

Highlights

Global	<p>Wall Street gained for a second session at month-end, aided by Facebook and GM's earnings, accompanied by the USD even as US Treasury bonds slipped and the yield curve steepened. Key developments overnight included the UK's lead negotiator Raab's upbeat comments on a Brexit deal by 21 Nov also gave sentiments and the GBP a lift. BOE is tipped to keep its bank rate unchanged at 0.75% today, but watch for the inflation report. Meanwhile, in China, official manufacturing and non-manufacturing PMI data showed a further and larger-than-expected softening to 50.2 (lowest since Jul 2016) and 53.9 respectively for Oct, down from 50.8 and 54.9 in Sep, and regulators continued to signal further stimulus measures that "will be more preemptive and take action in a timely manner". BOJ also kept its policy settings static yesterday, while revising its GDP growth forecast slightly lower to 1.4% and warned that risks in the current FY are now skewed to the downside versus "generally balanced" previously. BOJ also forecast that inflation will remain below its 2% target until at least early 2021. Still BOJ tweaked its monthly bond-buying plan for the third time to boost trading activity. Elsewhere, Fitch affirmed Mexico's credit rating at BBB+ but cut its outlook to negative.</p> <p>Asian bourses may trade with a softer tone today, with the release of a slew of Asian manufacturing PMIs including China's Caixin PMI. The economic data calendar also comprises US' manufacturing ISM, initial jobless claims and construction spending, UK' Nationwide house prices, HK retail sales, and Thai and Indonesian CPI. Speakers include BOE's press conference.</p>
US	<p>The 3Q18 employment cost index accelerated more than expected to 0.8% qoq (2.8% yoy) from 0.6% in 2Q. The driver was private wages and salaries which rose faster at 3.1% yoy (fastest since 2008) in a tightening labour market. The ADP also surprised on the upside to add 227k in Oct, suggesting a likely strong nonfarm payroll (NFP) print on Friday.</p>
EU	<p>The region's inflation was accelerated from 2.1% in Sep to 2.2% in Oct due to higher energy costs, while the core CPI also rose from 0.9% to 1.1% due to legislative changes for education in Italy. Despite recent disappointing economic data, ECB's Nowotny opined that "we assume that there will be a slight downward revision, but not in a dimension that would change monetary-policy perspectives" for the upcoming forecast updates, while Hansson also opined that there has been "no significant, material change that would increase doubts about the present forecasts".</p>
SG	<p>OCBC reported 3Q net income of \$1.25b with net interest margin of 1.72%. S'pore was ranked second after New Zealand in the World Bank's Doing Business 2019 report.</p>
CH	<p>The PBOC announced to issue central bank bills in Hong Kong on 7th November, including 10 billion yuan of three-month fixed-rate bill and 10 billion yuan of one-year fixed-rate bill. This may help the PBOC to manage offshore RMB liquidity and in turn reduce the volatility of the yuan, in order to prevent RMB's sharp devaluation from accelerating capital outflows and intensifying market turmoil.</p>

