

Highlights

Global	<p>With growing market optimism that the Fed would hike interest rates a third time this year, bank shares lifted the S&P500 to fresh records, while US Treasury bonds retreated. In contrast, lingering Catalonian concerns still weighed on the IBEX35 and the Euro for now. Meanwhile, US-Japan dialogue talks will focus on a common strategy on trade and investment rules and issues to ensure a free and fair trade relationship according to US VP Pence. Separately, US president Trump and Senate Majority Leader McConnell also affirmed their aim to deliver a tax bill by Dec.</p> <p>Asian bourses could extend its firm tone today given improved risk appetite. Today's market focus is likely to centre on RBA minutes, US' industrial production, NAHB housing market index and import prices, Eurozone's ZEW survey and Sep CPI, UK's CPI/PPI/RPI. Speakers include RBA's Ellis, ECB's Constancio and Praet, and BOE's Carney.</p>
US	<p>Market speculation that US president Trump was impressed with John Taylor as a potential Fed chair saw his odds now overshadowing that of Kevin Warsh, and contributed to hawkish market implications. Meanwhile, Fed's Rosengren dismissed worries about John Taylor becoming Fed chair, saying that "I think we can work in most frameworks as long as people are pragmatic and practical about how they think about the implementation" and "most people who end up being the chair, no matter who they are, tend to be a little bit more flexible in their thinking when they're actually making the decision".</p>
UK	<p>UK Pm May's dinner discussion with EC president Juncker yielded few signs of Brexit progress, with a brief statement citing that they "reviewed the progress made in the Article 50 negotiations so far and agreed that these efforts should accelerate over the months to come".</p>
CN	<p>PBoC's upbeat 7% growth forecast for the second half of 2017 drove China's onshore bond prices lower further. Bond prices, which have been suppressed by PBoC's reluctance to inject liquidity last week, fell further with 10-year government bond yield hit above 3.7%, highest since April 2015.</p>
SG	<p>NODX unexpectedly shrank 1.1% yoy (-11.0% mom sa) in Sep, below our forecast of 12.6% yoy (-3.2% momsa), and versus strong growth of 16.7% yoy (+4.2% mom sa) in Aug. This marked the first yoy contraction since Apr17, and was the lowest since Sep16. Electronics exports dragged at -7.9% yoy in Sep, a sharp reversal from a revised +20.8% yoy in Aug. This marked the first contraction since Oct16 and the poorest performance since Jul16, and the drag came from PCs, ICs and diodes & transistors. Non-electronics NODX also moderated from +15.0% yoy in Aug to 1.9% yoy in Sep, led by non-monetary gold, petrochemicals and specialised machinery. NODX rose for 7 of the top 10 NODX markets with the exceptions of HK (-21.1% yoy), Thailand (-9.1% yoy) and EU28 (-8.9% yoy).</p>
CMD	<p>Fighting in Iraqi's Kirkuk oil fields have lifted oil prices starkly overnight. WTI and Brent surged to as high as \$52.4/bbl and \$58.5/bbl on intraday trading yesterday, before closing \$51.9/bbl (+0.8%) and \$57.8/bbl (+1.1%) respectively. Gold prices could remain supported given pronounced geopolitical tensions, note that net-long change in gold positions turned positive for the week ended 10th Oct, bucking the fall trend in the previous three weeks.</p>

