

Highlights

Global	<p>With US markets closed yesterday for Labor Day holiday, investors continued to focus on North Korean tensions as Ambassador Haley said Kim was “begging for war” and “only the strongest sanctions will enable us to resolve this problem through diplomacy” at the UN Security Council emergency meeting yesterday. Both Trump and Moon also “agreed to maximize pressure on North Korea using all means at their disposal”. Elsewhere, China’s clampdown on initial coin offerings dented the allure of bitcoin, even as the RMB continued to rally ahead of the 19th Party Congress on 18 October. Apart from the continuing but hopefully intermittent North Korean developments and RBA’s policy decision (likely static on rates this morning but watch the language by governor Lowe this evening), Asian bourses may attempt to stabilise today. Today’s economic data calendar comprises of US’ factory orders, and services and composite PMIs across Europe and Asia including China.</p>
SG	<p>S’pore’s manufacturing PMI rose for the third straight month to 51.8 (+0.8 points) in August, which is the highest print since November 2014 and the 12th consecutive month in expansion territory (>50). The optimism came from almost all indicators, including new orders, new exports, factory output etc. This domestic manufacturing PMI largely mirrored the improvements in regional manufacturing PMI readings. The electronics PMI also improved by 1 point to 53.2 in August, which is the highest since November 2019 and marked the 13th straight month of expansion (>50). The improvement was also broad-based. In general, global semiconductor companies have generally benefited from healthy demand for consumer electronics, data center activities fueled by cloud demand, as well as gearing up for the iPhone 8 production cycle (marking its 10-year anniversary) and consumers’ upgrading demand to mid- to high-end smartphones and other large-screen phablets. This global electronics momentum is likely to sustain in the coming months as well, although at current elevated domestic PMI prints, the upside may be relatively limited from here. We upgrade our 2017 manufacturing growth forecast from 4.7% yoy to 5.8% yoy, given that the first seven months’ performance was already a stellar 10.1% yoy, and leading indicators like the manufacturing and electronics PMIs remain very healthy. Consequently, we also upgrade our 2017 GDP growth higher from 2.5% yoy to 2.7% yoy.</p>
CN	<p>China’s central bank deemed initial coin offerings as illegal and asked all related fundraising activity to be halted immediately. The PBoC also said digital tokens cannot be used as currency. As the result of regulatory clampdown, bitcoin prices fell by more than 10%. On the other hand, RMB continued to rally against both USD and basket of currencies on Monday, benefiting from the rising risk aversion sentiment. We think the chance for USDCNY to break 6.50 is high.</p>
CMD	<p>Brent was lower overnight, an indication that market appetite remained underwater. Note Saudi Arabia raised its Arab Light Oil pricing for October sales to Asia by 55 cents, suggesting the crude exporter’s confidence over Asia’s strengthening crude oil demand.</p>

Major Market

- **US:** Wall Street was closed for the Labour Day Holiday.
- **Singapore:** STI was one of the Asian bourses that saw the most profit-taking yesterday, especially in bank stocks. STI declined by 1.41% to close at 3230.97. Expect the STI to trade in a range of 3220-3240 today, amid mixed cues from Wall Street overnight and morning divergence by Nikkei and Kospi. Flight to quality led the SGS bond yields to fall by up to 4bps in the longer-tenors yesterday, but it would take further North Korean sabre-rattling to sustain the rally in our view, especially with the 10-year SGS bond yield already closing at 2.05% and approaching the key 2% handle.
- **Hong Kong:** Housing transactions dropped for the second straight month by 31% yoy in August. The slump was mainly attributed to weakness in the secondary property market. For the primary market, the buying spree might also have been moderating. Specifically, growth in the transaction volume of private homes priced at or above HK\$ 10 million rose at a much slower pace by 8% yoy in August while that of private homes priced between HK\$ 5 million to HK\$ 10 million dropped for the second consecutive month by 23% yoy in August. In addition, overall property price index (+19.6% yoy in July) softened on a year-on-year basis for the first time since June 2016. Furthermore, approved new mortgage loans retreated by 23.5% mom while the number of new applications received in July dropped by 38% mom. All these indicators reinforced that the housing market has been moderating. Moving forward, we expect cooling measures, fears of higher rates, prospects for increasing new home supply and lower investment demand from Mainland China in suppressing the housing market. Therefore, we believe housing prices would fall by 5% approximately in 2H.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded downwards on Monday, with swap rates trading 2-6bps lower across all tenors, with the exception of the 1-year tenor, which traded little changed. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 190bps, while the yield on JACI HY Corp traded little changed at 6.8%. 10Y UST yields were unchanged as US markets were closed for the Labour Day Holiday.
- **New Issues:** Komatsu Finance America Inc has scheduled investor meetings for potential USD 3-year and 5-year bond issuance (guaranteed by Komatsu Ltd). The expected ratings are 'NR/A2/NR'.
- **Rating Changes:** S&P has downgraded National Wealth Management Holdings Ltd's (NWMH) issuer credit rating to 'A' from 'A+'. The outlook is negative. At the same time, S&P downgraded its rating on NWMH's senior debt to 'A' from 'A+' and removed the ratings from CreditWatch, where they were placed with negative implications. The rating action reflects S&P's view that the strategic importance of NWMH group to the National Australia Bank Ltd (NAB) group has decreased following the sale of 80% of MLC Ltd, which was the largest operating subsidiary of NWMH. S&P has assigned Zhongrong Xinda Group Co Ltd (Zhongrong Xinda) a corporate credit rating of 'BB-'. The outlook is stable. The rating action reflects S&P's view that Zhongrong Xinda will maintain its leading position in China's coking industry over the next 12 months. Fitch has also assigned Zhongrong Xinda a 'BB' long term issuer default rating with a stable outlook. Moody's has downgraded Quintis Ltd's corporate family rating and senior secured debt

