

Highlights

Global	<p>The Dow pushed to a fresh record, even though retailers slipped after Amazon.com hiked minimum wages to US\$15 effective 1 November for all its employees. However, Fed chair Powell remained sanguine and reiterated that “the rise in wages is broadly consistent with observed rates of price inflation and labor productivity growth and therefore does not point to an overheating labor market” and higher wage growth alone need not be inflationary”, hence “our course is clear” as “a modest steepening of the Phillips curve would be unlikely to cause a significant rise in inflation or demand a disruptive policy tightening”. On the trade front, he noted that “tariffs could increase prices. Then the question is, is it just a price-level increase or does it actually stoke higher inflation. We don’t see that in the data yet”. Elsewhere, global risk sentiments were somewhat softer, with Eurozone weighed down by Italian concerns (note 10-year Italian yield surged to more than four year high of 3.44%), and UK similarly troubled by Brexit and PM May’s leadership challenge. Indonesia also saw the USDIDR breach 15,000 for the first time in two decades, whilst policymakers are weighing tax breaks for bond investors and exporters who convert and roll-over their earnings into IDR.</p> <p>Asian markets may see some flight to quality today, as investors await further cues. Today’s economic data calendar comprises US’ non-manufacturing ISM and ADP employment change, services and composite PMIs from Europe and Asia, and S’pore’s COE tender results. Speakers include ECB’s Mersch, Fed’s Evans, Barkin, Brainard, Mester and Powell.</p>
US	US Secretary of State Pompeo will travel to North Korea next week to meet with Kim Jong Un and make final preparations for a second summit.
AU	RBA kept its cash rate unchanged at 1.5% as widely anticipated amid concerns that “conditions in the Sydney and Melbourne housing markets have continued to ease” and “credit conditions are tighter than they have been for some time”. RBA is only likely to contemplate a hike in 2019 for now.
SG	The manufacturing and electronics PMI clearly felt the pull of gravity and retreated to 52.4 (-0.2 points) and 51.4 (-0.6 points) in September. The main drags were mostly broad-based and arose from lower new orders, new exports, output, order backlogs, inventory, stocks and imports. This reinforced our view that the uptick seen in August was temporary and not sustainable. With the exception of the August improvement, the manufacturing PMI would have fallen five out of the last six months, and the peak was likely much earlier in January 2018 (53.1). Similarly, the electronics PMI also retreated to 51.4 in September after a brief addition of 0.4 points to 52.0 in August, and stands some 2.4 points below the reading one year ago.
ID	The IDR crossed the 15,000 mark against the USD yesterday as it closed at a low of 15,043.
CMD	Some profit-taking ensued in the energy space, with crude oil futures falling for the first time after three days of consecutive gains. For one, US crude oil inventories are seen to rise by 1.5 million barrels according to a Bloomberg survey, in line with the recent report by the American Petroleum Institute which reported higher stockpiles by almost a million barrels last week. Gold prices climbed 1.28% overnight as well, as market-watchers digested IMF’s call to downgrade its global growth estimate next week.

Major Markets

- **US:** The DJIA rose 0.46% to fresh highs on Tuesday as industrial equity continued to receive a boost from the newly formed US-Mexico-Canada (USMCA) trade agreement.
- Boeing (+1.05%), Caterpillar (+1.70%) and 3M (1.66%) were among the industrial stocks that led the DJIA higher, as investors welcomed the optimism arising from the revamped trilateral pact.
- PepsiCo shares fell 1.73% on Indra Nooyi's last day as CEO, as reported earnings per share fell short of expectations and previous guidance.
- Amazon stock slid 1.65% after the firm announced that it would raise minimum wages for its employees to \$15 per hour, raising cost concerns in the near term.

