

Highlights

Global	<p>FOMC minutes revealed that inflation remained the main bugbear – while “many participants thought that another increase in the target range later this year was likely to be warranted if the medium-term outlook remained broadly unchanged”, several others noted that “their decision on whether to take such a policy action would depend importantly on whether the economic data in coming months increased their confidence that inflation was moving up toward the Committee’s objective” and “a few participants thought that additional increases in the federal funds rate should be deferred until incoming information confirmed that the low readings on inflation this year were not likely to persist and that inflation was clearly on a path” towards the 2% target. In addition, “many participants expressed concern that the low inflation readings this year might reflect not only transitory factors, but also the influence of developments that could prove more persistent”. Moreover, “increases in most aggregate measures of hourly wages and labor compensation remained subdued, and several participants commented that the absence of broad-based upward wage pressures suggested that the sustainable rate of unemployment might be lower than they currently estimated”. The FOMC is largely anticipated to remain static at the next meeting on 2nd Nov, but potentially hike for the third time at the 14th Dec meeting. Given the market optimism about US corporate earnings season and the slight tinge of inflation caution in FOMC minutes, Wall Street climbed again last night and this may encourage Asian bourses to follow suit today. The economic data calendar comprises US’ initial jobless claims, continuing claims and PPI, Eurozone’s industrial production, India’s and Malaysia’s industrial production, and S’pore’s retail sales. Speakers include Fed’s Powell and Brainard, and ECB’s Draghi and Praet. US banks reporting including Citigroup, JPMorgan Chase, Bank of America and Wells Fargo.</p>
SG	<p>Retail sales likely accelerated from Jul prints of 1.8% yoy (2.2% excluding autos) to 2.4% yoy (3.5% excluding autos) in Aug according to Bloomberg consensus forecast.</p>
HK	<p>The Government proposes some new measures to support the development of Innovation and Technology industry, tackle housing issues and the issue of ageing, as well as improve HK’s role in the Belt and Road Initiative and the Greater Bay Area.</p>
CMD	<p>Oil prices rose to its highest in over a week, but some profit-taking could be seen into today as fresh news of higher Saudi and overall OPEC oil production was reported in the latest OPEC’s MOMR report. Saudi Arabia alone saw oil production rising by 22k barrels per day (bpd) to almost 10 million bpd, although it remains below the target level penciled in late 2016. Elsewhere, gold shed some of its gains overnight given that “many (FOMC) participants thought that another increase in the target range later this year was likely warranted”, adding to further expectations of a rate hike later in December. In the palm oil space, prices were flattish as well as Malaysia’s palm oil inventories rose for its third straight month in September and breaching its two million tons mark for the first time in more than a year. The ballooning inventories were also seen despite the fall in overall crude palm oil production for the second month.</p>

Major Market

- **US:** Equities marched higher on improved trade volumes, despite the Fed minutes not providing any new drivers. Tech mega-caps led the way, with real estate and utilities shares also seeing strong gains. Meanwhile, the telecoms sector lagged. Overall, the S&P 500 and Dow rose 0.18% and 0.19% respectively, while the Nasdaq Composite gained 0.25% to close above the 6600 handle. VIX at 9.85, compared to 10.08 respectively. The US Treasury curve flattened, with the 2y yield firmer by less than 1 bp at 1.52%, while the 10y softer by 1 bps to 2.35%. Implied odds for a December hike remained steady after Fed minutes, but consistent concerns over inflation put pressure on longer-term yields.
- **Singapore:** The STI slipped by 0.26% to close at 3280.28 yesterday but may trade with a slightly firmer tone this morning given more positive cues from Wall Street overnight and morning gains by Kospi. The STI resistance remains at 3300, with support at 3260. With the UST bond yield curve bull-flattening post-FOMC minutes amid a healthy 10-year auction, SGS bonds may stabilise today after bear-steepening yesterday.
- **Hong Kong:** According to Chief Executive Carrie Lam's maiden policy address, apart from old measures, the Government also proposes some new measures to support the development of Innovation and Technology industry, tackle housing issues and the issue of ageing, as well as improve HK's role in the Belt and Road Initiative and the Greater Bay Area. First, the "Starter Homes" scheme and the extension of some old schemes may help to distract some demand from smaller-size private homes. This adds to the prospects for higher rates and increasing private home supply in sustaining housing market moderation in the rest of 2017. However, as the Government will not offer lower land premiums as incentive for developers, we expect the growth of supply under "Starter Home" scheme to be slow and therefore the scheme may have limited impact on the private housing market. Second, small to medium-sized enterprises (SMEs) as well as the start-ups are likely to benefit from the proposed tax reduction and therefore may increase spending and push wage growth. Besides, this may attract SMEs from both Mainland China and other countries to HK. Third, the proposed tax reduction for and the additional investment in the innovation and technology industry may help to boost the industry's growth. Also, Hong Kong's strong research capability and large talent pool will facilitate co-operation with Mainland China in terms of innovation and technology and in turn buoy growth of the Greater Bay Area. Fourth, with regard to the Belt and Road Initiative, Hong Kong will continue to play its role as a financing hub. Also, Hong Kong could share its expertise in financial services, professional services, high value-added shipping services, tourism services, and convention and exhibition services with the countries along the Belt and Road. In addition, the Belt and Road initiative may help to expand the offshore yuan market and therefore bolster the development of CNH businesses in Hong Kong.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mixed yesterday, with swap rates trading 1-4bps higher across most tenors. The 5-year to 12-year tenors, as well as the 20-year tenor, traded little changed. In the broader dollar space, the spread on JACI IG Corp fell 1bps to 181bps. Similarly, the yield on JACI HY Corp fell 1bps to 6.85%. 10Y UST yields fell 1bps to 2.35% as Fed minutes revealed that officials debated on the nature of inflation, with several policy makers looking for stronger evidence of price gains before supporting another interest hike this year.