rating to 'C' from 'Ca'. The outlook is stable. The rating action follows Quintis's announcement that it has failed to make an interest payment due 1 August 2017. Moody's has assigned the Postal Savings Bank of China Co Ltd (PSBC) an 'A2' long-term deposit rating with a positive outlook, a 'Baa3' baseline credit assessment, and an 'A2' counterparty risk assessment. The rating action reflects PSBC's improved financial performance, strong funding profile, good asset quality, weaker-than-peer capital adequacy and relatively modest profitability.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.635	-0.19%	USD-SGD	1.3572	0.01%
USD-JPY	109.720	-0.48%	EUR-SGD	1.6145	0.36%
EUR-USD	1.1896	0.30%	JPY-SGD	1.2371	0.43%
AUD-USD	0.7944	-0.39%	GBP-SGD	1.7550	-0.05%
GBP-USD	1.2931	-0.15%	AUD-SGD	1.0783	-0.09%
USD-MYR	4.2710	--	NZD-SGD	0.9720	0.01%
USD-CNY	6.5309	-0.42%	CHF-SGD	1.4164	0.70%
USD-IDR	13339	0.16%	SGD-MYR	3.1487	0.03%
USD-VND	22732	--	SGD-CNY	4.8153	-0.37%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1772	--
2M	-0.3390	--	1M	1.2306	--
3M	-0.3290	--	2M	1.2739	--
6M	-0.2730	--	3M	1.3161	--
9M	-0.2130	--	6M	1.4533	--
12M	-0.1610	--	12M	1.7118	--