Major Markets

- **US:** Wall Street edged higher on Wednesday, with all 3 major indexes closing up on the last day of October, albeit still closing in the red for the month. The Nasdaq composite (+2.01%) slipped 9.2% across October, its largest monthly decline dating back to November 2008. The S&P500 rose 1.09%, while the DJIA (+0.97%) closed up to surpass the 25,000 level. Strong labour data from ADP likely buoyed investor sentiment (227k vs est. 187k).
- Facebook equity gained 3.81% on higher revenue and sales over the 3Q last year, although CFO David Wehner said he expected revenue growth to slow by a “mid-to-high single-digit percentage”.
- General Motors’ stocks surged 9.09% as the automotive firm posted solid third quarter earnings as it reported a net income, as compared to a loss from a year ago, on the back of stronger struck sales.
- Yum Brands saw its shares rise 4.60%, driven by robust sales at KFC and Taco Bell, which made up for losses at Pizza Hut. EPS and revenue overall exceeded consensus estimates.
- **Southeast Asia PMI:** Malaysia and Thailand entered contraction territory at 49.2 (Sept 2018: 51.5) and 48.9 (Sept 2018: 50.0) respectively whilst Myanmar remained below the expansion mark at 48.0 (Sept 2018: 47.5). Indonesia continued to remain in expansion territory at 50.5 (Sept 2018: 50.7) although a decrease. Meanwhile, Vietnam saw an increase to 53.9 in October (Sept 2018: 51.5). Just a day earlier, China’s composite PMI had seen a decline to 53.1 for October (Sept 2018: 54.1). Falls in export orders for Indonesia and Thailand partially explained the decline although stronger export orders in contrast for Vietnam helped support the increase. There was also reportedly an increase in new business from overseas for Malaysia, with the USA and other South East Asian nations mentioned as destinations. However, the country’s PMI was weighed down by weakness in the domestic market.
- **Singapore:** The STI surged 1.76% to close up at 3018.80 yesterday and given positive overnight leads from Wall Street, may continue to trade firmer today. STI’s support and resistance are tipped at 3000 and 3032. With the higher UST bond yields and curve steepening bias overnight, SGS bonds are likely to remain under pressure as well today amid the improvement in risk appetites post-month end.
- **Indonesia:** Parliament has approved the 2019 state budget proposals with the deficit projected to be at 1.84% of GDP and growth expected to be at 5.3% yoy. The government will also be assuming that the value of the IDR against the USD will be at 15,000, oil price to be at US\$70 per barrel and inflation to remain moderate at 3.5% yoy.
- **Thailand:** Exports fell by 5.5% yoy for the month of September (Aug 2018: 5.8% yoy) whilst imports expanded 14.3% yoy (Aug 2018: 24.2% yoy). This marks the first decline in exports in about 2 years. Regardless, the trade surplus was at US\$1.96bn whilst the current account surplus stood at US\$2.37bn.
- **Philippines:** Bangko Sentral ng Pilipinas is expecting inflation to be at 6.2 – 7.0% from the previous year for the month of October. According to Bloomberg, Governor Nestor Espenilla said a modest key rate increase remains on the table but two of the seven members of the rate-setting Monetary Board hinted on a pause.
- **Hong Kong:** Total loans and advances declined for the third consecutive month by 0.1% mom in September. The continuous declines were mainly due to three factors

including prospects of higher interest rates, trade war concerns as well as lower borrowing costs in Mainland China. First, loans for use in HK (trade-related) dropped by 0.6% yoy, the first decrease since February 2017 as total trade growth decelerated from 14.8% yoy in August to 4.7% yoy in September amid US-China trade war escalation. Second, loans for use in HK (excluding trade finance), which accounted for 65% of total loans, expanded at the slowest pace since October 2016 by 7.7% yoy. This was mainly attributed to tepid housing-related loan demand and other corporate loan demand given soft sentiments on prospects of higher borrowing costs, stock market correction and trade war fears. Third, loans for use outside of HK rose by 7.6% yoy, the weakest pace since December 2016. With the PBOC continuing to ease the monetary policy, lower interest rates in the onshore market might have reduced Mainland companies' incentives to raise funds overseas. All in all, we expect the three factors will continue to tame loan demand. The growth of total loans and advances may slow down further from 7.2% yoy in September to around 3% in December.

- Elsewhere, RMB deposits dropped by 2.9% mom to 600.3 billion yuan after increasing for two consecutive months. This adds to the signs of capital outflows from China in reinforcing our view that foreign investors have become less confidence in RMB assets. The weakening confidence may be attributed to the trade war escalation in September, China's economic slowdown, the weakening RMB and the expectations of lower RMB rates. Moving ahead, as the yield differential between RMB and USD as well as HKD is poised to narrow further. We expect RMB deposits in HK to drop below 600 billion yuan in the rest of 2018 and fall further in early 2019 should USD/CNY break 7 and US-China trade tensions keep escalating.