- **New Issues:** United Overseas Bank Ltd has priced a USD650mn Perp NC6 AT1 at 3.875%, tightening from initial guidance of 4.15% area. The expected issue ratings are 'NR/Baa1/BBB'. China Singyes Solar Technologies Holdings Ltd has priced a USD160mn 364-day bond (guaranteed by some of its non-PRC incorporated subsidiaries) at 6.75%, tightening from initial guidance of low 7% area. Sumitomo Mitsui Banking Corporation has priced a two-tranche deal, with the USD750mn 2-year fixed rate bond priced at CT2+57bps, tightening from initial guidance of CT2+70-75bps; and the USD750mn 2-year floating rate bond priced at 3mL+31bps, with the initial guidance at Libor equivalent. The expected issue ratings are 'NR/A1/NR'. Sumitomo Mitsui Financial Group Inc has priced a three-tranche deal, with the USD1.25bn 5-year fixed rate bond priced at CT5+82bps, tightening from initial guidance of CT5+105bps area; the USD500mn floating rate bond priced at 3mL+74bps, with the initial guidance at Libor equivalent; and the USD750mn 10-year bond priced at CT10+100bps, tightening from initial guidance of CT10+115bps area, which was revised from CT10+120bps area. The expected issue ratings are 'NR/A1/NR'. Canara Bank has priced a USD200mn re-tap of its CBKIN 3.25%'22s at CT5+119bps, tightening from initial guidance of CT5+135bps. The issue ratings are 'BBB-/Baa3/NR'. CITIC Envirotech Ltd may be pricing a SGD240mn Perp NC3. Initial guidance is at 4.3% area and final guidance is at 3.9% area. CDBL Funding 1 has scheduled investor meetings for potential USD bond issuance (guaranteed by CDB Aviation Lease Finance Designated Activity Co and supported with a keepwell and asset purchase deed by China Development Bank Financial Leasing Co) from 12 Oct. The expected issue ratings are 'NR/A2/A+'. Tewoo Group No 4 Ltd has scheduled investor meetings for potential USD 359-day bond issuance (guaranteed by Tewoo Group Co).
- **Rating Changes:** S&P has upgraded Ausdrill Ltd's (Ausdrill) issuer credit rating to 'BB-' from 'B+'. The outlook is stable. At the same time, S&P upgraded the ratings on Ausdrill Finance Pty Ltd's senior unsecured and subordinated notes to 'BB-' from 'B+', while raising the issue ratings on its secured, syndicated bank loan to 'BB+' from 'BB'. The rating action reflects S&P's expectation that Ausdrill's new contracts, cost management and increasing earnings will benefit the company's credit metrics. Moody's has assigned CDBL Funding 1's medium term note (MTN) program a senior unsecured program rating of 'A2'. The outlook is stable. CDBL Funding 1 is owned by CDB Aviation Lease Finance Designated Activity Company (CDBALF), which is in turn wholly owned by China Development Bank Financial Leasing (CDB Financial Leasing). The MTNs are guaranteed by CDBALF and supported by a keepwell and asset purchase deed between CDBL Funding 1, CDBALF, CDB Financial Leasing and the MTN program trustee. There is a one-notch difference between the 'A2' program rating and the 'A1' issuer rating of CDB Financial Leasing, due to the potential different priority of claims for noteholders and the uncertainties over the keepwell provider to transmit resources offshore due to China's capital account regulations.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.015	-0.29%	USD-SGD	1.3543	-0.13%
USD-JPY	112.500	0.04%	EUR-SGD	1.6060	0.30%
EUR-USD	1.1859	0.43%	JPY-SGD	1.2039	-0.17%
AUD-USD	0.7788	0.13%	GBP-SGD	1.7908	0.02%
GBP-USD	1.3223	0.15%	AUD-SGD	1.0549	0.01%
USD-MYR	4.2225	0.07%	NZD-SGD	0.9595	0.08%
USD-CNY	6.5903	0.24%	CHF-SGD	1.3914	0.06%
USD-IDR	13530	0.13%	SGD-MYR	3.1076	-0.05%
USD-VND	22719	-0.06%	SGD-CNY	4.8611	0.24%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1817	--
2M	-0.3390	--	1M	1.2378	--
3M	-0.3290	--	2M	1.2719	--
6M	-0.2740	--	3M	1.3567	--
9M	-0.2210	--	6M	1.5243	--
12M	-0.1810	--	12M	1.8068	--

