

Highlights

Global	<p>News that White House Chief strategist Steve Bannon has been shown the door helped to ally some US political concerns over the Charlottesville violence, whereas Treasury Secretary Mnuchin has rejected calls to resign. Watch US president Trump's prime-time speech later today on Afghanistan and South Asia. Separately, China has tightened rules on outbound investments in sectors like property, hotels, cinema, entertainment and sports teams. Asian bourses may trade in a range today amidst a relatively light economic data calendar that comprises of Thailand's 2Q17 GDP growth, Taiwan's export orders and US' Chicago Fed national activity index. On the central bank front, BI meets tomorrow and is likely to remain static at 4.75%. Key market focus this week will be on the US-South Korea annual military drills and negotiations to potentially amend a bilateral FTA, as well as ECB president Draghi's speech on 23 August in Germany and subsequent message two days at the Jackson Hole symposium on 24-26 August (titled "Fostering a Dynamic Global Economy") will be closely watched even though sources have suggested he would not be delivering a new policy message. Fed chair Yellen will also be speaking on financial stability and given recent signals that Fed officials are still keen to implement a third rate hike before the year is out, notwithstanding disappointing inflation cues.</p>
US	<p>US' university of Michigan sentiments improved more than expected from 93.4 in July to 97.6 in August, as the expectations gauge surged from 80.5 to 89.0 (largest jump since December 2011), but the current conditions gauge retreated from 113.4 to 111.0. The inflation rate was seen to be unchanged at 2.6% for the next year, but the next 5-10 year inflation rate was tipped at 2.5%, down from 2.6% in July.</p>
SG	<p>PM Lee's National Rally speech focused on pre-school education (with spending to double to \$1.7b in the next 5 years), diabetes (affecting with 3 in 10 people over 60 years old) and embracing technology as a Smart Nation, including the push to simplify and integrate various e-payments systems to prepare Singapore for the challenges ahead. He reiterated 2017 growth forecast remains at around 2.5%, which coincides with our house forecast.</p>
CN	<p>China's security regulator gave the green light to China Unicom's mixed ownership reform this morning and said in the statement that China Unicom's mixed ownership reform is important and the regulator will apply old rules rather than the latest amended one to the deal. We think this is an important move. For details, please refer to our Greater China Week in Review.</p>
ID	<p>Citing BI deputy governor Perry Warjiyo, Kontan reported that credit growth is expected to grow 12-14% in 2018, compared to 10-12% in 2017.</p>
MA	<p>2Q17 GDP surprised higher at 5.8% (+1.3%qoqsa). This marks the fourth consecutive quarter in which economic growth has accelerated from its previous print. Thus, accounting for the 2Q GDP print, Malaysia's 1H17 growth averaged 5.7%, clocking its fastest space since 1H14.</p>
TH	<p>2Q17 GDP is slated to be out later this afternoon, where we pencil 3.6% yoy (+1.3% qoqsa), underpinned by the sustained strength in domestic consumption and external demand.</p>

Major Market

- **US markets:** Equities swung between gains and losses on Friday, eventually closing the rough week lower. The Dow led losses, down 0.35%, while the S&P 500 and Nasdaq Composite were softer by 0.18% and 0.09% respectively. Apparel and footwear stocks were lower on weaker than expected sales, while utility and energy stocks rose. Political headlines continue to dominate, this time with departure of Chief Strategist Stephen Bannon from Trump's team. Caution should be exercised if market drivers switch from economic fundamentals to political gyrations. VIX down to 14.26, compared to 15.55 previously.
- Meanwhile, US Treasuries whipsawed alongside equities on political headlines, with yields closing marginally firmer. 2y and 10y benchmark yields stood at 1.31% and 2.19% respectively. Post-Bannon, the hope is for the Trump administration to become more conventional and centrist. Watch for Trump speeches this week to gauge any shift in direction. Central bankers will be on show as well, with Yellen and Draghi poised to attend the Jackson Hole Symposium on Thursday. Kaplan also scheduled to speak on Wednesday ahead of Jackson Hole.
- **Singapore:** STI retreated 0.52% to close at 3251.99 on Friday and may continue to meander today amid soft cues from Wall Street on Friday and Kospi this morning. STI's support and resistance are tipped at 3230 and 3260 today. With UST bond yields slightly firmer on Friday, SGS bonds may unwind the gains seen on Friday and trade with a weaker tone today.
- **Malaysia:** The external environment remains supportive of overall growth. Exports climbed a strong 9.6% while manufacturing growth jumped 6.0% (fastest since 2Q14) in 2Q17. The strong prints were underpinned in part due to the relatively weaker ringgit which gave Malaysia's a competitive edge over its Asian peers, as well as overall stronger-than-expected improvement in global economic performance. More importantly perhaps, is the translation of the better external environment into domestic demand, particularly consumer spending, which accelerated to 7.1% (highest growth pace since 4Q14) and private investment (+7.4%).
- Given the strong performance in both external environment and domestic demand since year-to-date, we keep our year-end growth outlook at 4.9%, in line with BNM's outlook for growth "to expand by more than 4.8% in 2017". Still, we note that Malaysia's growth has also been underpinned by the relatively stronger crude oil prices on a year-on-year basis in 1H17, which in part may fade into 2H17 given the high base seen in the second half of last year. On the same note, headline inflation is also expected to moderate into the second half as well to our year-end outlook of 2.9%, slightly lower than official range of between 3 – 4%. With inflation to stay tame given flattish oil prices into 2H17 (OCBC WTI year-end outlook: \$55/bbl) amid a relatively rosier economic environment, we look for BNM to keep their overnight rate unchanged at 3.0% for the rest of the year.
- **S. Korea:** Note joint military exercises between S. Korea and the US is slated to start today. Bank of Korea names Myun Shik Yoon as Senior Deputy Governor. First 20 days of exports rose 11.6% yoy in August, suggesting that Korea's external environment remains supportive of growth.
- **Macau:** Total spending and per-capita spending of inbound visitors increased at a faster pace by 17.5% yoy and 11.7% yoy respectively in 2Q 2017. This is mainly led by a 22.1% yoy growth in total spending of Mainland visitors which accounts for 78.9% of total visitor spending. Against the backdrop of resilient economic growth in China,