Bond Market Updates

- **Market Commentary:** The SGD swap curve steepened yesterday, with the swap rates for the shorter tenors trading 2-3bps higher while the longer tenors traded 3-5bps higher (with the exception of the 20-year swap rates trading 2bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 149bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 567bps. Overall, 10Y UST yields rose 3bps to close at 3.15% on the back of better-than-expected ADP employment data as well as a stronger stock market.
- **New Issues:** PT Pertamina (Persero) has priced a USD750mn 30-year bond at 6.65%, tightening from its initial price guidance of 6.75%. REC Limited has priced a USD700mn 5-year bond at CT5+240bps, tightening from its initial price guidance of CT5+250bps area. Agricultural Bank of China Ltd Hong Kong Branch has priced a USD800mn deal across two tranches with the USD500mn 3-year FRN at 3mL+74bps, tightening from its initial price guidance of 3mL+100bps area and the USD300mn 5-year FRN at 3mL+85bps, tightening from its initial price guidance of 3mL+110bps area. Bluestar Finance Holdings Ltd has priced a USD300mn Senior PerpNC3 (guaranteed by China National Bluestar (Group) Co Ltd) at 6.375%, tightening from its initial price guidance of 6.5%. Guohui International (BVI) Co Ltd has priced a USD600mn 363-Day bond (guaranteed by Shandong Guohui Investment Co Ltd) at 5.7%, in line with the initial price guidance. CFLD (Cayman) Investment Ltd has priced a USD100mn re-rap of its CHFOTN 9.0%'21s (guaranteed by China Fortune Land Development Co Ltd) at 9.0%. Mirae Asset Daewoo Co Ltd has priced a USD300mn 3-year bond at CT3+135bps, tightening from its initial price guidance of CT3+145bps area. Shanghai Commercial & Savings Bank Ltd has scheduled for investor meetings from 2 Nov for its potential USD Tier 2 bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	97.127	0.12%	USD-SGD	1.3857	0.06%
USD-JPY	112.940	-0.17%	EUR-SGD	1.5674	-0.24%
EUR-USD	1.1312	-0.29%	JPY-SGD	1.2269	0.17%
AUD-USD	0.7073	-0.45%	GBP-SGD	1.7689	0.53%
GBP-USD	1.2766	0.47%	AUD-SGD	0.9801	-0.41%
USD-MYR	4.1842	0.08%	NZD-SGD	0.9031	-0.51%
USD-CNY	6.9757	0.12%	CHF-SGD	1.3740	-0.28%
USD-IDR	15203	-0.13%	SGD-MYR	3.0208	-0.02%
USD-VND	23344	0.03%	SGD-CNY	5.0346	0.00%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	2.1800	--
2M	-0.3360	--	1M	2.2994	--
3M	-0.3180	--	2M	2.3934	--
6M	-0.2590	--	3M	2.5410	--
9M	-0.1980	--	6M	2.7963	--
12M	-0.1490	--	12M	3.0709	--

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	15.2%	15.2%	0.0%	0.0%	0.0%
12/19/2018	73.1%	62.7%	10.4%	0.0%	0.0%
01/30/2019	74.2%	61.3%	12.6%	0.4%	0.0%
03/20/2019	92.4%	36.2%	47.0%	9.0%	0.3%
05/01/2019	93.1%	33.8%	46.1%	12.1%	1.0%
06/19/2019	96.6%	20.2%	39.8%	29.4%	6.7%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	65.31	-1.31%	Coffee (per lb)	1.127	0.27%
Brent (per barrel)	75.47	-0.58%	Cotton (per lb)	0.7686	-0.05%
Heating Oil (per gallon)	2.2618	0.09%	Sugar (per lb)	0.1319	-0.98%
Gasoline (per gallon)	1.7680	-2.10%	Orange Juice (per lb)	1.3570	0.11%
Natural Gas (per MMBtu)	3.2610	2.32%	Cocoa (per mt)	2,234	0.86%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,862.1	-0.19%	Wheat (per bushel)	5.0050	0.15%
Nickel (per mt)	11,705.5	--	Soybean (per bushel)	8.390	0.66%
Aluminium (per mt)	1,959.5	--	Corn (per bushel)	3.6325	-0.41%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,215.0	-0.84%	Crude Palm Oil (MYR/MT)	1,988.0	-3.35%
Silver (per oz)	14.282	-1.24%	Rubber (JPY/KG)	145.1	-0.07%

