

Highlights

Global	<p>North Korean tensions ratcheted higher overnight, albeit White House spokeswoman clarified “we’ve not declared war on North Korea”. Expect Asian bourses to face consolidation pressure this morning as investors await Fed chair Yellen’s speech on “Inflation, Uncertainty, and Monetary Policy”. Note Fed’s Dudley said with the “fading of effects from a number of temporary, idiosyncratic factors, I expect inflation will rise and stabilise around the FOMC’s 2 percent objective”, whereas Evans opined he was “broadly comfortable” and “as the FOMC comes to decision points over the coming months, I think we need to see clear signs of building wage and price pressures before taking the next step in removing accommodation”.</p> <p>Today’s economic calendar comprises US’ conference board consumer confidence, S&P house prices, Richmond Fed manufacturing index and HK trade data. Apart from Yellen, other speakers due today include Fed’s Mester and Brainard, ECB’s Mersch, Constancio and Praet.</p>
US	<p>Chicago Fed national activity index came in below expectations at -0.31 in Aug, versus +0.03 in July, but the Dallas Fed manufacturing activity surged from 17.0 in Aug to 21.3 in Sep.</p>
EZ	<p>German IFO retreated marginally to 115.2 in Sep, down from 115.9 in Aug – the current assessment and expectations indices both retreated to 123.6 and 107.4 respectively, down from 124.7 and 107.8 previously. This suggested that German growth momentum could have peaked.</p>
CN	<p>US Secretary of Commerce Wilbur Ross met China’s Premier Li Keqiang yesterday in Beijing, paving the way for President Trump’s forthcoming visit in November. Issues like increasing market access for US firms and China’s imports of US goods are the key for bilateral relationship while China hopes US to loosen its restriction on high-tech exports to China.</p>
SG	<p>Headline inflation unexpectedly moderated to 0.4% yoy (+0.3% mom nsa) in August, down from 0.6% yoy (-0.2% mom nsa) in July and was lower than market consensus for 0.6% yoy (+0.3% mom nsa). The main drag from housing & utilities cost which fell 2.3% yoy. That said, apart from housing & utilities, other broad cost segments continued to see modest price pressures. Notably, private road transport cost hikes moderated to 2.6% yoy (previously 3.5%) as base effects due to the expiry of the 1-year road tax rebates in August 2016 faded. MAS core inflation also eased from 1.6% to 1.4% yoy, due to lower food and retail inflation, amid cheaper clothing & footwear. This brought the January-August reading to average 1.5% yoy, which does not endanger the official forecast of 1-2% yoy. In particular, while the domestic labour market has stabilized in the first half of this year, there are no incipient signs of wage inflation making a comeback. There was no change in the inflation rhetoric from last month. MAS is likely to remain on hold at October MPS, and April 2018 may be a more opportune time to review the current neutral policy stance for an extended period of time. While crude oil prices have pulled higher in September, there is no imminent danger of an inflationary up-surge at this juncture. However, the broader ground-up pricing pressures could tilt further to the upside as we get into 2018 proper if global commodity prices continue to recover and the domestic labour market gets a second wind.</p>

Major Market

- **US:** Equities were dragged lower by a sell-down in tech mega-caps, which in turn, pulled the entire tech sector lower. There appears to be a rotation taking place, with year-to-date gain leaders like the tech mega-caps giving way to more value stocks. Energy stocks had a strong showing, supported by WTI prices closing above US\$52 per barrel. Overall, the S&P 500 and Dow eased 0.22% and 0.24%, while the Nasdaq Composite plummeting 0.88%. VIX jumped to 10.21 compared to 9.59 previously.
- Rhetoric of “war” coming from North Korea re-ignited safe haven flows, supporting gains in US Treasuries. Mixed signals from Fed speakers, with Kashkari and Evans dovish, but Dudley relatively more neutral, also helped Treasuries higher. 2y and 10y benchmark yields eased 1-3 bps to 1.42% and 2.22% respectively.
- **Singapore:** The STI may lose further traction today amid softer risk appetite and weak cues from Wall Street, after declining 0.13% to close at 3215.91 yesterday. STI support and resistance are tipped at 3200 and 3220. UST bonds rallied yesterday, with yields lower by up to 3bps, and SGS bonds are likely to track the rally today. Given the current risk-off environment, tomorrow’s tender for the re-opening of \$2.4b 2-year SGS bonds maturing 1 October 2019 (with MAS taking \$300m) may be well received.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded mostly downwards yesterday, with swap rates trading 1-3bps lower across most tenors. However, the 30-year tenor rose by 1bps. In the broader dollar space, the spread on JACI IG Corp traded little changed at 185bps, while the yield on JACI HY Corp fell 1bps to 6.78%. 10Y UST yields fell 3bps to 2.22% as tensions with North Korea continued to mount.
- **New Issues:** Nan Fung Treasury Ltd has priced a USD410mn 10-year bond (guaranteed by Nan Fung International Holdings Ltd) at CT10+175bps, tightening from initial guidance of CT10+190bps area. The expected issue ratings are ‘BBB-/NR/BBB’. Yuzhou Properties Co Ltd has priced a USD300mn Perp NC5 at 5.375%, tightening from initial guidance of 5.75% area. The expected issue ratings are ‘NR/B1/NR’. Voyage Bonds Ltd has priced a USD400mn 5-year bond (guaranteed by Shougang Group Co Ltd) at CT5+162.5bps tightening from initial guidance of CT5+195bps area. The expected issue ratings are ‘NR/NR/A-’. Hanjin International Corp has priced a USD300mn 3-year bond (guaranteed by The Export-Import Bank of Korea) at 3mL+95bps. The expected issue ratings are ‘NR/Aa2/NR’. Nissan Motor Acceptance Corp has priced a four-tranche deal, with the USD550mn 3-year fixed rate note priced at CT3+62bps, tightening from initial guidance of CT3+80bps; the USD300mn 3-year floating rate note priced at 3mL+39bps, with the initial guidance at Libor equivalent; the USD700mn 5-year fixed rate note priced at CT5+77bps, tightening from initial guidance of CT5+95bps; and the USD450mn 5-year fixed rate note priced at 3mL+69bps, with the initial guidance at Libor equivalent.
- **Rating Changes:** Fitch has assigned Ascott Residence Trust (ART) an Issuer Default Rating (IDR) of ‘BBB’. The outlook is stable. Fitch has also assigned a senior unsecured rating of ‘BBB’ to ART. The rating action reflects ART’s strong business risk profile, which is underpinned by its globally diversified portfolio of serviced residence properties. However, the ratings are constrained by ART’s smaller property portfolio compared with higher-rated peers. Moody’s has downgraded CapitaLand Commercial Trust’s (CCT) issuer rating and senior unsecured rating to ‘Baa2’ from ‘A3’. The outlook has been

