

Highlights

Global	<p>Market-watchers woke up to news of another North Korean missile flying across Japan's territories again, lifting geopolitical concerns once again. The unidentified missile was said to have reached an altitude of about 770 kilometres and flew some 3,700 kilometres, almost four times the distance compared to its previous Hwasong-14 ICBM launched on 4th July, and far enough to reach the US Pacific territory of Guam. Safe haven assets have already started their ascent; Gold has already appreciated 0.52% higher into this morning, while the JPY is up 0.22%. Do expect the intensified geopolitical concerns to dominate market-appetite for today, though incoming rosy US labour and inflation data last night could provide some relief (if any). Elsewhere, both Bank of England (BOE) and Swiss National Bank (SNB) left rates unchanged, though BOE hinted that "some withdrawal of monetary stimulus was likely to be appropriate over the coming months", while the SNB dropped its long-held language about "significant overvaluation" of the Swiss franc.</p> <p>Look out for a slew of US-centric data later tonight, which includes US Empire Manufacturing, Retail Sales, Industrial Production and U. of Mich Sentiment. In Asia, China is slated to release their monetary supply growth prints, on top of India's and Indonesia's trade data.</p>
CN	<p>The Chinese economy decelerated in August with all three key economic indicators missing forecast. We think the recent slowdown was mainly self-engineered as a result of tighter policy in local government financing, property and environmental policy. Although manufacturing sector remains the bright spot thanks to resilient global recovery, we think it may not be sustainable due to rising raw material prices and the negative impact of environmental inspection. Looking ahead, we expect China's growth to slow down further.</p>
SG	<p>Overall unemployment rate printed 2.2%, while resident unemployment rate edged down to 3.1% (-0.1%). Local employment saw a remarkable turnaround and rose 4K in 1H17, as the Community, Social and Personal Services, Finance & Insurance, and Infocomm led hiring growth, whereas foreign employment declined further by 21.4k due to the drags from the Marine & Offshore Engineering and Construction industries. Looking ahead, the employment prognosis appears supportive but still subdued. The fact that the medium-term labour supply will remain tight and local workforce growth will be modest due to Ageing demographics, while foreign manpower policy is likely to remain constrained. Consequently the average annual job creation will be 25-40k, which is still reasonable, but may remain a bit of a stretch for 2017 unless 2H17 job prospects pick up very significantly.</p>
CMD	<p>Crude oil prices surged further, with WTI rising to as high as \$50.5/bbl on intra-day trading before closing a notch lower to \$49.9/bbl. Likewise, Brent also rose to \$56/bbl on intraday trading before closing lower at \$55.47/bbl. The higher energy prices have been driven by higher global energy demand, especially after investors look past the recent Hurricane mishaps in Florida and Texas. For today, the intensified geopolitical concerns will likely dominate market sentiment today, in which safe haven assets like gold and silver should point higher into the day while risk-related assets like crude oil and base metals could retreat further.</p>

