

Highlights

Global	<p>Better-than-expected earnings results from US names, especially Caterpillar and 3M, lifted Wall Street; both Caterpillar and 3M posted stronger-than-expected revenue & profit growth and upgraded their outlook for the year. Moreover, US manufacturing PMI also surprised higher to 54.5 in October, up from Sept's 53.4, thus fuelling risk appetite. Notably, the 10y- UST yield broke through 2.4%, highest since late March, on the back of speculation that John Taylor may be favoured as the next Fed Chairman according to news from the Senate floor. The higher UST yields drove dollar higher with the dollar index testing 94.0 again. Still, note that there remains some uncertainty over who is to be the next Fed Chair; Yellen has made clear her intention to stay for another term during her interview last week. Elsewhere in Europe, manufacturing PMI prints surprised higher, with overall Eurozone manufacturing PMI rising to 58.6 in October, up from Sept's 57.8, suggesting that the Eurozone's economic growth pace remains resilient.</p> <p>For today, the US House of Representatives are slated to vote whether it will accept Senate version of Budget resolution. Elsewhere, China's new standing committee will be presented at around noon today; market-watchers will pay attention to whether there is any potential next generation leader in the list. A relatively heavy data stream is expected today as well: look out for Bank of Canada (likely to stay pat), Europe-centric prints especially UK 3Q17 GDP and GE IFO prints, US MBA Mortgage Application, Durable Goods Orders & New Home Sales and AU CPI.</p>
JN	<p>The Bank of Japan is said to be considering a small cut to its inflation outlook in the quarterly report to be released next week, according to Bloomberg citing people familiar with BOJ's discussions. Should that come to pass, the lower inflation outlook should reinforce market view that BOJ will continue its monetary easing program.</p>
SG	<p>MAS Menon commented that "as long as inflation remains benign, the current (MAS) policy stance has been appropriate... and it will be hard to extrapolate from here how long more that extended period will be" and added that while inflation is picking up, it "remains below normal historical average of just under 2.0%". Elsewhere, Menon commented that Singapore does not plan to regulate crypto-currencies such as bitcoin, but will observe "what kind of risks they pose."</p>
MA	<p>PM Najib commented that the MYR "will regain its strength... as our economy continues to perform well". With the budget to be revealed in two days time, Najib added that he will unveil new initiatives and several major announcements then.</p>
TH	<p>The funeral ceremony for Thailand's beloved late King Bhumibol Adulyadej will formally begin today. The ceremony is slated to last for three days.</p>
CMD	<p>Crude oil prices, alongside other growth-related commodities, continue to point north on the back of improved risk appetite following strong Wall Street prints and earning results. Brent rose past its \$58/bbl handle again, while WTI edged 1.1% higher to close \$52.47/bbl. Both major oil futures continue to gain at this morning's opening, especially as investors digest the American Petroleum Institute (API) report of a massive gasoline stock drawdown (-5.7 million barrels).</p>

