

Highlights

Global	<p>Global risk appetite retreated on market speculation that the ECB may be tapering its QE program (rumoured by EUR10b per month), coupled with recent Fed rhetoric on Nov FOMC being “live”. Meanwhile, the IMF kept its 2016 and 2017 global growth forecasts at 3.1% and 3.4% respectively, notwithstanding that DM remains “along a disappointingly low growth” and “the whole economy has moved sideways”. Moreover, the IMF warned that threats of political discord and protectionism have highlighted a “fraying consensus about the benefits of cross-border economic integration” and political repercussions are likely to depress global growth further.</p> <p>Meanwhile, RBA kept its policy ratings unchanged under the new governor Lowe, whereas RBI unexpectedly cut its repurchase rate by 25bps yesterday. The economic data calendar comprises of US’ durable goods orders, ISM non-manufacturing ISM, factory orders, trade deficit and ADP employment change, services and composite PMIs for Eurozone and India, and S’pore’s COE premium tender results. Speakers include Fed’s Kashkari, BOE’s Broadbent, and ECB’s Nowotny.</p>
US	<p>The New York ISM improved from 47.5 in August to 49.6 in September, albeit the business conditions outlook and the employment gauges both slid to 59.6 (previously 65.5) and 33.9 (previously 54.9). Meanwhile, Fed’s Evans (voting in 2017) opined that “I would prefer to see solid evidence that inflation is actually moving up in a sustained fashion rather than rely solely on historical forecasting relationships to make the call” and “I would prefer that at the time we make our next move, FOMC communications would also indicate that subsequent increases will depend on seeing such changes in inflation indicators”.</p>
IMF	<p>Whilst the IMF upgraded the growth prospects for the euro area and Japan, it trimmed that for the US to 1.6% (previously 2.2%) for 2016 and 2.2% (previously 2.5%) for 2017. IMF also opined that “additional easing through expanded asset purchases may be needed if inflation fails to pick up” and the ECB should maintain “current appropriately accommodative stance”. The IMF’s forecast for China was static at 6.6% and 6.2% for 2016 and 2017 respectively.</p>
SG	<p>The Nikkei Singapore PMI may stay buoyant in September and register its fifth month in expansion territory (>50), albeit the August print of 52.3 was the second highest this year since January’s 52.5 reading.</p>
Commodities	<p>Crude oil continued to rally into early Asian trading hours, with WTI edging even closer to the coveted \$50/bbl handle. Brent remained strong at \$50.87/bbl at closing. More importantly, the higher oil prices would suggest higher inflationary pressures in both developed and emerging economies, including the US. With lower oil prices and weak inflation pressures as one of the arguments by the FOMC to leave rates unchanged, the quick rise in oil prices seen over the week has invariably lifted the implied probability for the Fed rate hike for both Nov (17.1% from a week ago to current 21.4%) and Dec (60.9% to 61.2%). The rising oil prices, coupled with recent rhetoric by Fed Mester and Lacker for the Fed to raise rates later this year, are compiling drivers to drive gold below the \$1,300/oz handle seen overnight.</p>