Major Market

- **US:** Equities were mixed on Thursday, with the Dow gaining 0.20%, while the S&P 500 and Nasdaq Composite slipping 0.11% and 0.48%. Energy stocks continued to be supported as the WTI pushed through US\$50 a barrel. VIX was lower at 10.44, compared to 10.50 previously. Meanwhile, US Treasuries traded lower on higher than estimated inflation data. 10y yields stood at 2.18%, while the 2y yields rose 2 bps to 1.36% as markets reassessed the odds for a December rate hike. Market implied probabilities rose to 43.4%, after languishing at 35-38% zone in previous sessions.
- The new North Korean missile launch occurred after markets closed in the US. S&P 500 futures slipped as the details of the launch trickled through. Some volatility might be expected on Friday's trading session, and may spill over to early next week if tensions continue to build over the weekend. Watch for hints of escalation in the subsequent responses from all parties, and movements of traditional havens like gold and JPY.
- **China:** The Chinese economy decelerated in August with all three key economic indicators missing forecast. Chinese industrial production growth slowed to 6% yoy in August from 6.4% yoy in July. Fixed asset investment in the first eight months decelerated noticeably to 7.8% yoy from 8.3% yoy in the first seven months. Retail sales growth also slowed down to 10.1% yoy in August.
- Despite the weaker than expected headline growth, manufacturing activity remained resilient in August. Industrial production in the manufacturing sector grew by 7.2% yoy in the first eight months, higher than 6.8% yoy growth in 2016. This is in line with the picture painted by the improving PMI reported in the beginning of months, which rebounded from 51.4 to 51.7 in August. The resilient manufacturing probably benefited from the still resilient global recovery story.
- However, as investment in the manufacturing sector started to cool with fixed asset investment growth decelerating to 4.5% in the first eight months from 4.8% in the seven month, we think the strong activities in manufacturing sector may not be sustainable, in particular when the impact of environmental inspection starts to take effect gradually.
- Other than manufacturing sector, most economic activities slowed in August mainly due to tighter policy in local government funding, property as well as environmental protection.
- Infrastructure investment growth decelerated to 19.8% in the first eight months from 20.9% in the first seven months. The slowdown was the result of new regulation 50 and 87 to tighten regulation on local government debt issuance and financing activities to contain local government debt risk.
- On property, property sales by value decelerated to 12.7% in the first eight months from 14% in the first seven months while property investment grew by 7.9% yoy in the first eight months.
- In addition, the recent unprecedented tight environmental inspection, which closed down factories also started to dampen private sentiment with private investment growth decelerated to 6.4% yoy in the first eight months from first half's 7.2% yoy.
- To conclude, we think the recent slowdown was mainly self-engineered as a result of tighter policy in local government financing, property and environmental policy. Although the manufacturing sector remains the bright spot thanks to resilient global recovery, we think it may not be sustainable due to rising raw material prices and the negative impact of environmental inspection. Looking ahead, we expect China's growth to slow down further.

- **Indonesia:** Foreign fund inflows reached US\$11b year-to-date, surpassing the full year inflow record of US\$10.6b in 2014. Indonesian sovereign bonds have continued to be attractive even as global monetary accommodation is set to end, especially since the surprise cut by BI last month.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded upwards yesterday, with swap rates trading 2-3bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp traded little changed at 190bps, while the yield on JACI HY Corp rose 2bps to 6.80%. 10Y UST yields traded little changed at 2.18%, as reports of a North Korean missile launch triggered risk-off sentiments, which offset the earlier gains in yields due to stronger-than-expected CPI data.
- **New Issues:** FCL Treasury Pte Ltd has priced a SGD308mn Perp NC5 (guaranteed by Frasers Centrepoint Ltd) at 3.95%, tightening from initial guidance of 4.25% area. Harvest Operations Corp has priced a USD285mn 5-year bond (guaranteed by Korea National Oil Corporation) at CT5+127.5bps, tightening from initial guidance of CT5+150bps. The expected issue ratings are 'AA/Aa2/NR'. Hong Kong Red Star Macalline Universal Home Furnishings Ltd has priced a USD300mn 5-year bond (guaranteed by Red Star Macalline Group Corporation Ltd) at CT5+170bps, tightening from initial guidance CT5+205bps. The expected issue ratings are 'NR/NR/BBB'. Postal Savings Bank of China Co has scheduled investor meetings for a potential USD AT1 issuance from 15 Sep. The expected issue ratings are 'NR/Ba3/NR'.
- **Rating Changes:** Moody's has affirmed Pelabuhan Indonesia II (Persero) (P.T.)'s (Pelindo II) 'Baa3' issuer and senior unsecured ratings, while downgrading its baseline credit assessment (BCA) to 'Ba1' from 'Baa3'. The outlook is positive. The issuer and senior unsecured ratings received a one-notch uplift as Moody's expects that the company will receive a high level of support from the Indonesian sovereign in times of need. The downgrade reflects Pelindo II's plan to undertake significant expansionary capex in the next three years. Moody's has withdrawn Global A&T Electronics Ltd (GATE) 'Ca' corporate family rating (CFR) and the ratings on its senior secured notes. The outlook was negative. Moody's has withdrawn the rating as the company announced that the failure to pay its overdue interest on its notes constitutes an event of default under the indenture governing the notes. Fitch has affirmed Changchun Urban Development & Investment Holdings (Group) Co Ltd's (CCDG) issuer default rating (IDR) and senior unsecured ratings at 'BBB', while revising the outlook to positive from stable. CCDG's ratings are credit-linked to the Changchun Municipality, whose ratings were revised to positive from stable on the back of stronger economic growth, stabilizing fiscal performance and improved leverage.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.124	-0.43%	USD-SGD	1.3469	-0.28%
USD-JPY	110.240	-0.23%	EUR-SGD	1.6051	-0.01%
EUR-USD	1.1919	0.29%	JPY-SGD	1.2215	-0.07%
AUD-USD	0.8005	0.24%	GBP-SGD	1.8048	1.14%
GBP-USD	1.3399	1.42%	AUD-SGD	1.0786	-0.01%
USD-MYR	4.2055	0.33%	NZD-SGD	0.9726	-0.53%
USD-CNY	6.5560	0.22%	CHF-SGD	1.3980	-0.20%
USD-IDR	13251	0.38%	SGD-MYR	3.1127	-0.08%
USD-VND	22726	0.00%	SGD-CNY	4.8550	0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1772	--
2M	-0.3410	--	1M	1.2344	--
3M	-0.3290	--	2M	1.2717	--
6M	-0.2720	--	3M	1.3200	--
9M	-0.2190	--	6M	1.4558	--
12M	-0.1690	--	12M	1.7123	--