Mainland visitors showed increased willingness to spend overseas. This signals that retail sales might have exhibited buoyant growth in 2Q 2017. However, an expected slowdown in China's growth in the second half of this year may undermine the spending of Mainland visitors. Furthermore, per-capita spending of visitors from Taiwan, Japan and Hong Kong fell by 6.9% yoy, 10.9% yoy and 8.3% yoy respectively. The spending of tourist from these three main sources may remain muted as they could be reluctant to spend amid high costs of accommodation and transportation. Therefore, retail sector is likely to lose momentum in 2H 2017.

- **Commodities:** Crude oil prices rallied substantially on closing last week as market-watchers reacted to the fall in US oil rig counts. WTI and Brent rose to \$48.51/bbl (+3.0%) and \$52.7/bbl (+3.3%), respectively. Gold remained elevated at \$1,291.6/oz and is expected to stay supported given safe haven demand on today's military exercises between S. Korea and the US.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull-flattened over Friday, with swap rates trading 1-5bps lower across all tenors. In the broader dollar space, the spread on JACI IG Corporates rose 1bps to 190bps while the yield on JACI HY Corp fell 1bps to 6.96%. 10y UST yields rose 1bps to 2.19%, as the departure of White House chief strategist Steve Bannon supported risk assets and reversed earlier haven gains.
- **New Issues:** There were no new issuances on 18 August 2017.
- **Rating Changes:** S&P has placed PT Lippo Karawaci Tbk's (Lippo) 'B+' corporate credit rating and senior unsecured rating on CreditWatch with negative implications. The rating action reflect S&P's view that Lippo's interest servicing capacity could reduce due to subdued operating conditions, and that the proposed rights issue at Lippo's healthcare subsidiary PT Siloam International Hospitals Tbk could lead to ownership dilution and limit Lippo's future financial maneuverability. Moody's has downgraded CAR Inc's (CAR) corporate family and senior unsecured ratings to 'Ba3' from 'Ba2' while revising the outlook to stable from negative. The rating action reflects CAR's reduced profitability and moderately high levels of debt leverage, which are unlikely to improve, given the strong competition in China's auto rental industry. The rating action also reflects the company's history of share repurchases, which weakened its financial buffer.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.434	-0.20%	USD-SGD	1.3628	-0.28%
USD-JPY	109.180	-0.36%	EUR-SGD	1.6032	0.07%
EUR-USD	1.1761	0.32%	JPY-SGD	1.2482	0.07%
AUD-USD	0.7929	0.56%	GBP-SGD	1.7543	-0.25%
GBP-USD	1.2870	0.02%	AUD-SGD	1.0807	0.29%
USD-MYR	4.2900	-0.13%	NZD-SGD	0.9969	0.18%
USD-CNY	6.6704	-0.08%	CHF-SGD	1.4129	-0.44%
USD-IDR	13362	0.03%	SGD-MYR	3.1454	-0.05%
USD-VND	22729	--	SGD-CNY	4.8891	-0.02%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1772	-0.0006
2M	-0.3400	-0.0010	1M	1.2350	0.0044
3M	-0.3290	--	2M	1.2639	--
6M	-0.2710	--	3M	1.3147	-0.0017
9M	-0.2110	--	6M	1.4564	-0.0008
12M	-0.1580	--	12M	1.7262	-0.0067

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%	99.6%	0.0%	0.0%	0.0%
11/01/2017	0.8%	98.9%	0.8%	0.0%	0.0%
12/13/2017	35.7%	64.1%	35.4%	0.3%	0.0%
01/31/2018	36.9%	62.9%	36.0%	0.9%	0.0%
03/21/2018	53.3%	46.5%	43.0%	10.1%	0.2%
05/02/2018	53.2%	46.5%	42.9%	10.1%	0.2%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	48.51	3.02%	Copper (per mt)	6,529.0	0.02%
Brent (per barrel)	52.72	3.31%	Nickel (per mt)	10,943.0	2.39%
Heating Oil (per gallon)	1.6204	2.43%	Aluminium (per mt)	2,051.5	-0.67%
Gasoline (per gallon)	1.6240	2.34%			
Natural Gas (per MMBtu)	2.8930	-1.23%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,681.0	0.87%
			Rubber (JPY/KG)	216.2	-0.46%
Precious Metals	Futures	% chg			
Gold (per oz)	1,291.6	-0.06%			
Silver (per oz)	17.000	-0.31%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodity Positioning Update