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Major Markets

- **US:** Investors appeared grow skittish on hawkish Fed speak and rumours that the ECB is looking to taper its asset purchases, leading them to question the resolve of central banks in continuing their accommodative stance. Following on from yesterday, real estate and utilities continue to lead equities downwards, with the S&P 500 closing down -0.50%, and the Dow and Nasdaq retreating -0.47% and -0.21% respectively. Financials were the only bright spot, having benefited from the higher bond yields. VIX rose 0.44% to 13.63. US Treasuries were sold off alongside Bunds on the ECB rumours, with longer-dated maturities harder hit. Yields rose 3-6 bps across the spectrum, with the 2-year yield rising to 0.82% and the 10-year yield closing at 1.69%.
- **Singapore:** STI added 0.48% to close at 2884.64 yesterday, but may investor appetite for risk retract today given market speculation of decreased policy accommodation from the ECB and FOMC in the near future. Overnight slippage in Wall Street and mixed morning leads from Nikkei and Kospi suggest that STI could consolidate surrender yesterday's gains. STI support and resistance are tipped at 2860 and 2900 respectively. SGS bond yields jumped 8-11bps yesterday but it remains to be seen if the selling pressure will subside today.
- **Hong Kong:** Decline of overall residential property price narrowed notably from 7.27% yoy to 5.86% in August, the smallest decline on yearly basis since February this year. The growth in the prices of smaller residential units (below 100 sq.m.) contracted 5.94% yoy while those belonging to the larger units (above 100 sq.m.) dipped 4.76% yoy. Residential property transaction volume surged to 7,826 units in September, the highest since November 2012. On a yearly basis, residential property transactions increased significantly by 84%. By segment, transaction volumes for housing units priced over HKD 5 million were mainly responsible for the rebound, which surged from 2,915 units to 4,588 units, up 57% mom. Though Hong Kong's dimmer economic outlook amid weak inbound tourism continue to cloud the property market and dent investor's sentiment, the slower pace of a rate hike in the US left room for the property market to see a more gradual correction. Recently, banks competed to offer lower mortgage rate to attract clients, and the lowest rate reported has already decreased to Hibor+1.38%. Also, it seems likely that the property frenzy in Mainland will begin to spill over to HK. Adding on to the concern on RMB depreciation and asset shortage in Mainland, we believe HK property market could regain its traction in the near term while the decline of housing price will narrow to 3%-5% at the end of this year.
- **Indonesia:** Government is finalizing a revision on mineral export ban regulation, according to acting energy minister, Luhut Panjaitan. This would likely involve a 3-5 years extension for concentrate exports, as well as allowing exports of nickel with 1.8% purity. Separately, the Finance Ministry said that the government has achieved 60% of its 2016 tax revenue target and estimates budget deficit to remain at 2.5-2.7% of GDP.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday as expectation that the Federal Reserve is likely to raise interest rates by year-end weighed on the longer end of the swap curve. The shorter term rates (<3Y) traded 1-2bps lower while the longer term rates (5-30Y) traded 1-6bps higher. Flows in the SGD corporates were heavy with better buying seen in KEPSP 3.145%'22s and better selling seen in OLAMSP 6%'22s and FCLSP 4.25%'26s. Meanwhile, mixed interest was seen in FCL 5%'49s. In the broader dollar space, the spread on JACI IG corporates remained relatively unchanged at 205bps while the yield on JACI HY corporates decreased 1bps to 6.48%. 10y UST yield increased 6bps to 1.68% following a selloff in treasuries, spurred by the European Central Bank surprisingly announcing that it is likely to wind down bond purchases as it ends quantitative

easing.

- **New Issues:** Korea Housing Finance Corp. has priced a USD500mn 5-year covered bond at CT5+85bps, tightening from its initial guidance of CT5+100bps. The expected issue ratings are “NR/Aa1/NR”. International Container Terminal Services Inc. has scheduled investor meetings from 4 – 5 October onwards for a potential USD bond issue. Industrial Bank of China NY branch has scheduled investor meetings from 11 – 14 October onwards for potential USD bond issue. Asciano Ltd. has scheduled investor meetings from 11 – 28 October for a potential USD bond issue.
- **Rating Changes:** S&P downgraded the counterparty credit ratings of Higo Bank Ltd. and Kagoshima Bank Ltd., who are core bank subsidiaries of Kyushu Financial Group, to “A-“ from “A” with stable outlooks. The downgrades follow the downward revision of Kyushu Financial Group’s capital and earnings’ assessment to adequate from strong. The stable outlook reflects S&P’s view that Kyushu Financial Group’s financial base is likely to remain commensurate with the current ratings over the next one to two years. Fitch has revised its credit outlook on Wells Fargo & Co. to negative from stable. The outlook revision reflects potential damage to the firm’s franchise and earnings profile following recent regulatory actions regarding improper unauthorized account openings. Fitch has withdrawn its foreign-currency issuer default rating (IDR) on Hua Han Industry Holdings Ltd. (Hua Han). This follows the suspension of the audit assessment by Ernst & Young which resulted in Fitch’s inability to ascertain Hua Han’s liquidity position, which is viewed as critical under Fitch criteria for maintaining ratings on Hua Han.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	96.169	0.50%	USD-SGD	1.3710	0.43%
USD-JPY	102.900	1.23%	EUR-SGD	1.5359	0.36%
EUR-USD	1.1204	-0.06%	JPY-SGD	1.3321	-0.82%
AUD-USD	0.7620	-0.72%	GBP-SGD	1.7452	-0.45%
GBP-USD	1.2728	-0.89%	AUD-SGD	1.0448	-0.27%
USD-MYR	4.1283	0.34%	NZD-SGD	0.9883	-0.48%
USD-CNY	6.6718	--	CHF-SGD	1.4007	-0.12%
USD-IDR	12978	-0.04%	SGD-MYR	3.0151	0.04%
USD-VND	22308	0.01%	SGD-CNY	4.8693	-0.29%

