

Highlights

| | |
|---------------|---|
| Global | <p>Prime Minister Shinzo Abe's gamble on early election paid off as his coalition is expected to keep its two-thirds super majority, which will give Abe a chance to stay in power all the way to 2021. This also suggests that Abenomics centered on easing monetary policy is likely to continue. In addition, the chance for BoJ Governor Kuroda to be reappointed is also higher following Abe's victory. The USDJPY rose higher this morning to test the 114 handle.</p> <p>Elsewhere, news-flow from the EU Summit appeared to be positive on Brexit and was therefore supportive of the GBP. Political desire on both sides of the channel seems to prefer for the talks to advance, with the EU Council President expressing hope for the important trade talks to start in December. Similarly, Merkel was also vocal in supporting the continued advance in talks. From this perspective, PM May may have had a fruitful EU Summit, but it remains to be seen whether the positivity will spread to the actual negotiation process.</p> |
| US | <p>The US Senate approved a budget resolution for the 2018 fiscal year narrowly, clearing the first hurdle towards passing Trump's tax reform package. This created some optimism in the markets, and provided tailwinds for equities and the USD, both of which saw gains on Friday. However, it should be cautioned that this is just the first, and easiest, step to clear. A difficult road lies ahead, with many opportunities for the package to be derailed along the way. The target will be for Trump to sign it into law before the year is out, otherwise congressional discussion may be hijacked by debt extension debates again.</p> <p>Meanwhile, on the data front, existing home sales printed 5.39m, higher than the consensus estimate of 5.30m. This belied strong fundamental demand, even when demand from the South was negatively affected by the hurricanes.</p> |
| SG | <p>PM Lee mentioned in a reception at Singapore's Embassy in the U.S that Singapore's economy should see growth of close to 3% for 2017. His confidence was on the back of advance estimates from the upbeat MTI figures earlier this month of a +4.6% 3Q yoy growth.</p> <p>Furthermore, Mr Lee also opined on a S\$19 billion deal between Singapore Airlines and Boeing for at least 39 new planes, with the agreement creating many jobs.</p> |
| ID | <p>FM Sri Mulyani Indrawati revealed that the ratings agencies are positive on the policy updates and progress in Indonesia. This builds on further sound-bites that the S&P may look to raise Indonesia's rating to BBB from BBB- next year.</p> |

Major Market

- **US:** Equities got a boost from the Senate on Friday, as it adopted the 2018 budget resolution, a first step towards the passing of Trump's tax reform package. Moreover, the earnings season thus far had also been largely supportive. The gains on Friday were broad-based, with 9 of 11 industry sectors in the black. Overall, the S&P 500 rose 0.51%, while the Dow and Nasdaq Composite added 0.72% and 0.36% respectively. VIX fell lower to 9.97, compared to 10.05 previously. On the data front this week, watch for PMIs on Tuesday, jobless claims on Thursday, GDP and PCE inflation data on Friday.
- Meanwhile, US Treasuries were sold down on the news of the Senate budget resolution. 2y and 10y benchmark yields rose 5-6 bps to close at 1.58% and 2.38% respectively. Note that speculator positioning for front-end are at record short levels. This week, continue to watch for rumours linked to the next Fed Chair, as Trump is expected to finalize the nomination by early next week. Fed speak is off this week due to the black-out period ahead of the November FOMC meeting.
- **Macau:** Inflation accelerated to 1.39% in September, the fastest since January 2017. Food inflation continued to pick up traction. Also, clothing and footwear prices continued to rise notably by 3.21% yoy given dearer prices of adults' footwear. However, housing and fuels prices deflated for the 14th consecutive month by 0.27% yoy. The number of non-local workers living in Macau has dropped. This suppresses housing rentals. Given low base effect and higher fuels prices, we expect housing and fuels inflation to return to the positive territory in the near term. Low base effect may also lead to a moderate rebound in CPI in the coming months. Still, the inflationary risks remain contained due to muted external price pressures. We expect CPI to print below 1.5% over 2017.