Fed Rate Hike Probability

Meeting	Prob Hike	1.25 - 1.5	1.5 - 1.75	1.75 - 2.0	2.0 - 2.25
11/01/2017	0.3%	0.3%	0.0%	0.0%	0.0%
12/13/2017	76.7%	76.5%	0.2%	0.0%	0.0%
01/31/2018	77.4%	75.0%	2.4%	0.0%	0.0%
03/21/2018	88.9%	48.3%	39.4%	1.2%	0.0%
05/02/2018	89.4%	46.9%	39.8%	2.7%	0.0%
06/13/2018	92.5%	36.1%	41.9%	13.7%	0.8%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.30	0.75%	Copper (per mt)	6,824.4	1.14%
Brent (per barrel)	56.94	0.58%	Nickel (per mt)	11,065.0	0.71%
Heating Oil (per gallon)	1.7861	1.20%	Aluminium (per mt)	2,107.3	-1.56%
Gasoline (per gallon)	1.6092	1.11%			
Natural Gas (per MMBtu)	2.8890	-0.07%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,696.0	0.07%
			Rubber (JPY/KG)	201.7	-0.05%
Precious Metals	Futures	% chg			
Gold (per oz)	1,288.9	-0.38%			
Silver (per oz)	17.133	-0.43%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,872.89	42.21
S&P	2,555.24	4.60
Nasdaq	6,603.55	16.30
Nikkei 225	20,881.27	57.76
STI	3,280.28	-8.67
KLCI	1,757.21	-3.92
JCI	5,882.79	-22.97
Baltic Dry	1,418.00	--
VIX	9.85	-0.23