Source: Bloomberg, Reuters
(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,115.76	241.12
S&P	2,711.74	29.11
Nasdaq	7,305.90	144.25
Nikkei 225	21,920.46	463.17
STI	3,018.80	52.35
KLCI	1,709.27	23.33
JCI	5,831.65	42.55
Baltic Dry	1,522.00	--
VIX	21.23	-2.12

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.06 (+0.02)	2.87 (+0.02)
5Y	2.30 (+0.02)	2.97 (+0.02)
10Y	2.51 (+0.01)	3.14 (+0.02)
15Y	2.81 (+0.02)	--
20Y	2.84 (+0.02)	--
30Y	2.95 (+0.02)	3.39 (+0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.57	0.60
EURIBOR-OIS	3.88	-0.20
TED	21.83	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/31/2018 05:45	NZ Building Permits MoM	Sep	--	-1.50%	7.80%	6.80%
10/31/2018 07:00	SK Industrial Production SA MoM	Sep	-0.50%	-2.50%	1.40%	1.30%
10/31/2018 07:00	SK Industrial Production YoY	Sep	-5.10%	-8.40%	2.50%	--
10/31/2018 07:50	JN Industrial Production MoM	Sep P	-0.30%	-1.10%	0.20%	--
10/31/2018 07:50	JN Industrial Production YoY	Sep P	-2.10%	-2.90%	0.20%	--
10/31/2018 08:00	NZ ANZ Business Confidence	Oct	--	-37.1	-38.3	--
10/31/2018 08:01	UK GfK Consumer Confidence	Oct	-10	-10	-9	--
10/31/2018 08:30	AU CPI QoQ	3Q	0.50%	0.40%	0.40%	--
10/31/2018 08:30	AU CPI YoY	3Q	1.90%	1.90%	2.10%	--
10/31/2018 08:30	AU CPI Trimmed Mean QoQ	3Q	0.40%	0.40%	0.50%	0.40%
10/31/2018 08:30	AU CPI Trimmed Mean YoY	3Q	1.90%	1.80%	1.90%	1.80%
10/31/2018 08:30	AU Private Sector Credit MoM	Sep	0.40%	0.40%	0.50%	--
10/31/2018 08:30	AU Private Sector Credit YoY	Sep	4.50%	4.60%	4.50%	--
10/31/2018 09:00	CH Non-manufacturing PMI	Oct	54.6	53.9	54.9	--
10/31/2018 09:00	CH Manufacturing PMI	Oct	50.6	50.2	50.8	--
10/31/2018 11:08	JN BOJ Policy Balance Rate	Oct-31	-0.10%	-0.10%	-0.10%	--
10/31/2018 13:00	JN Housing Starts YoY	Sep	-0.80%	-1.50%	1.60%	--
10/31/2018 15:00	GE Retail Sales MoM	Sep	0.50%	0.10%	-0.10%	-0.30%
10/31/2018 15:00	GE Retail Sales YoY	Sep	1.00%	-2.60%	1.60%	1.50%
10/31/2018 15:30	TH Exports YoY	Sep	--	-5.50%	5.80%	--
10/31/2018 15:30	TH BoP Current Account Balance	Sep	\$1180m	\$2369m	\$753m	--
10/31/2018 15:45	FR CPI EU Harmonized MoM	Oct P	0.20%	0.10%	-0.20%	--
10/31/2018 15:45	FR CPI YoY	Oct P	2.30%	2.20%	2.20%	--
10/31/2018 16:00	TA GDP YoY	3Q P	2.50%	2.28%	3.30%	--