Bond Market Updates

- **Market Commentary:** The SGD swap curve shifted upwards last Friday, with swap rates trading 4-7bps higher across most tenors. In the broader dollar space, the spread on JACI IG Corp tightened 2bps to 178bps, while the yield on JACI HY Corp rose 2bps to 6.82%. 10Y UST yields rose 7bps to 2.38%, after the US Senate adopted a fiscal 2018 budget resolution, which would allow Republicans to tax code rewrites without Democratic support, thereby smoothing the process of tax cuts.
- **New Issues:** Bank of Jinzhou Co Ltd has priced a USD1.496bn Perp NC5 AT1 at 5.5%, tightening from initial guidance of 5.7% area. The People's Republic of China has scheduled investor meetings for potential USD bond issuance from 25 Oct.
- **Rating Changes:** Moody's has affirmed ESR-REIT's 'Baa3' issuer rating, and the 'Baa3' senior unsecured rating on its debt issuance program and senior unsecured notes drawn down from the program. The outlook has been revised to negative from stable. The rating action reflects Moody's expectation that ESR-REIT's credit profile will weaken following the announcement of its debt-funded purchase of 8 Tuas South Lane. S&P has affirmed Groupe BPCE's (BPCE) 'A' long-term issuer credit rating, as well as all ratings on its subordinated debts, senior non-preferred notes and hybrid capital instruments. At the same time, S&P has affirmed Natixis Australia Pty Ltd's (Natixis) 'A' long-term issuer ratings. The outlook on BPCE and Natixis has been revised to positive from stable. The rating action reflects BPCE's improvement in capital and loss-absorbing capital buffers, and that further improvements could result in upgrades to its ratings.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DXY | 93.701 | 0.47% | USD-SGD | 1.3613 | 0.35% |
| USD-JPY | 113.520 | 0.87% | EUR-SGD | 1.6045 | -0.21% |
| EUR-USD | 1.1784 | -0.57% | JPY-SGD | 1.1991 | -0.53% |
| AUD-USD | 0.7817 | -0.77% | GBP-SGD | 1.7960 | 0.60% |
| GBP-USD | 1.3190 | 0.24% | AUD-SGD | 1.0641 | -0.47% |
| USD-MYR | 4.2250 | 0.04% | NZD-SGD | 0.9479 | -0.61% |
| USD-CNY | 6.6205 | 0.10% | CHF-SGD | 1.3833 | -0.45% |
| USD-IDR | 13519 | 0.03% | SGD-MYR | 3.1072 | -0.13% |
| USD-VND | 22720 | -0.02% | SGD-CNY | 4.8650 | -0.26% |

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 23,328.63 | 165.59 |
| S&P | 2,575.21 | 13.11 |
| Nasdaq | 6,629.05 | 23.99 |
| Nikkei 225 | 21,457.64 | 9.12 |
| STI | 3,340.73 | 5.82 |
| KLCI | 1,740.65 | -3.34 |
| JCI | 5,929.55 | 19.02 |
| Baltic Dry | 1,578.00 | -4.00 |
| VIX | 9.97 | -0.08 |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|---------|------------|-----------|---------|
| 1M | -0.3730 | -- | O/N | 1.1844 | -0.0006 |
| 2M | -0.3400 | -0.0010 | 1M | 1.2379 | -0.0010 |
| 3M | -0.3290 | -- | 2M | 1.2950 | 0.0031 |
| 6M | -0.2740 | -- | 3M | 1.3648 | 0.0023 |
| 9M | -0.2200 | 0.0010 | 6M | 1.5549 | 0.0042 |
| 12M | -0.1830 | -- | 12M | 1.8312 | 0.0033 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 1.41 (+0.04) | 1.58 (+0.05) |
| 5Y | 1.67 (+0.05) | 2.02 (+0.07) |
| 10Y | 2.17 (+0.06) | 2.38 (+0.07) |
| 15Y | 2.42 (+0.05) | -- |
| 20Y | 2.41 (+0.05) | -- |
| 30Y | 2.46 (+0.05) | 2.90 (+0.06) |

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 | 83.6% | 83.4% | 0.2% | 0.0% | 0.0% |
| 01/31/2018 | 84.4% | 80.2% | 4.3% | 0.0% | 0.0% |
| 03/21/2018 | 91.4% | 51.2% | 38.2% | 1.9% | 0.0% |
| 05/02/2018 | 91.6% | 50.0% | 38.6% | 2.9% | 0.1% |
| 06/13/2018 | 94.1% | 37.6% | 42.0% | 13.6% | 0.9% |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 11.72 | -0.56 |
| EURIBOR-OIS | 3.02 | 0.12 |
| TED | 26.18 | -1.80 |