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.31 (-0.01)	1.52 (+0.01)
5Y	1.57 (--)	1.96 (--)
10Y	2.09 (+0.01)	2.35 (-0.01)
15Y	2.38 (+0.01)	--
20Y	2.38 (+0.01)	--
30Y	2.47 (+0.01)	2.88 (-0.01)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	13.42	-0.46
EURIBOR-OIS	2.68	--
TED	28.44	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/11/2017 07:30	AU Westpac Consumer Conf SA MoM	Oct	--	3.60%	2.50%	--
10/11/2017 07:50	JN Core Machine Orders MoM	Aug	1.00%	3.40%	8.00%	--
10/11/2017 07:50	JN Core Machine Orders YoY	Aug	0.70%	4.40%	-7.50%	--
10/11/2017 14:00	JN Machine Tool Orders YoY	Sep P	--	45.30%	36.20%	--
10/11/2017 16:00	TA Exports YoY	Sep	13.60%	28.10%	12.70%	--
10/11/2017 16:00	TA Imports YoY	Sep	9.80%	22.20%	6.90%	--
10/11/2017 16:00	TA Trade Balance	Sep	\$5.86b	\$6.69b	\$5.71b	--
10/11/2017 19:00	US MBA Mortgage Applications	Oct-06	--	-2.10%	-0.40%	--
10/12/2017 04:00	NZ REINZ House Sales YoY	Sep	--	-26.20%	-20.00%	--
10/12/2017 05:00	SK Foreign Reserves	Sep	--	\$384.67b	\$384.84b	--
10/12/2017 05:45	NZ Food Prices MoM	Sep	--	-0.20%	0.60%	--
10/12/2017 07:01	UK RICS House Price Balance	Sep	4%	6%	6%	--
10/12/2017 07:50	JN PPI YoY	Sep	3.00%	--	2.90%	--
10/12/2017 07:50	JN PPI MoM	Sep	0.20%	--	0.00%	--
10/12/2017 07:50	JN Bank Lending Incl Trusts YoY	Sep	--	--	3.20%	--
10/12/2017 07:50	JN Bank Lending Ex-Trusts YoY	Sep	--	--	3.20%	--
10/12/2017 08:30	AU Home Loans MoM	Aug	0.50%	--	2.90%	--
10/12/2017 08:30	AU Investment Lending	Aug	--	--	-3.90%	--
10/12/2017 08:30	AU Owner-Occupier Loan Value MoM	Aug	--	--	0.90%	--
10/12/2017 12:00	MA Industrial Production YoY	Aug	5.80%	--	6.10%	--
10/12/2017 12:30	JN Tertiary Industry Index MoM	Aug	0.10%	--	0.10%	--
10/12/2017 13:00	SI Retail Sales SA MoM	Aug	-1.40%	--	3.00%	--
10/12/2017 13:00	SI Retail Sales YoY	Aug	2.40%	--	1.80%	--
10/12/2017 14:45	FR CPI EU Harmonized MoM	Sep F	-0.10%	--	-0.10%	--
10/12/2017 14:45	FR CPI EU Harmonized YoY	Sep F	1.10%	--	1.10%	--
10/12/2017 14:45	FR CPI MoM	Sep F	-0.10%	--	-0.10%	--
10/12/2017 14:45	FR CPI YoY	Sep F	1.00%	--	1.00%	--
10/12/2017 14:45	FR CPI Ex-Tobacco Index	Sep	101.32	--	101.47	--
10/12/2017 15:30	TH Foreign Reserves	Oct-06	--	--	\$199.3b	--
10/12/2017 17:00	EC Industrial Production SA MoM	Aug	0.60%	--	0.10%	--
10/12/2017 17:00	EC Industrial Production WDA YoY	Aug	2.60%	--	3.20%	--
10/12/2017 20:00	IN CPI YoY	Sep	3.50%	--	3.36%	--
10/12/2017 20:00	IN Industrial Production YoY	Aug	2.70%	--	1.20%	--
10/12/2017 20:30	CA New Housing Price Index MoM	Aug	0.20%	--	0.40%	--
10/12/2017 20:30	US PPI Final Demand MoM	Sep	0.40%	--	0.20%	--
10/12/2017 20:30	US PPI Ex Food and Energy MoM	Sep	0.20%	--	0.10%	--
10/12/2017 20:30	US PPI Final Demand YoY	Sep	2.60%	--	2.40%	--
10/12/2017 20:30	US PPI Ex Food and Energy YoY	Sep	2.00%	--	2.00%	--
10/12/2017 20:30	US Initial Jobless Claims	Oct-07	250k	--	260k	--
10/12/2017 20:30	US Continuing Claims	Sep-30	1930k	--	1938k	--
10/12/2017 21:45	US Bloomberg Consumer Comfort	Oct-08	--	--	49.9	--
10/11/2017 10/18	CH Money Supply M2 YoY	Sep	8.90%	--	8.90%	--
10/11/2017 10/18	CH Money Supply M1 YoY	Sep	13.60%	--	14.00%	--
10/11/2017 10/18	CH Money Supply M0 YoY	Sep	6.60%	--	6.50%	--
10/11/2017 10/18	CH New Yuan Loans CNY	Sep	1215.0b	--	1090.0b	--
10/12/2017 10/21	US Monthly Budget Statement	Sep	\$6.0b	--	\$33.4b	--

Source: Bloomberg

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