Major Market

- **US:** Wall Street rose, with the Dow Jones posting its best session since September (+0.72%). DJIA aside, Nasdaq (+0.18%) and S&P (+0.16%) also managed to close in the black. The rally in US equities was on the back of strong earnings from 3M and Caterpillar, amongst other companies that also lifted market sentiment in their 3Q earnings releases. Volatility also picked up yesterday, with the CBOE VIX rising from 11.07 to 11.16, an increase of 0.8%.
- Treasury notes-wise, benchmark 10-year yields rose to their highest in more than seven months (since March 2017), closing higher at 2.42% (+5bps) Likewise, the 2-year yields also inched higher to 1.58% (+1.6bp).
- **Singapore:** The Straits Times Index bucked its seven straight days of gains, closing the session lower at 3,335.7 (-0.45%). Selling was seen from tickers like Singapore Press Holdings Ltd (-1.82%) and Hutchinson Port Holdings Trust (-2.20%), while gains seen from AREIT (+0.36%), CapitaLand Commercial Trust (+0.3%) and City Development (+0.24%) cushioned the overall fall.
- **Hong Kong:** Inflation moderated to its lowest level since March 2017 and printed 1.4% in September 2017. As public housing rentals were adjusted upwardly in September 2016, housing inflation softened from 2.8% in August 2017 to 2.3% in September 2017 with the dissipation of low base effect. Meanwhile, the price index of educational services dropped by 3.4% yoy due to the launch of new subsidy schemes in 2017/18 academic year. Nonetheless, the easing of price growth in these two sections is transitory. Though durable goods price index continued to deflate by 3.3%, it is expected to see milder decline in the coming months with the launch of new iPhone devices. Also, low base effect may help to accelerate the inflation. Despite that, we expect muted external price pressures will continue to contain inflationary risks in HK. Therefore, CPI is expected to only print 1.6% yoy over 2017, the weakest growth since 2009. As such, benign inflation may help to offset the impact of tepid wage growth on private consumption.
- 1-month HIBOR rose for the seventh consecutive trading day to its highest level since January 2017. The continuous increase is attributed to upcoming IPOs, possible additional exchange fund bill (EFB) issuance, month-end effect and rising expectations on Fed's third rate hike. Market anticipation of HKMA action and the upcoming IPOs have deterred banks from showing much interest in the 3-month EFB auction on Oct 24. Therefore, the HKMA refrained from further bill sales. At this juncture, HKD may hover between 7.7950 and 7.8100. Looking ahead, we still see possibility of HKMA issuing more EFBs before Dec FOMC. The possibility could be higher if HIBOR comes off a bit after the end of this month and after the IPOs. Any further action taken by the HKMA may pose renewed upward pressure to the HIBOR while the resultant narrowing of yield differential will help to ease downward pressure on the HKD.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mixed yesterday, with the shorter tenors trading relatively little changed, while the 15-year to 30-year tenors traded 1-3bps lower. In the broader dollar space, the spread on JACI IG Corp traded little changed at 178bps. Similarly, the yield on JACI HY Corp traded little changed at 6.83%. 10Y UST yields rose 5bps to 2.42% following a report that suggested Fed Chair candidate John Taylor has won the Senate GOP Fed straw poll.

- **New Issues:** The Housing & Development Board has priced a SGD640mn 12-year bond at 2.598%. The expected issue ratings are 'NR/Aaa/NR'. Asian Development Bank has priced a USD1.5bn 10-year bond at MS+22bps, tightening from initial guidance of MS+24bps. The expected issue ratings are 'AAA/Aaa/AAA'. Baoxin Auto Finance I Ltd has priced a USD400mn Perp NC3 (guaranteed by China Grand Automotive Services Co and China Grand Automotive Services (Hong Kong) Ltd) at 5.625%, tightening from initial guidance of 6% area. The expected issue ratings are 'NR/NR/B+'. BOC Aviation Ltd has priced a USD200mn re-tap of its BOCAVI 3.5%'27s. The expected issue ratings are 'A-/NR/A-'. Boral Finance Pty has priced a two tranche deal (guaranteed by Boral Ltd and certain of its subsidiaries), with the USD450mn 5-year bond priced at CT5+105bps, tightening from initial guidance of CT5+135bps area; and the USD500mn 10-year bond priced at CT10.5+140bps, tightening from initial guidance of CT10.5+170-175bps. The Export-Import Bank of Korea has priced a three tranche deal, with the USD400mn 3-year fixed rate bond priced at CT3+90bps, tightening from initial guidance of CT3+110bps; the USD1bn 5-year fixed rate bond priced a CT5+100bps, tightening from initial guidance of CT5+120bps; and the USD600mn 5-year floating rate bond priced at 3mL+92.5bps. The expected issue ratings are 'NR/Aa2/AA-'.
- **Rating Changes:** S&P has assigned Yango City Group Co Ltd (Yango) a 'B' long-term corporate credit rating. The outlook is stable. The rating action reflects S&P's view that Yango City will continue to maintain high leverage to support its expansion into higher-tier cities. S&P has affirmed CIMIC Group Ltd's (CIMIC) 'BBB' corporate credit rating, while revising the outlook to negative from stable. The rating action follows the same action on CIMIC's parent, HOCHTIEF AG and is not reflective of any changes in CIMIC's stand-alone credit quality. S&P has assigned Press Metal Aluminium Holdings Bhd (PMB) a long-term corporate credit rating of 'BB-'. At the same time, S&P has assigned a 'BB-' rating to PMB's senior unsecured notes. The rating action reflects PMB's modest production and scale, single-asset and single-metal exposure, debt-funded expansions and sensitivity to fluctuation in aluminum prices. S&P has downgraded the long-term issuer ratings on Arab Bank Plc and Jordan Islamic Bank. The outlook on these banks is stable. The rating action follows the recent downgrade in Jordan as S&P views that these banks are vulnerable to sovereign stress in Jordan.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.772	-0.17%	USD-SGD	1.3626	0.07%
USD-JPY	113.900	0.41%	EUR-SGD	1.6025	0.16%
EUR-USD	1.1761	0.10%	JPY-SGD	1.1962	-0.36%
AUD-USD	0.7776	-0.40%	GBP-SGD	1.7896	-0.42%
GBP-USD	1.3134	-0.48%	AUD-SGD	1.0596	-0.32%
USD-MYR	4.2320	-0.13%	NZD-SGD	0.9413	-0.79%
USD-CNY	6.6358	-0.06%	CHF-SGD	1.3748	-0.56%
USD-IDR	13533	-0.07%	SGD-MYR	3.1094	0.04%
USD-VND	22718	-0.02%	SGD-CNY	4.8705	-0.01%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3730	--	O/N	1.1844	--
2M	-0.3390	--	1M	1.2379	--
3M	-0.3290	--	2M	1.2997	--
6M	-0.2740	--	3M	1.3674	--
9M	-0.2210	--	6M	1.5608	--
12M	-0.1830	--	12M	1.8351	--