Equity and Commodity

Index	Value	Net change
DJIA	18,168.45	-85.40
S&P	2,150.49	-10.71
Nasdaq	5,289.66	-11.22
Nikkei 225	16,735.65	136.98
STI	2,884.64	13.80
KLCI	1,661.25	8.70
JCI	5,472.32	8.40
Baltic Dry	860.00	-4.00
VIX	13.63	0.06

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	0.4227	--
2M	-0.3380	--	1M	0.5283	--
3M	-0.3010	--	2M	0.6490	--
6M	-0.2030	--	3M	0.8579	--
9M	-0.1310	--	6M	1.2478	--
12M	-0.0640	--	12M	1.5590	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	0.92 (-0.01)	0.82 (+0.03)
5Y	1.38 (+0.03)	1.23 (+0.05)
10Y	1.86 (+0.05)	1.69 (+0.06)
15Y	2.13 (+0.07)	--
20Y	2.23 (+0.08)	--
30Y	2.26 (+0.09)	2.41 (+0.07)

Eurozone & Russia Update

	2Y Bond Ylds (bpschg)	10Y Bond Ylds (bpschg)	10Y Bund Spread
Portugal	0.42	0.60	3.39
Italy	-0.10	0.80	1.31
Ireland	-0.43	1.90	0.43
Greece	7.65	--	8.27
Spain	-0.23	1.50	0.98
Russia	2.07	-1.70	3.78

Financial Spread (bps)

	Value	Change
LIBOR-OIS	41.52	-0.15
EURIBOR-OIS	3.90	-1.10
TED	55.27	--

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	48.69	-0.25%	Coffee (per lb)	1.475	-0.07%
Brent (per barrel)	50.87	-0.04%	Cotton (per lb)	0.6988	1.67%
Heating Oil (per gallon)	1.554	0.08%	Sugar (per lb)	0.2326	2.60%
Gasoline (per gallon)	1.50	1.98%	Orange Juice (per lb)	2.0220	2.69%
Natural Gas (per MMBtu)	2.964	1.40%	Cocoa (per mt)	2,815	0.79%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	4,805.0	-0.29%	Wheat (per bushel)	3.9550	--
Nickel (per mt)	10,034	-2.64%	Soybean (per bushel)	9.635	-0.98%
Aluminium (per mt)	1,660.8	-0.46%	Corn (per bushel)	3.4825	0.65%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,266.3	-3.26%	Crude Palm Oil (MYR/MT)	2,743.0	-1.15%
Silver (per oz)	17.775	-5.79%	Rubber (JPY/KG)	170.1	0.95%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Key Economic Indicators