changed to stable from negative. The rating action reflects CCT's weakened financial profile following the acquisition of Asia Square Tower 2. Moody's has affirmed Frasers Commercial Trust's (FCOT) 'Baa2' issuer and senior unsecured debt ratings, while changing the outlook on all ratings to negative from stable. The rating action reflects the likely weakening of FCOT's financial profile following the announcement that Hewlett Packard Enterprise Singapore Pte Ltd (HPES) intends to vacate over 90% of the space it currently leases from FCOT. S&P has downgraded Chubb Insurance Co Ltd's (CICC) counterparty credit rating to 'A+' from 'AA-'. The outlook is stable. The rating action follows the downgrade of China's sovereign credit rating. Moody's has affirmed China Minmetals Corporation's (China Minmetals) 'Baa1' issuer rating and ratings on its bonds. The outlook has been changed to stable from negative. The rating action reflects China Minmetal's improved leverage due to the ramp-up of operations at its Las Bambas copper mine and the recovering performance of its metals and mining business. Moody's has assigned Jiayuan International Group Limited (Jiayuan) a corporate family rating of 'B2'. The outlook is stable. The rating action reflects Jiayuan's established track record in its core markets of Nanjing, Yangzhou and Taixing, its low cost land bank, and focus on mass-market housing, as well as management's demonstrated abilities in identifying quality land. Moody's has upgraded the issuer ratings of China Metallurgical Group Corporation (CMGC) and its key subsidiary, Metallurgical Corporation of China Ltd (MCC) to 'Baa1' from 'Baa2'. The outlook is stable. The rating action reflects Moody's expectation that CMGC's robust order backlog, cost control measures and deleveraging efforts would translate into steady revenue growth, improved earnings and reduced debt levels. Moody's has placed Indika Energy Tbk's (PT) (Indika) 'B2' corporate family ratings and ratings on its senior secured notes on review for upgrade. The rating action follows Indika's proposed acquisition of Kideco, which Moody's views as credit positive as Indika will gain control over the third largest coal mining asset in Indonesia which has a long reserve life.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	92.648	0.52%	USD-SGD	1.3511	0.39%
USD-JPY	111.730	-0.23%	EUR-SGD	1.6009	-0.45%
EUR-USD	1.1848	-0.86%	JPY-SGD	1.2095	0.63%
AUD-USD	0.7937	-0.31%	GBP-SGD	1.8194	0.12%
GBP-USD	1.3466	-0.28%	AUD-SGD	1.0724	0.07%
USD-MYR	4.2045	0.15%	NZD-SGD	0.9817	-0.64%
USD-CNY	6.6215	0.48%	CHF-SGD	1.3980	0.68%
USD-IDR	13325	0.10%	SGD-MYR	3.1126	-0.04%
USD-VND	22737	0.01%	SGD-CNY	4.9022	-0.01%

Equity and Commodity

Index	Value	Net change
DJIA	22,296.09	-53.50
S&P	2,496.66	-5.56
Nasdaq	6,370.59	-56.33
Nikkei 225	20,397.58	101.13
STI	3,215.91	-4.34
KLCI	1,769.14	-1.90
JCI	5,894.61	-17.10
Baltic Dry	1,502.00	--
VIX	10.21	0.62

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3720	--	O/N	1.1789	--
2M	-0.3400	--	1M	1.2383	--
3M	-0.3290	--	2M	1.2722	--
6M	-0.2710	--	3M	1.3294	--
9M	-0.2200	--	6M	1.4968	--
12M	-0.1710	--	12M	1.7754	--