Commodities Futures

| Energy | Futures | % chg | Base Metals | Futures | % chg |
|--------------------------|----------------|--------------|--------------------------|----------------|--------------|
| WTI (per barrel) | 51.47 | 0.35% | Copper (per mt) | 6,978.7 | -0.06% |
| Brent (per barrel) | 57.75 | 0.91% | Nickel (per mt) | 11,687.0 | -0.06% |
| Heating Oil (per gallon) | 1.8052 | 1.60% | Aluminium (per mt) | 2,125.3 | -0.83% |
| Gasoline (per gallon) | 1.6781 | 2.03% | | | |
| Natural Gas (per MMBtu) | 2.9150 | 1.46% | | | |
| | | | Asian Commodities | Futures | % chg |
| | | | Crude Palm Oil (MYR/MT) | 2,741.0 | 0.66% |
| | | | Rubber (JPY/KG) | 197.1 | -0.25% |
| Precious Metals | Futures | % chg | | | |
| Gold (per oz) | 1,280.5 | -0.74% | | | |
| Silver (per oz) | 17.078 | -1.03% | | | |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Positioning Update

For the week ended: 17 Oct 2017

| | Current | Previous | Net Chg | | Current | Previous | Net Chg |
|-------------|---------|----------|---------|---------------|---------|----------|---------|
| Soybean | 81,215 | 40,614 | 40,601 | Sugar | -66,576 | -52,622 | -13,954 |
| Natural Gas | -57,953 | -81,301 | 23,348 | Corn | -96,318 | -82,744 | -13,574 |
| Copper | 50,488 | 40,205 | 10,283 | Wheat | -51,198 | -42,102 | -9,096 |
| Silver | 62,928 | 58,351 | 4,577 | Coffee | -33,063 | -24,713 | -8,350 |
| Nymex Crude | 478,294 | 474,801 | 3,493 | Gold | 209,646 | 214,539 | -4,893 |
| Cocoa | -8,719 | -11,846 | 3,127 | Cotton | 62,129 | 66,043 | -3,914 |
| Platinum | 24,189 | 21,985 | 2,204 | RBOB Gasoline | 68,160 | 69,187 | -1,027 |
| Palladium | 22,708 | 20,678 | 2,030 | Heating Oil | 50,813 | 51,609 | -796 |
| Live Cattle | 129,869 | 127,911 | 1,958 | Lean Hogs | 59,874 | 58,676 | 1,198 |