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
09/20/2017	2.1%	97.9%	2.1%	0.0%	0.0%
11/01/2017	2.9%	97.1%	2.9%	0.0%	0.0%
12/13/2017	33.8%	66.2%	32.9%	0.9%	0.0%
01/31/2018	33.5%	65.8%	32.5%	0.9%	0.0%
03/21/2018	46.6%	52.8%	39.2%	7.2%	0.2%
05/02/2018	46.0%	52.6%	38.7%	7.1%	0.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	47.29	--	Copper (per mt)	6,874.0	--
Brent (per barrel)	52.34	-0.78%	Nickel (per mt)	12,201.5	1.80%
Heating Oil (per gallon)	1.7468	--	Aluminium (per mt)	2,104.0	-0.84%
Gasoline (per gallon)	1.7479	--			
Natural Gas (per MMBtu)	3.0700	--			
			Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,706.0	--
			Rubber (JPY/KG)	227.9	4.35%
Precious Metals	Futures	% chg			
Gold (per oz)	1,330.4	--			
Silver (per oz)	17.816	--			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	21,987.56	--
S&P	2,476.55	--
Nasdaq	6,435.33	--
Nikkei 225	19,508.25	-183.22
STI	3,230.97	-46.29
KLCI	1,773.16	--
JCI	5,813.74	-50.32
Baltic Dry	1,183.00	--
VIX	10.13	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.26 (-0.01)	1.34 (--)
5Y	1.55 (-0.01)	1.74 (--)
10Y	2.05 (-0.03)	2.17 (--)
15Y	2.33 (-0.04)	--
20Y	2.32 (-0.04)	--
30Y	2.37 (-0.04)	2.78 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.53	-0.29
EURIBOR-OIS	2.92	0.04
TED	31.63	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised
09/04/2017 07:50	JN Monetary Base YoY	Aug 15.70%	16.30%	15.60%	--
09/04/2017 08:30	ID Nikkei Indonesia PMI Mfg	Aug --	50.7	48.6	--
09/04/2017 09:00	AU Melbourne Institute Inflation MoM	Aug --	0.10%	0.10%	--
09/04/2017 09:00	AU Melbourne Institute Inflation YoY	Aug --	2.60%	2.70%	--
09/04/2017 09:30	AU ANZ Job Advertisements MoM	Aug --	2.00%	1.50%	1.60%
09/04/2017 12:00	ID CPI Core YoY	Aug 3.00%	2.98%	3.05%	--
09/04/2017 12:00	ID CPI YoY	Aug 3.99%	3.82%	3.88%	--
09/04/2017 12:00	ID CPI NSA MoM	Aug 0.06%	-0.07%	0.22%	--
09/04/2017 16:30	UK Markit/CIPS UK Construction PMI	Aug 52	51.1	51.9	--
09/04/2017 17:00	EC PPI YoY	Jul 2.10%	2.00%	2.50%	2.40%
09/04/2017 21:00	SI Purchasing Managers Index	Aug 51.2	51.8	51	--
09/05/2017 05:00	SK Foreign Reserves	Aug --	\$384.84b	\$383.76b	--
09/05/2017 07:00	SK BoP Current Account Balance	Jul --	\$7261.3m	\$7007.0m	--
09/05/2017 08:30	JN Nikkei Japan PMI Services	Aug --	--	52	--
09/05/2017 08:30	JN Nikkei Japan PMI Composite	Aug --	--	51.8	--
09/05/2017 08:30	HK Nikkei Hong Kong PMI	Aug --	--	51.3	--
09/05/2017 09:00	NZ ANZ Commodity Price	Aug --	--	-0.80%	--
09/05/2017 09:00	PH CPI YoY	Aug 3.00%	--	2.80%	--
09/05/2017 09:30	AU BoP Current Account Balance	2Q -A\$7.5b	--	-A\$3.1b	--
09/05/2017 09:45	CH Caixin China PMI Composite	Aug --	--	51.9	--
09/05/2017 09:45	CH Caixin China PMI Services	Aug --	--	51.5	--
09/05/2017 12:30	AU RBA Cash Rate Target	Sep-05 1.50%	--	1.50%	--
09/05/2017 13:00	IN Nikkei India PMI Services	Aug --	--	45.9	--
09/05/2017 13:00	IN Nikkei India PMI Composite	Aug --	--	46	--
09/05/2017 15:45	IT Markit/ADACI Italy Services PMI	Aug 55.5	--	56.3	--
09/05/2017 15:45	IT Markit/ADACI Italy Composite PMI	Aug 55.8	--	56.2	--
09/05/2017 15:50	FR Markit France Services PMI	Aug F 55.5	--	55.5	--
09/05/2017 15:50	FR Markit France Composite PMI	Aug F 55.6	--	55.6	--
09/05/2017 15:55	GE Markit Germany Services PMI	Aug F 53.4	--	53.4	--
09/05/2017 15:55	GE Markit/BME Germany Composite PMI	Aug F 55.7	--	55.7	--
09/05/2017 16:00	TA CPI YoY	Aug 1.12%	--	0.77%	--
09/05/2017 16:00	EC Markit Eurozone Services PMI	Aug F 54.9	--	54.9	--
09/05/2017 16:00	EC Markit Eurozone Composite PMI	Aug F 55.8	--	55.8	--
09/05/2017 16:30	UK Markit/CIPS UK Services PMI	Aug 53.5	--	53.8	--
09/05/2017 16:30	UK Markit/CIPS UK Composite PMI	Aug 54	--	54.1	--
09/05/2017 17:00	EC Retail Sales YoY	Jul 2.60%	--	3.10%	--
09/05/2017 22:00	US Factory Orders	Jul -3.30%	--	3.00%	--
09/05/2017 22:00	US Durable Goods Orders	Jul F 1.00%	--	-6.80%	--
09/05/2017 22:00	US Durables Ex Transportation	Jul F --	--	0.50%	--
09/05/2017 22:00	US Cap Goods Orders Nondef Ex Air	Jul F --	--	0.40%	--
09/05/2017 22:00	US Cap Goods Ship Nondef Ex Air	Jul F --	--	1.00%	--

Source: Bloomberg

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