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.35 (+0.01)	1.42 (-0.01)
5Y	1.62 (+0.02)	1.84 (-0.03)
10Y	2.12 (+0.03)	2.22 (-0.03)
15Y	2.42 (+0.02)	--
20Y	2.38 (+0.02)	--
30Y	2.44 (+0.04)	2.76 (-0.02)

Fed Rate Hike Probability

Meeting	Prob Hike	1-1.25	1.25-1.5	1.5-1.75	1.75 - 2.0
11/01/2017	0.8%	99.2%	0.8%	0.0%	0.0%
12/13/2017	63.2%	36.8%	62.7%	0.5%	0.0%
01/31/2018	63.5%	36.5%	62.5%	1.0%	0.0%
03/21/2018	75.3%	24.7%	54.1%	20.9%	0.3%
05/02/2018	75.5%	24.5%	53.9%	21.1%	0.5%
06/13/2018	82.8%	17.2%	45.1%	30.9%	6.6%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.69	-0.07
EURIBOR-OIS	2.79	-0.20
TED	30.92	--

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	52.22	3.08%	Copper (per mt)	6,476.1	-0.24%
Brent (per barrel)	59.02	3.80%	Nickel (per mt)	10,511.0	1.45%
Heating Oil (per gallon)	1.8563	2.20%	Aluminium (per mt)	2,129.5	-0.56%
Gasoline (per gallon)	1.7220	3.21%			
Natural Gas (per MMBtu)	2.9190	-1.35%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,691.0	-1.68%
			Rubber (JPY/KG)	213.6	1.47%
Precious Metals	Futures	% chg			
Gold (per oz)	1,311.5	1.08%			
Silver (per oz)	17.147	0.96%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised	
09/25/2017 08:30	JN	Nikkei Japan PMI Mfg	Sep P	--	52.6	52.2	--
09/25/2017 13:00	JN	Leading Index CI	Jul F	--	105.2	105	--
09/25/2017 13:00	SI	CPI YoY	Aug	0.60%	0.40%	0.60%	--
09/25/2017 13:00	SI	CPI NSA MoM	Aug	0.30%	0.30%	-0.20%	--
09/25/2017 16:00	GE	IFO Business Climate	Sep	116	115.2	115.9	--
09/25/2017 16:00	GE	IFO Expectations	Sep	108	107.4	107.9	107.8
09/25/2017 16:00	GE	IFO Current Assessment	Sep	124.7	123.6	124.6	124.7
09/25/2017 20:30	US	Chicago Fed Nat Activity Index	Aug	-0.25	-0.31	-0.01	0.03
09/25/2017 22:30	US	Dallas Fed Manf. Activity	Sep	11.5	21.3	17	--
09/26/2017 05:00	SK	Consumer Confidence	Sep	--	107.7	109.9	--
09/26/2017 05:45	NZ	Trade Balance NZD	Aug	-825m	-1235m	85m	98m
09/26/2017 05:45	NZ	Exports NZD	Aug	4.05b	3.69b	4.63b	--
09/26/2017 05:45	NZ	Imports NZD	Aug	4.80b	4.92b	4.55b	4.53b
09/26/2017 08:00	NZ	ANZ Business Confidence	Sep	--	--	18.3	--
09/26/2017 13:00	SI	Industrial Production YoY	Aug	15.50%	--	21.00%	--
09/26/2017 13:00	SI	Industrial Production SA MoM	Aug	-1.00%	--	1.00%	--
09/26/2017 14:00	GE	Import Price Index MoM	Aug	0.10%	--	-0.40%	--
09/26/2017 14:00	GE	Import Price Index YoY	Aug	2.10%	--	1.90%	--
09/26/2017 14:45	FR	Manufacturing Confidence	Sep	110	--	111	--
09/26/2017 16:30	UK	UK Finance Loans for Housing	Aug	41700	--	41587	--
09/26/2017 16:30	HK	Exports YoY	Aug	7.10%	--	7.30%	--
09/26/2017 16:30	HK	Imports YoY	Aug	5.90%	--	5.50%	--
09/26/2017 16:30	HK	Trade Balance HKD	Aug	-28.8b	--	-29.6b	--
09/26/2017 21:00	US	S&P CoreLogic CS 20-City YoY NSA	Jul	5.70%	--	5.65%	--
09/26/2017 22:00	US	New Home Sales	Aug	585k	--	571k	--
09/26/2017 22:00	US	New Home Sales MoM	Aug	2.50%	--	-9.40%	--
09/26/2017 22:00	US	Conf. Board Consumer Confidence	Sep	120	--	122.9	--
09/26/2017 22:00	US	Richmond Fed Manufact. Index	Sep	13	--	14	--
09/25/2017 09/30	VN	CPI YoY	Sep	3.40%	--	3.35%	--
09/25/2017 09/30	VN	GDP YTD YoY	3Q	6.05%	--	5.73%	--
09/25/2017 09/30	VN	Exports YTD YoY	Sep	19.50%	--	17.90%	--

Source: Bloomberg

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