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	0.0%	99.1%	0.0%	0.0%	0.0%
11/01/2017	2.8%	96.3%	2.8%	0.0%	0.0%
12/13/2017	43.4%	56.1%	42.2%	1.2%	0.0%
01/31/2018	45.0%	54.6%	42.6%	2.4%	0.0%
03/21/2018	59.2%	40.4%	45.7%	12.9%	0.6%
05/02/2018	58.6%	40.5%	45.2%	12.7%	0.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	49.89	1.20%	Copper (per mt)	6,520.2	-0.79%
Brent (per barrel)	55.47	0.56%	Nickel (per mt)	11,125.0	-1.36%
Heating Oil (per gallon)	1.7775	0.51%	Aluminium (per mt)	2,068.3	-0.56%
Gasoline (per gallon)	1.6287	-1.13%			
Natural Gas (per MMBtu)	3.0700	0.39%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,867.0	-0.21%
			Rubber (JPY/KG)	227.9	-1.34%
Precious Metals	Futures	% chg			
Gold (per oz)	1,329.3	0.10%			
Silver (per oz)	17.789	-0.44%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,203.48	45.30
S&P	2,495.62	-2.75
Nasdaq	6,429.08	-31.10
Nikkei 225	19,807.44	-58.38
STI	3,220.95	-9.41
KLCI	1,781.37	-4.70
JCI	5,852.00	6.27
Baltic Dry	1,337.00	--
VIX	10.44	-0.06

