

Highlights

Global	<p>Markets cheered news of Trump's long-awaited tax plan that is supposedly a "revolutionary change" and "the largest tax cut in our country's history". The plan proposes cutting the top individual tax rate to 35%, trimming from 7 to 3 brackets at 12%/25%/35%, while the corporate tax rate would be slashed from 35% to 20%. Both RBNZ and BOT were static yesterday. Note Fed's Rosengren (non-voter) argued that "appropriate risk mitigation would argue for continued gradual removal of monetary accommodation, even though we are currently below the inflation target" and "I believe policy makers should not overreact to low current inflation readings that are widely expected to be temporary", whereas Bullard (also non-voter) opined that "inflation expectations are uncomfortably low at this point" and "I find it pretty concerning" that market lacks confidence in the dots plot. Futures market pricing for a December FOMC rate hike has now risen to 71% probability. Market attention now turns to US' initial jobless claims and wholesale inventories, Eurozone's consumer confidence and German GfK consumer confidence. Today's speaker line-up includes Fed's George and Fischer, ECB's Praet, Lautenschaelger, and RBA's Debelle.</p>
US	<p>Durable goods orders surged more than expected by 1.7% in Aug, up from -6.8% in July, amid broad-based improvements in new orders and shipments. Orders excluding transportation also climbed 0.2% in Aug, following a revised 0.8% in Jul, and suggesting that 3Q capital spending should be solid as hurricane-related rebuilding efforts get underway. Meanwhile, pending home sales fell more than expected by 3.1% yoy (-2.6% mom) in Aug, after declining 0.5% yoy (-0.8% mom) in Jul amid inclement weather.</p>
NZ	<p>RBNZ kept its OCR unchanged at 1.75%, citing that monetary policy will remain accommodative for a considerable period, and that growth is projected to maintain its current pace going forward. On currency, RBNZ noted that the trade-weighted exchange rate has eased slightly since the August statement, but a lower NZD would help to increase tradeables inflation and deliver more balanced growth.</p>
CN	<p>China's State Council said in its regular meeting that China will consider targeted reserve requirement ratio cut for those banks who support micro and small companies' financing. We do not think this as sign of easing but gestures of solving funding difficulties for small companies.</p>
SG	<p>The \$2.4b re-opening of the 2-year SGS bond yesterday fetched a median yield of 1.39% to cut off at 1.43% with a bid-cover ratio of 1.79x. This is the last mini-bond auction for 2017. The 2018 SGS bond issuance calendar should be out by October.</p>
HK	<p>1-month HIBOR rebounded to 0.54857% on Sep 27 after sliding consecutively for two trading days. The tighter liquidity was probably due to HKMA's bill sales on Sep 26, recent ZhongAn IPO, the quarter-end effect and the rising expectations on Fed's third rate hike this year. As a result, the gap between 1-month LIBOR and 1-month HIBOR narrowed to 0.6881 percentage points on Sep 27, the lowest level since May. A narrower yield differential supported rally in the HKD.</p>