Major Market

- **US:** Major equities closed at their respective records simultaneously on Monday. The Dow led the way, rising 0.37% to close just shy of 23000, while the S&P 500 and Nasdaq Composite advanced 0.18% and 0.28% respectively. Tech stocks were buoyed by Apple, due to an analyst upgrade, and Netflix, which posted a decent set of earnings. Financials and telecoms stocks also led the chart for gains. Investors will continue to keep tabs of corporate earnings, as the earnings releases pick up on Tuesday and into the week. VIX stand at 9.91, compared to 9.61 previously.
- Meanwhile, US Treasury yields lurched higher by 3-4 bps, with 2y and 10y benchmark yields standing at 1.54% and 2.30% respectively. The trigger appears to be news that John Taylor, regarded as a hawk, left a good impression on Trump in a meeting.
- **Singapore:** The STI extended the rally by 0.12% to close up at 3323.06 yesterday, but may see gains stall ahead of the Deepavali public holiday tomorrow, notwithstanding overnight gains in Wall Street and morning gains by Kospi. The STI resistance and support are tipped at 3330 and 3300 respectively. The UST bonds retreated with the belly of the curve leading the sell-off on increased market speculation that John Taylor is now leading the Fed chair race. This is likely to limit the SGS bond market performance which continued to bull-steepen amid a persistent bid for the longer-dated papers. The 10-year SGS bond yield is likely to test the 2% level and a break could further fuel the opportunistic spate of corporate bond offerings.
- **Macau:** Gaming revenue expanded by 21.8% yoy in 3Q 2017, a tad slower than a 21.9% yoy increase in the previous quarter. VIP segment remained the main driver of the gaming sector's growth with its revenue surging 35% yoy in 3Q 2017 and its share rallying to 57.74% (the highest level since 1Q 2015). However, the sustainability of VIP growth is succumbed to both policy risks and liquidity risks. Mass-market revenue grew at a slower pace in 3Q 2017 due to bad weather. A rather moderate improvement in tourism activities and the low betting amount of leisure gamblers are other reasons behind the moderate growth in mass-market revenue. This may add to an abating low base effect in slowing down the gaming growth in 4Q 2017. Still, we expect gaming revenue to grow by about 15% yoy this year. In the longer term, should VIP growth prove to be unsustainable, whether the gaming sector could gain further momentum may hinge on the performance of the mass-market segment. With the expansion of China's middle-class and a slew of new mega project openings in years ahead, we still believe that tourism activities will gain further traction and render more support to the mass-market segment. Nonetheless, gaming growth driven by mass-market improvement is likely to be less robust than that fuelled by VIP demand.
- **Indonesia:** Trade balance printed a surplus of US\$1.76b in September, building on the record print of US\$1.72b set in August. Value of exports and imports fell mom in absolute terms from August's elevated levels, though this should not be interpreted as a cause of concern.
- **Commodities:** Crude oil fundamentals still look healthy; Chinese crude and refined oil imports were strong at 12% and 19% year-on-year in September 2017, while global oil inventories in floating tankers continue to point south albeit gradually.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened yesterday, with swap rates trading 1-4bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corp rose 1bps to 182bps, while the yield on JACI HY Corp fell 3bps to 6.80%. 10Y UST yields rose 3bps to 2.30%, after a report suggested that Fed chair candidate John Taylor made a favourable impression on Trump.
- **New Issues:** China Construction Bank Corporation of Singapore has priced a SGD500mn 3-year bond at 2.08%, tightening from initial guidance of SOR+80bps area (2.3% as of 3Y SOR on 16 Oct 2017). Yihua Overseas Investment Ltd has priced a USD250mn 3-year bond (guaranteed by Yihua Enterprise (Group) Co) at 8.5%, in line with initial guidance of mid 8%. The Government of Mongolia has scheduled investor meetings for potential USD bond issuance from 17 Oct. The expected issue ratings are 'B-/NR/B-'. Jiuding Group Finance Co Ltd has scheduled investor meetings for potential re-tap of its JIUDGR 6.5%'20s from 16 Oct. The expected issue ratings are 'BB/NR/NR'. Press Metal (Labuan) Ltd, a wholly-owned subsidiary of Press Metal Aluminium Holdings Berhad has scheduled investor meetings for potential USD bond issuance from 17 Oct. The expected issue ratings are 'BB-/Ba3/NR'. Ryan Investments Ltd has scheduled investor meetings for potential USD bond issuance (guaranteed by Elion Resources Group Co Ltd) from 17 Oct. Boral Ltd has scheduled investor meetings for potential USD bond issuance from 17 Oct.
- **Rating Changes:** S&P has assigned Elion Resources Group Co Ltd (Elion Resources) a long-term corporate credit rating of 'B'. The outlook is stable. The rating action reflects Elion Resources plans to enlarge its operating scale, its concentrated geographical exposure, and S&P's expectation that its financial metrics will gradually improve. S&P has affirmed Swire Properties Ltd's (Swire Properties) 'A-' long-term issue rating and 'A-' long-term corporate credit rating with a negative outlook. The rating action reflects Swire Properties' strong market position, asset brand name, and good asset quality across its property portfolio. However, the negative outlook reflects the outlook on its parent, Swire Pacific Ltd (Swire Pacific), as Swire Pacific has strong influence over Swire Properties' strategy, operations and financial management. S&P then withdrew the ratings at Swire Pacific's request. S&P has assigned a 'BB-' preliminary long-term corporate credit rating to Press Metal Aluminium Holdings Bhd. (Press Metal) and a 'BB-' preliminary issue rating to the proposed senior unsecured notes to be issued by Press Metal (Labuan) Ltd (guaranteed by Press Metal and some of its subsidiaries). The outlook is positive. The rating reflects Press Metals small scale and metal concentration risks, prior debt-funded capacity expansion but also its above-average margins and good cost position. This, together with the limited projected capital spending, should result in debt declining over the forecast period and supports the positive outlook in S&P's view. Moody's has also assigned Press Metal Aluminium Holdings Berhad (Press Metal) a 'Ba3' corporate family rating (CFR). At the same time, Moody's has assigned a 'Ba3' rating to Press Metal's proposed senior notes due 2022. The outlook is stable. The rating action reflects Press Metal's low-cost aluminum smelting capabilities, supported by a long-term power purchase agreement with Sarawak Energy, solid EBITDA margins, conservative financial policies, and low leverage. However, the rating incorporates its small scale, limited operational track record, and exposure to volatility in aluminum and raw material prices. Moody's has affirmed LVGEM (China) Real Estate Investment Co Ltd's (LVGEM) 'B2' corporate family rating and the 'B3' senior unsecured ratings issued by Gemstones International Ltd and guaranteed by LVGEM. The outlook has been revised to negative from stable.