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.26 (+0.02)	1.36 (+0.01)
5Y	1.52 (+0.03)	1.78 (+0.01)
10Y	2.04 (+0.02)	2.18 (--)
15Y	2.34 (+0.03)	--
20Y	2.30 (+0.03)	--
30Y	2.35 (+0.03)	2.77 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	15.86	-0.27
EURIBOR-OIS	2.90	--
TED	28.44	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/14/2017 02:00	US Monthly Budget Statement	Aug	-\$119.0b	-\$107.7b	-\$107.1b	--
09/14/2017 07:01	UK RICS House Price Balance	Aug	0%	6%	1%	--
09/14/2017 07:50	JN Japan Buying Foreign Bonds	Sep-08	--	¥198.7b	-¥117.9b	-¥117.4b
09/14/2017 07:50	JN Foreign Buying Japan Stocks	Sep-08	--	-¥644.6b	-¥158.3b	-¥158.1b
09/14/2017 09:30	AU Employment Change	Aug	20.0k	54.2k	27.9k	29.3k
09/14/2017 09:30	AU Unemployment Rate	Aug	5.60%	5.60%	5.60%	--
09/14/2017 09:30	AU Full Time Employment Change	Aug	--	40.1k	-20.3k	-19.9k
09/14/2017 09:30	AU Participation Rate	Aug	65.10%	65.30%	65.10%	--
09/14/2017 10:00	CH Retail Sales YoY	Aug	10.50%	10.10%	10.40%	--
09/14/2017 10:00	CH Fixed Assets Ex Rural YTD YoY	Aug	8.20%	7.80%	8.30%	--
09/14/2017 10:00	CH Industrial Production YoY	Aug	6.60%	6.00%	6.40%	--
09/14/2017 10:00	CH Industrial Production YTD YoY	Aug	6.80%	6.70%	6.80%	--
09/14/2017 12:00	JN Tokyo Condominium Sales YoY	Aug	--	6.90%	3.30%	--
09/14/2017 12:30	JN Industrial Production YoY	Jul F	--	4.70%	4.70%	--
09/14/2017 12:30	JN Capacity Utilization MoM	Jul	--	-1.80%	2.10%	--
09/14/2017 14:00	EC EU27 New Car Registrations	Aug	--	5.60%	2.70%	--
09/14/2017 14:30	IN Wholesale Prices YoY	Aug	3.20%	3.24%	1.88%	--
09/14/2017 14:45	FR CPI EU Harmonized YoY	Aug F	1.00%	1.00%	1.00%	--
09/14/2017 14:45	FR CPI YoY	Aug F	0.90%	0.90%	0.90%	--
09/14/2017 16:00	IT CPI EU Harmonized YoY	Aug F	1.40%	1.40%	1.40%	--
09/14/2017 19:00	UK Bank of England Bank Rate	Sep-14	0.25%	0.25%	0.25%	--
09/14/2017 19:00	UK BOE Asset Purchase Target	Sep	435b	435b	435b	--
09/14/2017 20:30	CA New Housing Price Index MoM	Jul	0.40%	0.40%	0.20%	--
09/14/2017 20:30	US Initial Jobless Claims	Sep-09	300k	284k	298k	--
09/14/2017 20:30	US Continuing Claims	Sep-02	1965k	1944k	1940k	1951k
09/14/2017 20:30	US CPI YoY	Aug	1.80%	1.90%	1.70%	--
09/14/2017 20:30	US CPI Ex Food and Energy YoY	Aug	1.60%	1.70%	1.70%	--
09/14/2017 21:45	US Bloomberg Consumer Comfort	Sep-10	--	51.9	52.6	--
09/15/2017 05:00	NZ REINZ House Sales YoY	Aug	--	-20.00%	-24.50%	--
09/15/2017 06:30	NZ BusinessNZ Manufacturing PMI	Aug	--	57.9	55.4	55.5
09/15/2017 10:00	ID Exports YoY	Aug	8.30%	--	41.12%	--
09/15/2017 10:00	ID Trade Balance	Aug	\$548m	--	-\$270m	--
09/15/2017 11:00	NZ Non Resident Bond Holdings	Aug	--	--	61.70%	--
09/15/2017 15:30	TH Foreign Reserves	Sep-08	--	--	\$196.2b	--
09/15/2017 20:30	US Empire Manufacturing	Sep	18	--	25.2	--
09/15/2017 20:30	US Retail Sales Advance MoM	Aug	0.10%	--	0.60%	--
09/15/2017 20:30	US Retail Sales Ex Auto MoM	Aug	0.50%	--	0.50%	--
09/15/2017 20:30	US Retail Sales Ex Auto and Gas	Aug	0.30%	--	0.50%	--
09/15/2017 21:15	US Industrial Production MoM	Aug	0.10%	--	0.20%	--
09/15/2017 21:15	US Capacity Utilization	Aug	76.70%	--	76.70%	--
09/15/2017 22:00	US U. of Mich. Sentiment	Sep P	95	--	96.8	--
09/15/2017	PH Overseas Remittances YoY	Jul	6.50%	--	5.70%	--
09/15/2017	PH Overseas Workers Remittances	Jul	\$2277m	--	\$2467m	--
09/14/2017 09/15	CH Money Supply M2 YoY	Aug	9.10%	--	9.20%	--
09/14/2017 09/15	CH New Yuan Loans CNY	Aug	950.0b	--	825.5b	--
09/15/2017 09/18	IN Exports YoY	Aug	--	--	3.90%	--
09/15/2017 09/18	IN Imports YoY	Aug	--	--	15.40%	--

Source: Bloomberg

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