Economic Calendar

| Date Time | | Event | | Survey | Actual | Prior | Revised |
|-------------------------|-----------|---------------------------------|---------------|---------------|-----------------|-----------------|---------|
| 10/20/2017 10:00 | NZ | Credit Card Spending YoY | Sep | -- | 4.90% | 6.40% | -- |
| 10/20/2017 12:00 | MA | CPI YoY | Sep | 4.30% | 4.30% | 3.70% | -- |
| 10/20/2017 14:00 | GE | PPI YoY | Sep | 2.90% | 3.10% | 2.60% | -- |
| 10/20/2017 15:00 | MA | Foreign Reserves | Oct-13 | -- | \$101.4b | \$101.2b | -- |
| 10/20/2017 15:00 | JN | Convenience Store Sales YoY | Sep | -- | 0.00% | -0.90% | -- |
| 10/20/2017 15:30 | TH | Foreign Reserves | Oct-13 | -- | \$200.5b | \$198.6b | -- |
| 10/20/2017 15:30 | TH | Forward Contracts | Oct-13 | -- | \$31.5b | \$31.4b | -- |
| 10/20/2017 16:00 | EC | ECB Current Account SA | Aug | -- | 33.3b | 25.1b | 31.5b |
| 10/20/2017 16:00 | EC | Current Account NSA | Aug | -- | 29.6b | 32.5b | 37.1b |
| 10/20/2017 16:00 | TA | Export Orders YoY | Sep | 8.90% | 6.90% | 7.50% | -- |
| 10/20/2017 16:30 | UK | Public Finances (PSNCR) | Sep | -- | 11.2b | 0.0b | 0.3b |
| 10/20/2017 16:30 | UK | Central Government NCR | Sep | -- | 19.3b | 1.1b | -- |
| 10/20/2017 16:30 | UK | Public Sector Net Borrowing | Sep | 5.7b | 5.3b | 5.1b | 4.1b |
| 10/20/2017 16:30 | UK | PSNB ex Banking Groups | Sep | 6.5b | 5.9b | 5.7b | 4.7b |
| 10/20/2017 16:33 | IT | Current Account Balance | Aug | -- | 3679m | 8625m | -- |
| 10/20/2017 20:30 | CA | CPI NSA MoM | Sep | 0.30% | 0.20% | 0.10% | -- |
| 10/20/2017 20:30 | CA | CPI YoY | Sep | 1.70% | 1.60% | 1.40% | -- |
| 10/20/2017 20:30 | CA | Consumer Price Index | Sep | -- | 130.8 | 130.5 | -- |
| 10/20/2017 20:30 | CA | CPI Core- Common YoY% | Sep | -- | 1.50% | 1.50% | -- |
| 10/20/2017 20:30 | CA | CPI Core- Trim YoY% | Sep | -- | 1.50% | 1.40% | -- |
| 10/20/2017 20:30 | CA | Retail Sales MoM | Aug | 0.50% | -0.30% | 0.40% | -- |
| 10/20/2017 20:30 | CA | Retail Sales Ex Auto MoM | Aug | 0.30% | -0.70% | 0.20% | -- |
| 10/20/2017 22:00 | US | Existing Home Sales | Sep | 5.30m | 5.39m | 5.35m | -- |
| 10/20/2017 22:00 | US | Existing Home Sales MoM | Sep | -0.90% | 0.70% | -1.70% | -- |
| 10/21/2017 02:00 | US | Monthly Budget Statement | Sep | \$6.0b | \$8.0b | \$33.4b | -- |
| 10/23/2017 05:00 | SK | PPI YoY | Sep | -- | 3.60% | 3.20% | 3.30% |
| 10/23/2017 08:00 | SK | Exports 20 Days YoY | Oct | -- | 6.90% | 31.10% | -- |
| 10/23/2017 13:00 | SI | CPI Core YoY | Sep | 1.40% | -- | 1.40% | -- |
| 10/23/2017 13:00 | JN | Leading Index CI | Aug F | -- | -- | 106.8 | -- |
| 10/23/2017 13:00 | JN | Coincident Index | Aug F | -- | -- | 117.6 | -- |
| 10/23/2017 13:00 | SI | CPI YoY | Sep | 0.40% | -- | 0.40% | -- |
| 10/23/2017 13:00 | SI | CPI NSA MoM | Sep | 0.10% | -- | 0.30% | -- |
| 10/23/2017 13:30 | JN | Nationwide Dept Sales YoY | Sep | -- | -- | 2.00% | -- |
| 10/23/2017 13:30 | JN | Tokyo Dept Store Sales YoY | Sep | -- | -- | 3.60% | -- |
| 10/23/2017 16:00 | TA | Unemployment Rate | Sep | 3.80% | -- | 3.76% | -- |
| 10/23/2017 16:00 | TA | Industrial Production YoY | Sep | 4.50% | -- | 3.25% | -- |
| 10/23/2017 16:30 | HK | CPI Composite YoY | Sep | 2.00% | -- | 1.90% | -- |
| 10/23/2017 17:00 | EC | Govt Debt/GDP Ratio | 2016 | -- | -- | 89.20% | -- |
| 10/23/2017 18:00 | UK | CBI Business Optimism | Oct | -- | -- | 5 | -- |
| 10/23/2017 18:00 | UK | CBI Trends Total Orders | Oct | 9 | -- | 7 | -- |
| 10/23/2017 18:00 | UK | CBI Trends Selling Prices | Oct | -- | -- | 18 | -- |
| 10/23/2017 20:30 | CA | Wholesale Trade Sales MoM | Aug | 0.50% | -- | 1.50% | -- |
| 10/23/2017 20:30 | US | Chicago Fed Nat Activity Index | Sep | -0.1 | -- | -0.31 | -- |
| 10/23/2017 22:00 | CA | Bloomberg Nanos Confidence | Oct-20 | -- | -- | 57.9 | -- |
| 10/23/2017 22:00 | EC | Consumer Confidence | Oct A | -1.1 | -- | -1.2 | -- |
| 10/23/2017 10/25 | PH | Budget Balance PHP | Sep | -- | -- | 28.8b | -- |

Source: Bloomberg

| OCBC Treasury Research | |
|--|--|
| <p><u>Macro Research</u></p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> | <p><u>Credit Research</u></p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Wong Liang Mian (Nick) NickWong@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> |

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