The rating action follows LVGEM's announcement that it has entered into sales and purchase agreements to acquire an office project in Hong Kong, and this will weaken its liquidity and increase debt leverage.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.312	0.24%	USD-SGD	1.3518	0.19%
USD-JPY	112.190	0.33%	EUR-SGD	1.5945	-0.02%
EUR-USD	1.1796	-0.20%	JPY-SGD	1.2050	-0.12%
AUD-USD	0.7851	-0.46%	GBP-SGD	1.7913	-0.08%
GBP-USD	1.3251	-0.26%	AUD-SGD	1.0615	-0.28%
USD-MYR	4.2175	-0.11%	NZD-SGD	0.9692	-0.02%
USD-CNY	6.5898	0.16%	CHF-SGD	1.3858	0.09%
USD-IDR	13476	-0.16%	SGD-MYR	3.1176	0.04%
USD-VND	22719	0.00%	SGD-CNY	4.8759	0.07%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1844	--
2M	-0.3400	--	1M	1.2367	--
3M	-0.3290	--	2M	1.2774	--
6M	-0.2740	--	3M	1.3533	--
9M	-0.2220	--	6M	1.5343	--
12M	-0.1810	--	12M	1.8129	--

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	80.2%	80.0%	0.2%	0.0%	0.0%
01/31/2018	81.1%	77.1%	4.1%	0.0%	0.0%
03/21/2018	90.8%	47.4%	41.3%	2.1%	0.0%
05/02/2018	91.4%	44.7%	41.7%	4.9%	0.2%
06/13/2018	94.2%	33.1%	42.7%	16.7%	1.7%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	51.87	0.82%	Copper (per mt)	7,140.8	3.37%
Brent (per barrel)	57.82	1.14%	Nickel (per mt)	11,805.5	1.68%
Heating Oil (per gallon)	1.8129	0.88%	Aluminium (per mt)	2,110.0	-0.01%
Gasoline (per gallon)	1.6169	-0.33%			
Natural Gas (per MMBtu)	2.9460	-1.80%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,762.0	0.47%
			Rubber (JPY/KG)	201.0	-0.35%
Precious Metals	Futures	% chg			
Gold (per oz)	1,303.0	-0.12%			
Silver (per oz)	17.369	-0.24%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,956.96	85.24
S&P	2,557.64	4.47
Nasdaq	6,624.01	18.20
Nikkei 225	21,255.56	100.38
STI	3,323.06	3.95
KLCI	1,754.37	-0.95
JCI	5,949.70	25.58
Baltic Dry	1,485.00	--
VIX	9.91	0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.32 (-0.01)	1.54 (+0.04)
5Y	1.57 (-0.01)	1.95 (+0.05)
10Y	2.04 (-0.03)	2.30 (+0.03)
15Y	2.32 (-0.04)	--
20Y	2.31 (-0.04)	--
30Y	2.39 (-0.05)	2.82 (+0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	12.87	-0.34
EURIBOR-OIS	2.90	-0.02
TED	28.60	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/16/2017 07:01	UK Rightmove House Prices YoY	Oct	--	1.40%	1.10%	--
10/16/2017 09:30	CH CPI YoY	Sep	1.60%	1.60%	1.80%	--
10/16/2017 09:30	CH PPI YoY	Sep	6.40%	6.90%	6.30%	--
10/16/2017 11:12	PH Overseas Remittances YoY	Aug	5.50%	7.80%	7.10%	--
10/16/2017 11:17	PH Overseas Workers Remittances	Aug	\$2508m	\$2499m	\$2283m	--
10/16/2017 12:00	ID Imports YoY	Sep	20.60%	13.13%	8.89%	9.08%