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	91.8%	49.1%	38.9%	3.7%	0.1%
06/13/2018	94.4%	36.0%	42.2%	15.0%	1.3%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	52.47	1.10%	Copper (per mt)	7,050.4	0.31%
Brent (per barrel)	58.33	1.67%	Nickel (per mt)	11,948.0	1.16%
Heating Oil (per gallon)	1.8221	1.92%	Aluminium (per mt)	2,144.5	0.88%
Gasoline (per gallon)	1.7155	2.22%			
Natural Gas (per MMBtu)	2.9740	-0.57%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,777.0	-0.36%
			Rubber (JPY/KG)	198.3	1.07%
Precious Metals	Futures	% chg			
Gold (per oz)	1,278.3	-0.20%			
Silver (per oz)	16.966	-0.64%			

Equity and Commodity

Index	Value	Net change
DJIA	23,441.76	167.80
S&P	2,569.13	4.15
Nasdaq	6,598.43	11.60
Nikkei 225	21,805.17	108.52
STI	3,334.67	-15.13
KLCI	1,736.14	-5.33
JCI	5,952.08	2.05
Baltic Dry	1,586.00	--
VIX	11.16	0.09

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.44 (+0.02)	1.58 (+0.02)
5Y	1.72 (+0.04)	2.04 (+0.05)
10Y	2.23 (+0.01)	2.42 (+0.05)
15Y	2.47 (+0.05)	--
20Y	2.46 (+0.05)	--
30Y	2.51 (+0.05)	2.93 (+0.05)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	11.40	-0.32
EURIBOR-OIS	2.63	-0.25
TED	27.19	--