Major Market

- **US:** Optimism over Trump's policies is back in vogue yesterday, as the president announced his tax cut plans. The hope is for the tax cuts to pass Congress before the end of the year. Led by financials and tech stocks, the major indices were all higher. S&P 500 and Dow rose 0.41% and 0.25% respectively, while the Nasdaq Composite was the outperformer, gaining 1.15%. VIX down to 9.87, from 10.17 previously. US Treasury yields spiked higher on Trump news as well, with the 2y and 10y benchmark yields standing at 1.47% and 2.31%, up 3-7 bps. While the immediate signs are slightly positive, it remains to be seen if the plans will be derailed at Congress, and it is far too early to tell at this stage. Given the experience of the failed healthcare plan, it may be prudent to avoid being carried away from the tax cut plans.
- **Singapore:** The STI rebounded 0.75% to close at 3236.15 yesterday and may attempt to breach the 3240 handle today amid positive overnight cues from Wall Street on US tax plan optimism, albeit Kospi is off to a bit of a slow start this morning. STI support and resistance are tipped at 3220 and 3250. With the bear-steepening in the UST bond yield curve, SGS bonds may also see some pressure today, even after the 10-year SGS bond yield already sold off by some 7bps yesterday.
- **Hong Kong:** It is notable that the rally in HIBOR may be unsustainable due to several reasons. First, the quarter-end effect and the impact of ZhongAn IPO will dissipate soon. Second, though the Fed is set to reduce its balance sheet next month, the scale of reduction at the beginning is too small to shake the global markets or lead to any spike in the HIBOR. Third, equity flows to HK have remained resilient. Therefore, the interest rate gap may widen again after China's golden week holiday and curb the rebound in HKD.
- **Macau:** Jobless rate was unchanged at 2% during the three months through August. A combination of tight labour supply and strong labour demand from the services industry has helped to sustain the resilience in the jobs market. Still, all the major sectors continued to show volatility in their employment. On the one hand, employment in the construction sector (-3.1% mom) is expected to remain subdued amid the successive completion of mega entertainment projects. On the other hand, the opening of new project in the coming months may prompt the gaming sector (+1.2% mom), retail sector (-3.2% mom) and hotel & restaurants sector (-1.2% mom) to increase headcount. Moving forward, as there will be a new wave of mega entertainment projects scheduled to open in the coming years, we expect the labour market to remain tight and the unemployment rate to oscillate around 2%. A stable labour market and the sustained economic advancement may encourage employers to raise wages and in turn buoy private consumption.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates trading 4-10bps higher across all tenors. In the broader dollar space, the spread on JACI IG Corp fell 3bps to 185bps, while the yield on JACI HY Corp rose 4bps to 6.82%. 10Y UST yields rose 7bps to 2.30%, as President Trump released more details of his tax cut plans.
- **New Issues:** Geo Coal International Pte Ltd has priced a USD300mn 5NC3 bond (guaranteed by Geo Energy Resources Ltd and certain of its subsidiaries) at 8.35%,

tightening from initial guidance of 8.75%. The expected issue ratings are 'B/B2/B+'. Frasers Centrepoint Ltd has announced that it proposes to issue an additional SGD42mn in Perpetuals, which will form a single series with its SGD308mn outstanding perpetual. Indika Energy Tbk PT has scheduled investor meetings for potential USD bond issuance from 28 Sep.

- **Rating Changes:** Moody's has upgraded the ratings of BNP Paribas (BNPP) and ING Bank NV (ING Bank) as Moody's expects a significant issuance of additional loss-absorbing capital in response to forthcoming regulatory requirements. Moody's has upgraded BNPP's deposit, issuer, and senior unsecured debt ratings to 'Aa3' from 'A1', as BNPP announced it will issue around EUR10 billion of junior senior unsecured debt per year to meet Total Loss Absorbing Capacity (TLAC) requirements, and the issuance will reduce loss severity for senior unsecured and junior senior creditors, as well as junior depositors. Moody's has upgraded ING Bank NV's (ING Bank) deposit and senior unsecured debt ratings to 'Aa3' from 'A1'. The outlook has been changed to stable from positive. The rating action reflects Moody's expectation that ING Bank's holding company, ING Groep will continue to issue debt in order to comply with TLAC requirements. S&P has upgraded Chung Kuo Insurance Co Ltd's (Chung Kuo Insurance) issuer credit rating to 'A-' from 'BBB+'. The outlook is stable. The rating action reflects S&P's view that Chung Kuo Insurance's overall financial risk profile has strengthened following its implementation of a more prudent investment strategy and risk tolerance toward foreign currency exposure. S&P has affirmed Geo Energy Resources Ltd's (Geo Energy) 'B' corporate credit rating. The outlook is stable. At the same time, S&P has assigned Geo Energy's proposed senior unsecured notes an issue rating of 'B'. The rating is similar to the rating that S&P assigned Geo Energy in July, as Geo Energy's credit profile has not changed significantly. S&P has affirmed Sunac China Holdings Ltd's (Sunac) 'B+' corporate credit rating and the 'B' issue rating on Sunac's outstanding senior unsecured notes. The outlook is negative. S&P has removed all ratings from CreditWatch, where they were placed with negative implications. The rating action reflects S&P's expectation that Sunac's revenue will grow and its margins will recover. However, S&P expects Sunac's leverage to remain high due to its aggressive expansion appetite. Moody's has downgraded The Hongkong and Shanghai Banking Corp Ltd's deposit, senior unsecured and issuer ratings to 'Aa3' from 'Aa2', its senior unsecured MTN ratings to 'Aa3' from 'Aa2', counterparty risk assessment to 'Aa2' from 'Aa1', and junior subordinated notes rating to 'A2' from 'A1'. At the same time, Moody's has downgraded the bank's baseline credit assessment (BCA) and adjusted BCA to 'A1' from 'Aa3'. The outlook on the deposit, senior unsecured, and issuer ratings have been revised to stable from negative. The rating action reflects the increased corporate and household leverage in several of the countries that The Hongkong and Shanghai Banking Corp operate in. Similarly, Moody's has downgraded the counterparty risk assessments and senior unsecured ratings of Hongkong and Shanghai Banking Corp Ltd (NZ) and Hongkong & Shanghai Banking Corp (Singapore). Moody's has upgraded Lloyds Bank Plc's (Lloyds) deposit ratings and senior unsecured debt ratings to 'Aa3' from 'A1'. The outlook has been changed to stable from under review. The rating action reflects Lloyd's improved asset risk, stable capital levels and Moody's expectation that Lloyds' profitability will continue to increase. Moody's has downgraded Hang Seng Bank Limited's deposit ratings to 'Aa3' from 'Aa2', its counterparty risk assessment to 'Aa2' from 'Aa1', and its BCA and adjusted BCA to 'a1' from 'Aa3'. The outlook on the ratings has been revised to stable from negative. The rating action reflects the increased risks posed by rising corporate and household leverage in Hong Kong and China in recent years. Fitch has affirmed Honghua Group Limited's (Honghua) Issuer Default Rating (IDR) and rating on its senior unsecured