For the week ended: 15 Aug 2017

	Current	Previous	Net Chg		Current	Previous	Net Chg
Gold	191,831	149,842	41,989	Sugar	-60,509	-27,421	-33,088
Natural Gas	-34,706	-74,368	39,662	Corn	85,855	116,924	-31,069
Heating Oil	32,805	25,543	7,262	Soybean	1,379	22,285	-20,906
Lean Hogs	81,834	75,818	6,016	Nymex Crude	514,636	532,293	-17,657
Silver	37,975	32,645	5,330	Live Cattle	109,950	123,076	-13,126
Copper	36,587	32,814	3,773	Wheat	-20,735	-8,086	-12,649
Platinum	27,599	25,106	2,493	Cocoa	-26,300	-20,461	-5,839
Coffee	4,697	4,360	337	Cotton	41,552	45,947	-4,395
Palladium	20,896	20,988	-92	RBOB Gasoline	63,109	66,655	-3,546

Source: Bloomberg, CFTC

Economic Calendar

<u>Date Time</u>	<u>Event</u>		<u>Survey</u>	<u>Actual</u>	<u>Prior</u>	<u>Revised</u>
08/17/2017 06:45	NZ PPI Output QoQ	2Q	--	1.30%	1.40%	--
08/17/2017 07:50	JN Japan Buying Foreign Bonds	Aug-11	--	¥145.5b	¥1624.2b	¥1628.0b
08/17/2017 07:50	JN Foreign Buying Japan Stocks	Aug-11	--	¥302.5b	¥37.7b	--
08/17/2017 07:50	JN Trade Balance	Jul	¥327.1b	¥418.8b	¥439.9b	¥439.8b
08/17/2017 08:30	SI Non-oil Domestic Exports YoY	Jul	9.10%	8.50%	8.20%	8.80%
08/17/2017 09:30	AU Employment Change	Jul	20.0k	27.9k	14.0k	20.0k
08/17/2017 09:30	AU Unemployment Rate	Jul	5.60%	5.60%	5.60%	5.70%
08/17/2017 09:30	AU Full Time Employment Change	Jul	--	-20.3k	62.0k	69.3k
08/17/2017 09:30	AU Participation Rate	Jul	65.00%	65.10%	65.00%	--
08/17/2017 09:30	AU RBA FX Transactions Market	Jul	--	A\$984m	A\$1100m	--
08/17/2017 10:00	PH GDP YoY	2Q	6.40%	6.50%	6.40%	--
08/17/2017 16:30	UK Retail Sales Ex Auto Fuel MoM	Jul	0.10%	0.50%	0.90%	0.60%
08/17/2017 16:30	HK Unemployment Rate SA	Jul	3.20%	3.10%	3.10%	--
08/17/2017 16:30	HK Composite Interest Rate	Jul	--	0.31%	0.31%	--
08/17/2017 17:00	EC CPI YoY	Jul F	1.30%	1.30%	1.30%	--
08/17/2017 20:30	CA Manufacturing Sales MoM	Jun	-1.00%	-1.80%	1.10%	1.30%
08/17/2017 20:30	US Initial Jobless Claims	Aug-12	240k	232k	244k	--
08/17/2017 20:30	US Continuing Claims	Aug-05	1955k	1953k	1951k	1956k
08/17/2017 20:30	US Outlook	Aug	18	18.9	19.5	--
08/17/2017 20:51	US Industrial Production MoM	Jul	0.30%	0.20%	0.40%	--
08/17/2017 20:51	US Capacity Utilization	Jul	76.70%	76.70%	76.60%	76.70%
08/17/2017 21:45	US Bloomberg Consumer Comfort	Aug-13	--	52.1	51.4	--
08/17/2017 22:00	US Leading Index	Jul	0.30%	0.30%	0.60%	--
08/18/2017 12:00	MA GDP YoY	2Q	5.40%	--	5.60%	--
08/18/2017 14:00	GE PPI MoM	Jul	0.00%	--	0.00%	--
08/18/2017 15:30	TH Foreign Reserves	Aug-11	--	--	\$190.9b	--
08/18/2017 16:30	TA GDP YoY	2Q F	2.10%	--	2.10%	--
08/18/2017 20:30	CA CPI YoY	Jul	1.20%	--	1.00%	--
08/18/2017 22:00	US U. of Mich. Sentiment	Aug P	94	--	93.4	--
08/18/2017	PH BoP Overall	Jul	--	--	-\$569m	--
08/18/2017 08/31	PH Budget Balance PHP	Jul	--	--	-90.9b	--

Source: Bloomberg

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