10/16/2017 12:00	ID Exports YoY	Sep	18.04%	15.60%	19.24%	19.41%
10/16/2017 12:00	ID Trade Balance	Sep	\$1257m	\$1761m	\$1720m	\$1720m
10/16/2017 12:00	JN Tokyo Condominium Sales YoY	Sep	--	-13.00%	6.90%	--
10/16/2017 12:30	JN Industrial Production YoY	Aug F	--	5.30%	5.40%	--
10/16/2017 12:30	JN Capacity Utilization MoM	Aug	--	3.30%	-1.80%	--
10/16/2017 14:30	IN Wholesale Prices YoY	Sep	3.30%	2.60%	3.24%	--
10/16/2017 17:00	EC Trade Balance SA	Aug	20.2b	21.6b	18.6b	17.9b
10/16/2017 20:30	CA Int'l Securities Transactions	Aug	--	9.85b	23.95b	23.97b
10/16/2017 20:30	US Empire Manufacturing	Oct	20.4	30.2	24.4	--
10/16/2017 22:30	CA Business Outlook Future Sales	3Q	--	19	31	--
10/16/2017 22:30	CA BoC Senior Loan Officer Survey	3Q	--	-0.5	2.1	--
10/17/2017 05:45	NZ CPI QoQ	3Q	0.40%	0.50%	0.00%	--
10/17/2017 05:45	NZ CPI YoY	3Q	1.80%	1.90%	1.70%	--
10/17/2017 08:30	AU New Motor Vehicle Sales YoY	Sep	--	--	1.70%	--
10/17/2017 08:30	SI Non-oil Domestic Exports SA MoM	Sep	-2.20%	--	4.50%	--
10/17/2017 08:30	SI Non-oil Domestic Exports YoY	Sep	12.70%	--	17.00%	--
10/17/2017 08:30	SI Electronic Exports YoY	Sep	15.00%	--	21.70%	--
10/17/2017 10:00	NZ Non Resident Bond Holdings	Sep	--	--	61.20%	--
10/17/2017 14:00	EC EU27 New Car Registrations	Sep	--	--	5.60%	--
10/17/2017 16:00	IT Trade Balance Total	Aug	--	--	6560m	--
10/17/2017 16:30	UK CPI YoY	Sep	3.00%	--	2.90%	--
10/17/2017 16:30	UK CPI Core YoY	Sep	2.70%	--	2.70%	--
10/17/2017 16:30	UK Retail Price Index	Sep	275.5	--	274.7	--
10/17/2017 16:30	UK RPI YoY	Sep	4.00%	--	3.90%	--
10/17/2017 16:30	UK RPI Ex Mort Int.Payments (YoY)	Sep	4.20%	--	4.10%	--
10/17/2017 16:30	UK PPI Input NSA YoY	Sep	8.20%	--	7.60%	--
10/17/2017 16:30	UK PPI Output NSA YoY	Sep	3.30%	--	3.40%	--
10/17/2017 16:30	UK PPI Output Core NSA YoY	Sep	2.60%	--	2.50%	--
10/17/2017 17:00	EC CPI MoM	Sep	0.40%	--	0.30%	0.30%
10/17/2017 17:00	EC CPI YoY	Sep F	1.50%	--	1.50%	1.50%
10/17/2017 17:00	GE ZEW Survey Current Situation	Oct	88.5	--	87.9	--
10/17/2017 17:00	EC ZEW Survey Expectations	Oct	--	--	31.7	--
10/17/2017 17:00	GE ZEW Survey Expectations	Oct	20	--	17	--
10/17/2017 17:00	EC CPI Core YoY	Sep F	1.10%	--	1.10%	--
10/17/2017 20:30	US Import Price Index YoY	Sep	2.60%	--	2.10%	--
10/17/2017 21:15	US Industrial Production MoM	Sep	0.30%	--	-0.90%	--
10/17/2017 21:15	US Capacity Utilization	Sep	76.20%	--	76.10%	--
10/17/2017 22:00	US NAHB Housing Market Index	Oct	64	--	64	--
10/17/2017 10/21	US Monthly Budget Statement	Sep	\$6.0b	--	\$33.4b	--

Source: Bloomberg

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