notes at 'CCC'. The rating action reflects the challenging operating environment due to the uncertainty of the global oil market.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	93.361	0.42%	USD-SGD	1.3594	0.36%
USD-JPY	112.840	0.53%	EUR-SGD	1.5967	-0.04%
EUR-USD	1.1745	-0.41%	JPY-SGD	1.2053	-0.13%
AUD-USD	0.7849	-0.47%	GBP-SGD	1.8195	-0.20%
GBP-USD	1.3387	-0.53%	AUD-SGD	1.0673	-0.07%
USD-MYR	4.2215	0.36%	NZD-SGD	0.9791	0.28%
USD-CNY	6.6425	0.04%	CHF-SGD	1.3987	0.03%
USD-IDR	13445	0.53%	SGD-MYR	3.1030	-0.17%
USD-VND	22728	-0.02%	SGD-CNY	4.8908	-0.13%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.1783	--
2M	-0.3390	--	1M	1.2344	--
3M	-0.3290	--	2M	1.2717	--
6M	-0.2730	--	3M	1.3308	--
9M	-0.2190	--	6M	1.4971	--
12M	-0.1710	--	12M	1.7757	--

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	71.7%	28.3%	71.2%	0.6%	0.0%
01/31/2018	72.5%	27.5%	69.9%	2.6%	0.0%
03/21/2018	81.4%	18.6%	56.2%	24.4%	0.8%
05/02/2018	81.5%	18.5%	55.9%	24.6%	1.0%
06/13/2018	87.5%	12.5%	43.9%	34.7%	8.6%

Commodities Futures

Energy	Futures	% chg	Base Metals	Futures	% chg
WTI (per barrel)	52.14	0.50%	Copper (per mt)	6,458.4	0.36%
Brent (per barrel)	57.90	-0.92%	Nickel (per mt)	10,174.5	-2.29%
Heating Oil (per gallon)	1.8463	0.05%	Aluminium (per mt)	2,110.0	0.24%
Gasoline (per gallon)	1.6540	-2.64%			
Natural Gas (per MMBtu)	2.9740	1.92%	Asian Commodities	Futures	% chg
			Crude Palm Oil (MYR/MT)	2,747.0	-0.07%
			Rubber (JPY/KG)	217.7	1.78%
Precious Metals	Futures	% chg			
Gold (per oz)	1,287.8	-1.07%			
Silver (per oz)	16.827	-0.33%			

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	22,340.71	56.39
S&P	2,507.04	10.20
Nasdaq	6,453.26	73.10
Nikkei 225	20,267.05	-63.14
STI	3,236.15	24.11
KLCI	1,764.24	-1.35
JCI	5,863.03	-0.94
Baltic Dry	1,476.00	--
VIX	9.87	-0.30

