysia PMI	Sep	--	48.6	47.4	--
09/30/2016	08:30	SK Nikkei South Korea PMI Mfg	Sep	--	47.6	48.6	--
09/30/2016	09:45	CH Caixin China PMI Mfg	Sep	50.1	50.1	50	--
09/30/2016	12:19	MU Hotel Occupancy Rate	Aug	--	90.3	86.8	--
09/30/2016	14:45	FR CPI YoY	Sep P	0.40%	0.40%	0.20%	--
09/30/2016	15:30	TH Foreign Reserves	Sep-23	--	\$180.7b	\$180.0b	--
09/30/2016	15:30	TH Exports YoY	Aug	--	2.70%	-4.50%	-5.00%
09/30/2016	16:30	HK Retail Sales Value YoY	Aug	-6.90%	-10.50%	-7.70%	--
09/30/2016	16:30	UK GDP QoQ	2Q F	0.60%	0.70%	0.60%	--
09/30/2016	16:30	UK GDP YoY	2Q F	2.20%	2.10%	2.20%	--
09/30/2016	17:00	EC Unemployment Rate	Aug	10.00%	10.10%	10.10%	--
09/30/2016	17:00	EC CPI Estimate YoY	Sep	0.40%	0.40%	0.20%	--
09/30/2016	17:00	IT CPI EU Harmonized YoY	Sep P	0.10%	0.10%	-0.10%	--
09/30/2016	20:30	US Personal Income	Aug	0.20%	0.20%	0.40%	--
09/30/2016	20:30	CA GDP MoM	Jul	0.30%	0.50%	0.60%	--
09/30/2016	22:00	US U. of Mich. Sentiment	Sep F	90	91.2	89.8	--
10/01/2016	08:00	SK Exports YoY	Sep	-4.20%	-5.90%	2.60%	--
10/01/2016	09:00	CH Manufacturing PMI	Sep	50.5	50.4	50.4	--
10/03/2016	08:30	ID Nikkei Indonesia PMI Mfg	Sep	--	--	50.4	--
10/03/2016	08:30	TA Nikkei Taiwan PMI Mfg	Sep	--	--	51.8	--
10/03/2016	08:30	JN Nikkei Japan PMI Mfg	Sep F	--	--	50.3	--
10/03/2016	11:30	TH CPI YoY	Sep	0.40%	--	0.29%	--
10/03/2016	13:00	IN Nikkei India PMI Mfg	Sep	--	--	52.6	--
10/03/2016	15:45	IT Markit/ADACI IT Mfg PMI	Sep	50.3	--	49.8	--
10/03/2016	15:50	FR Markit FR Manufacturing PMI	Sep F	49.5	--	49.5	--
10/03/2016	15:55	GE Markit/BME GE Mfg PMI	Sep F	54.3	--	54.3	--
10/03/2016	16:00	EC Markit EC Manufacturing PMI	Sep F	52.6	--	52.6	--
10/03/2016	16:30	UK Markit UK PMI Mfg SA	Sep	52.1	--	53.3	--
10/03/2016	21:30	CA RBC CA Manufacturing PMI	Sep	--	--	51.1	--
10/03/2016	21:45	US Markit US Manufacturing PMI	Sep F	51.4	--	51.4	--
10/03/2016	22:00	US ISM Manufacturing	Sep	50.3	--	49.4	--
10/03/2016		ID CPI YoY	Sep	3.05%	--	2.79%	--

Source: Bloomberg

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