10/31/2018 18:00	EC CPI Core YoY	Oct A	1.10%	1.10%	0.90%	--
10/31/2018 18:00	EC CPI Estimate YoY	Oct	2.20%	2.20%	2.10%	--
10/31/2018 18:00	IT CPI EU Harmonized MoM	Oct P	0.40%	0.20%	1.80%	1.70%
10/31/2018 18:00	IT CPI EU Harmonized YoY	Oct P	1.80%	1.70%	1.50%	--
10/31/2018 19:00	US MBA Mortgage Applications	Oct-26	--	-2.50%	4.90%	--
10/31/2018 20:15	US ADP Employment Change	Oct	187k	227k	230k	218k
10/31/2018 20:30	CA GDP MoM	Aug	0.00%	0.10%	0.20%	--
10/31/2018 20:30	US Employment Cost Index	3Q	0.70%	0.80%	0.60%	--
10/31/2018 21:45	US Chicago Purchasing Manager	Oct	60	58.4	60.4	--
11/01/2018 07:00	SK CPI MoM	Oct	-0.20%	-0.20%	0.70%	--
11/01/2018 07:00	SK CPI YoY	Oct	2.00%	2.00%	1.90%	--
11/01/2018 08:00	SK Exports YoY	Oct	18.00%	--	-8.20%	--
11/01/2018 08:30	JN Nikkei Japan PMI Mfg	Oct F	--	--	53.1	--
11/01/2018 08:30	SK Nikkei South Korea PMI Mfg	Oct	--	--	51.3	--
11/01/2018 08:30	TA Nikkei Taiwan PMI Mfg	Oct	--	--	50.8	--
11/01/2018 08:30	VN Nikkei Vietnam PMI Mfg	Oct	--	--	51.5	--
11/01/2018 08:30	ID Nikkei Indonesia PMI Mfg	Oct	--	--	50.7	--
11/01/2018 08:30	AU Trade Balance	Sep	A\$1700m	--	A\$1604m	--
11/01/2018 09:45	CH Caixin China PMI Mfg	Oct	50	--	50	--
11/01/2018 11:30	TH CPI YoY	Oct	1.33%	--	1.33%	--
11/01/2018 12:00	ID CPI YoY	Oct	3.06%	--	2.88%	--
11/01/2018 13:00	IN Nikkei India PMI Mfg	Oct	--	--	52.2	--
11/01/2018 13:30	AU Commodity Index SDR YoY	Oct	--	--	4.80%	--
11/01/2018 15:00	UK Nationwide House PX MoM	Oct	0.20%	--	0.30%	--
11/01/2018 15:00	UK Nationwide House Px NSA YoY	Oct	1.90%	--	2.00%	--
11/01/2018 16:30	HK Retail Sales Value YoY	Sep	6.70%	--	9.50%	--
11/01/2018 17:30	UK Markit UK PMI Manufacturing SA	Oct	53	--	53.8	--
11/01/2018 20:00	UK Bank of England Bank Rate	Nov-01	0.75%	--	0.75%	--
11/01/2018 20:00	UK BOE Asset Purchase Target	Nov	435b	--	435b	--
11/01/2018 20:30	US Initial Jobless Claims	Oct-27	212k	--	215k	--
11/01/2018 21:30	CA Markit Canada Manufacturing PMI	Oct	--	--	54.8	--
11/01/2018 21:45	US Markit US Manufacturing PMI	Oct F	55.8	--	55.9	--
11/01/2018 22:00	US Construction Spending MoM	Sep	0.00%	--	0.10%	--
11/01/2018 22:00	US ISM Manufacturing	Oct	59	--	59.8	--

Source: Bloomberg

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