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.42 (+0.06)	1.47 (+0.04)
5Y	1.67 (+0.06)	1.91 (+0.05)
10Y	2.18 (+0.07)	2.31 (+0.07)
15Y	2.47 (+0.05)	--
20Y	2.45 (+0.06)	--
30Y	2.50 (+0.06)	2.86 (+0.09)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	14.48	-0.29
EURIBOR-OIS	2.88	--
TED	28.37	--

Economic Calendar

Date Time		Event	Survey	Actual	Prior	Revised	
09/27/2017 10:56	MU	Unemployment Rate	Aug	--	2.00%	2.00%	--
09/27/2017 13:00	JN	Small Business Confidence	Sep	49.5	49.4	49	--
09/27/2017 14:00	JN	Machine Tool Orders YoY	Aug F	--	36.20%	36.30%	--
09/27/2017 14:45	FR	Consumer Confidence	Sep	103	101	103	--
09/27/2017 15:05	TH	BoT Benchmark Interest Rate	Sep-27	1.50%	1.50%	1.50%	--
09/27/2017 16:00	EC	M3 Money Supply YoY	Aug	4.60%	5.00%	4.50%	--
09/27/2017 16:00	IT	Economic Sentiment	Sep	--	108	107	107.1
09/27/2017 16:00	IT	Manufacturing Confidence	Sep	108.2	110.4	108.1	108.5
09/27/2017 16:00	IT	Consumer Confidence Index	Sep	110.6	115.5	110.8	111.2
09/27/2017 17:00	IT	Industrial Orders MoM	Jul	--	0.20%	4.30%	-0.70%
09/27/2017 17:00	IT	Industrial Orders NSA YoY	Jul	--	10.10%	13.70%	-1.80%
09/27/2017 19:00	US	MBA Mortgage Applications	Sep-22	--	-0.50%	-9.70%	--
09/27/2017 20:30	US	Durable Goods Orders	Aug P	1.00%	1.70%	-6.80%	--
09/27/2017 20:30	US	Durables Ex Transportation	Aug P	0.20%	0.20%	0.60%	0.80%
09/27/2017 20:30	US	Cap Goods Orders Nondef Ex Air	Aug P	0.30%	0.90%	1.00%	1.10%
09/27/2017 20:30	US	Cap Goods Ship Nondef Ex Air	Aug P	0.10%	0.70%	1.20%	1.10%
09/27/2017 22:00	US	Pending Home Sales MoM	Aug	-0.50%	-2.60%	-0.80%	--
09/28/2017 04:00	NZ	RBNZ Official Cash Rate	Sep-28	1.75%	1.75%	1.75%	--
09/28/2017 07:00	SK	CPI YoY	Sep	2.20%	2.10%	2.60%	--
09/28/2017 07:50	JN	Japan Buying Foreign Bonds	Sep-22	--	--	¥381.8b	--
09/28/2017 07:50	JN	Foreign Buying Japan Stocks	Sep-22	--	--	¥918.6b	--
09/28/2017 14:00	GE	GfK Consumer Confidence	Oct	11	--	10.9	--
09/28/2017 17:00	EC	Economic Confidence	Sep	112	--	111.9	--
09/28/2017 17:00	EC	Consumer Confidence	Sep F	-1.2	--	-1.2	--
09/28/2017 20:00	GE	CPI YoY	Sep P	1.80%	--	1.80%	--
09/28/2017 20:00	GE	CPI EU Harmonized YoY	Sep P	1.90%	--	1.80%	--
09/28/2017 20:30	US	GDP Annualized QoQ	2Q T	3.00%	--	3.00%	--
09/28/2017 20:30	US	Personal Consumption	2Q T	3.30%	--	3.30%	--
09/28/2017 20:30	US	GDP Price Index	2Q T	1.00%	--	1.00%	--
09/28/2017 20:30	US	Core PCE QoQ	2Q T	0.90%	--	0.90%	--
09/28/2017 20:30	US	Initial Jobless Claims	Sep-23	270k	--	259k	--
09/28/2017 20:30	US	Continuing Claims	Sep-16	1993k	--	1980k	--
09/28/2017 20:30	US	Wholesale Inventories MoM	Aug P	0.40%	--	0.60%	--
09/28/2017 21:45	US	Bloomberg Consumer Comfort	Sep-24	--	--	50.6	--

Source: Bloomberg

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