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/24/2017 08:30	JN Nikkei Japan PMI Mfg	Oct P	--	52.5	52.9	--
10/24/2017 14:45	FR Manufacturing Confidence	Oct	110	111	110	111
10/24/2017 14:45	FR Production Outlook Indicator	Oct	23	31	23	--
10/24/2017 14:45	FR Own-Company Production Outlook	Oct	16	17	18	20
10/24/2017 15:00	FR Markit France Manufacturing PMI	Oct P	56	56.7	56.1	--
10/24/2017 15:00	FR Markit France Services PMI	Oct P	56.9	57.4	57	--
10/24/2017 15:00	FR Markit France Composite PMI	Oct P	57	57.5	57.1	--
10/24/2017 15:30	GE Germany Manufacturing PMI	Oct P	60	60.5	60.6	--
10/24/2017 15:30	GE Markit Germany Services PMI	Oct P	55.5	55.2	55.6	--
10/24/2017 15:30	GE Germany Composite PMI	Oct P	57.5	56.9	57.7	--
10/24/2017 16:00	EC Manufacturing PMI	Oct P	57.8	58.6	58.1	--
10/24/2017 16:00	EC Markit Eurozone Services PMI	Oct P	55.6	54.9	55.8	--
10/24/2017 16:00	EC Markit Eurozone Composite PMI	Oct P	56.5	55.9	56.7	--
10/24/2017 21:45	US Markit US Manufacturing PMI	Oct P	53.4	54.5	53.1	--
10/24/2017 21:45	US Markit US Services PMI	Oct P	55.2	55.9	55.3	--
10/24/2017 21:45	US Markit US Composite PMI	Oct P	--	55.7	54.8	--
10/24/2017 22:00	US Richmond Fed Manufact. Index	Oct	17	12	19	--
10/25/2017 08:30	AU CPI YoY	3Q	2.00%	--	1.90%	--
10/25/2017 08:30	AU CPI Trimmed Mean QoQ	3Q	0.50%	--	0.50%	--
10/25/2017 08:30	AU CPI Trimmed Mean YoY	3Q	2.00%	--	1.80%	--
10/25/2017 08:30	AU CPI Weighted Median QoQ	3Q	0.50%	--	0.50%	--
10/25/2017 08:30	AU CPI Weighted Median YoY	3Q	2.00%	--	1.80%	--
10/25/2017 16:00	GE IFO Business Climate	Oct	115.1	--	115.2	--
10/25/2017 16:00	GE IFO Expectations	Oct	107.3	--	107.4	--
10/25/2017 16:00	GE IFO Current Assessment	Oct	123.5	--	123.6	--
10/25/2017 16:00	IT Industrial Orders MoM	Aug	--	--	0.20%	--
10/25/2017 16:00	IT Industrial Orders NSA YoY	Aug	--	--	10.10%	--
10/25/2017 16:00	IT Industrial Sales MoM	Aug	--	--	-0.30%	--
10/25/2017 16:00	IT Industrial Sales WDA YoY	Aug	--	--	4.00%	--
10/25/2017 16:30	UK UK Finance Loans for Housing	Sep	41800	--	41807	--
10/25/2017 16:30	UK GDP YoY	3Q A	1.50%	--	1.50%	--
10/25/2017 16:30	UK Index of Services 3M/3M	Aug	0.40%	--	0.50%	--
10/25/2017 19:00	US MBA Mortgage Applications	Oct-20	--	--	3.60%	--
10/25/2017 20:30	US Durable Goods Orders	Sep P	1.00%	--	2.00%	--
10/25/2017 20:30	US Durables Ex Transportation	Sep P	0.50%	--	0.50%	--
10/25/2017 20:30	US Cap Goods Orders Nondef Ex Air	Sep P	0.30%	--	1.10%	--
10/25/2017 20:30	US Cap Goods Ship Nondef Ex Air	Sep P	0.10%	--	1.10%	--
10/25/2017 21:00	US FHFA House Price Index MoM	Aug	0.40%	--	0.20%	--
10/25/2017 22:00	CA Bank of Canada Rate Decision	Oct-25	1.00%	--	1.00%	--
10/25/2017 22:00	US New Home Sales	Sep	554k	--	560k	--
10/25/2017 22:00	US New Home Sales MoM	Sep	-1.10%	--	-3.40%	--
10/24/2017 10/31	VN CPI YoY	Oct	3.10%	--	3.40%	--
10/25/2017 10/31	VN Exports YTD YoY	Oct	20.60%	--	19.80%	--
10/25/2017 10/31	VN Imports YTD YoY	Oct	22.90%	--	23.10%	--
10/25/2017 10/31	VN Retail Sales YTD YoY	Oct	--	--	10.50%	--

Source: Bloomberg

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

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