Date	Time	Event	Survey	Actual	Prior	Revised	
10/04/2016 00:00	IT	New Car Registrations YoY	Sep	--	17.30%	20.12%	--
10/04/2016 07:00	NZ	QV House Prices YoY	Sep	--	14.30%	14.60%	--
10/04/2016 07:00	SK	BoP Current Account Balance	Aug	--	\$5513.2m	\$8706.1m	\$8671.6m
10/04/2016 07:50	JN	Monetary Base YoY	Sep	--	22.70%	24.20%	--
10/04/2016 08:30	AU	ANZ Job Advertisements MoM	Sep	--	-0.30%	1.80%	1.70%
10/04/2016 08:30	AU	Building Approvals MoM	Aug	-6.00%	-1.80%	11.30%	12.00%
10/04/2016 08:30	AU	Building Approvals YoY	Aug	5.10%	10.10%	3.10%	4.20%
10/04/2016 11:30	AU	RBA Cash Rate Target	Oct-04	1.50%	1.50%	1.50%	--
10/04/2016 13:30	AU	Commodity Index AUD	Sep	--	92.1	90.5	90
10/04/2016 13:30	AU	Commodity Index SDR YoY	Sep	--	3.10%	0.80%	0.30%
10/04/2016 16:30	UK	Markit/CIPS UK Cons. PMI	Sep	49	52.3	49.2	--
10/04/2016 17:00	EC	PPI MoM	Aug	-0.10%	-0.20%	0.10%	0.30%
10/04/2016 17:00	EC	PPI YoY	Aug	-2.10%	-2.10%	-2.80%	-2.60%
10/04/2016 17:00	IN	RBI Repurchase Rate	Oct-04	6.50%	6.25%	6.50%	--
10/04/2016 17:00	IN	RBI Reverse Repo Rate	Oct-04	6.00%	5.75%	6.00%	--
10/05/2016 07:00	SK	CPI MoM	Sep	0.20%	0.60%	-0.10%	--
10/05/2016 07:00	SK	CPI YoY	Sep	0.70%	1.20%	0.40%	--
10/05/2016 07:00	SK	CPI Core YoY	Sep	1.40%	1.30%	1.10%	--
10/05/2016 07:01	UK	BRC Shop Price Index YoY	Sep	--	-1.80%	-2.00%	--
10/05/2016 08:00	NZ	ANZ Commodity Price	Sep	--	--	3.20%	--
10/05/2016 08:30	SI	Nikkei Singapore PMI	Sep	--	--	52.3	--
10/05/2016 08:30	HK	Nikkei Hong Kong PMI	Sep	--	--	49	--
10/05/2016 08:30	JN	Nikkei Japan PMI Services	Sep	--	--	49.6	--
10/05/2016 08:30	JN	Nikkei Japan PMI Composite	Sep	--	--	49.8	--
10/05/2016 08:30	TA	CPI YoY	Sep	0.40%	--	0.57%	--
10/05/2016 08:30	AU	Retail Sales MoM	Aug	0.20%	--	0.00%	--
10/05/2016 09:00	PH	CPI YoY	Sep	2.10%	--	1.80%	--
10/05/2016 09:00	PH	CPI NSA MoM	Sep	0.00%	--	0.10%	--
10/05/2016 13:00	IN	Nikkei India PMI Services	Sep	--	--	54.7	--
10/05/2016 13:00	IN	Nikkei India PMI Composite	Sep	--	--	54.6	--
10/05/2016 15:45	IT	Markit/ADACI IT Services PMI	Sep	52	--	52.3	--
10/05/2016 15:45	IT	Markit/ADACI IT Composite PMI	Sep	51.5	--	51.9	--
10/05/2016 15:50	FR	Markit France Services PMI	Sep F	54.1	--	54.1	--
10/05/2016 15:50	FR	Markit France Composite PMI	Sep F	53.3	--	53.3	--
10/05/2016 15:55	GE	Markit Germany Services PMI	Sep F	50.6	--	50.6	--
10/05/2016 15:55	GE	Markit/BME GE Composite PMI	Sep F	52.7	--	52.7	--
10/05/2016 16:00	EC	Markit Eurozone Services PMI	Sep F	52.1	--	52.1	--
10/05/2016 16:00	EC	Markit EC Composite PMI	Sep F	52.6	--	52.6	--
10/05/2016 16:30	UK	Markit/CIPS UK Services PMI	Sep	52.2	--	52.9	--
10/05/2016 16:30	UK	Markit/CIPS UK Composite PMI	Sep	52.3	--	53.6	--
10/05/2016 17:00	EC	Retail Sales MoM	Aug	-0.30%	--	1.10%	--
10/05/2016 17:00	EC	Retail Sales YoY	Aug	1.50%	--	2.90%	--
10/05/2016 19:00	US	MBA Mortgage Applications	Sep-30	--	--	-0.70%	--
10/05/2016 20:15	US	ADP Employment Change	Sep	165k	--	177k	--
10/05/2016 20:30	US	Trade Balance	Aug	-\$39.2b	--	-\$39.5b	--
10/05/2016 20:30	CA	Int'l Merchandise Trade	Aug	-2.45b	--	-2.49b	--
10/05/2016 21:45	US	Markit US Services PMI	Sep F	51.9	--	51.9	--
10/05/2016 21:45	US	Markit US Composite PMI	Sep F	--	--	52	--
10/05/2016 22:00	US	ISM Non-Manf. Composite	Sep	53	--	51.4	--
10/05/2016 22:00	US	Factory Orders	Aug	-0.20%	--	1.90%	--
10/05/2016 22:00	US	Durable Goods Orders	Aug F	0.00%	--	0.00%	--

Source: Bloomberg

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