- **Singapore:** Our view remains that the manufacturing and electronics growth momentum will continue to moderate for the remaining months of 2018. With industrial production seeing a high base in September-October 2017 at 14.6% and 15.3% yoy respectively, there remains a risk for industrial production growth to slow further into the next two months. We tip 3Q18 GDP and manufacturing growth at 2.3% yoy and 3.9% yoy respectively.
- The STI declined 0.39% to close at 3242.65 yesterday, and may continue to drift towards the lower end of the current 3210-3260 range for now. With the 10-year UST bond yield retreating slightly back to 3.05% as Fed chair Powell sounded reticent on wage inflation risks and Italy's fiscal crises returning to the fore, SGS bonds may also gain today.

- **Malaysia:** During the 24th Ministerial Meeting of the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Minister of Economic Affairs Azmin Ali has announced in a statement that the "IMT-GT is committed to constructing US\$47bn worth of infrastructure projects involving the three countries, mostly to be completed by 2021". Also, according to news portal Malaysiakini, a senior government official had said, "In the meetings held, the ministers agreed that the trade war only further emphasises the need for regional cooperation, because this can also result in increased opportunities in the region."

- **Indonesia:** According to Bloomberg, the government is now weighing proposals to cut the levy on gains from its sovereign bonds and extend tax breaks to exporters who will park their dollar earnings in local banks for a longer period. Currently, foreign investors, except those from jurisdictions with tax treaties with Indonesia, pay a 20 percent tax on Indonesia bonds, whilst locals are taxed at 15 percent.

- **Hong Kong:** Retail sales growth accelerated again from 7.8% in July to 9.5% in August. Sales of clothing, footwear and related products and those of jewellery, clocks and watches grew at a faster pace by 7% yoy and 21.6% yoy respectively. This suggests strong tourism activities and visitor spending. The number of Mainland visitors (represents 82% of total visitor arrivals) has increased consecutively for a whole year and was up by 22% yoy in August. Nevertheless, we doubt such strong growth could sustain into coming months given China's economic slowdown, a weaker RMB and Asia's muted economic outlook on trade war concerns. On the other hand, sales of goods in supermarkets rose at the slowest pace since Jan by 0.3% yoy. Sales of durable consumer orders also increased at the weakest rate since October 2017 by 0.3% yoy. This suggests that local consumer sentiment was muted, probably due to 1) subdued salary prospect on domestic economic slowdown and 2) lower wealth effect on

sluggish stock market and housing market correction. Adding on high base effect, we expect retail sales growth to moderate in the coming months.

- **Macau:** Gaming revenue rose by 2.8% yoy to MOP21.95 billion in September, reaching a one-year low due to Typhoon Mangkhut. All gaming centers closed for 33-hours amid Typhoon Mangkhut. We estimate that this might have reduced gaming revenue by about MOP1.15 billion. On top of this, weaker VIP demand was also to blame. The combination of China's economic slowdown, a weaker RMB, policy risks and higher borrowing costs might have deterred high-rollers from the gaming hub. Though the Golden Week Holiday and the upcoming completion of HK-Zhuhai-Macau Bridge may lend some support to the tourism and gaming activities, we are still wary of downside risks for the mass-market sentiment amid Asia's weakening economic outlook and a stronger MOP. All in all, we expect total gaming revenue to grow by about 15% yoy in 2018 and by a slower pace of 0%-5% in 2019.
- **Commodities:** In Asia, crude palm oil futures rose on better fundamentals: Malaysia palm oil exports rose 49% m/m in September, while rising crude oil prices may add further lift given CPO's biodiesel feature. Moreover, stockpiles in Indonesia also fell 6.3% m/m into Sept for the first time in six months given lower production amid higher demand.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates trading 1-2bps lower across most tenors. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 138bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 467bps. Overall, 10Y UST yields fell 2bps to close at 3.06% on the back of safe haven demand from the Italian bond selloff after an Italian lawmaker cast doubt over Italy's membership in the euro.
- **New Issues:** Shandong Gold Mining Co Ltd has hired banks for its potential USD bond issuance. Beijing Environmental (BVI) Co Ltd has hired banks for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.507	0.22%	USD-SGD	1.3731	0.10%
USD-JPY	113.650	-0.25%	EUR-SGD	1.5855	-0.17%
EUR-USD	1.1548	-0.26%	JPY-SGD	1.2079	0.32%
AUD-USD	0.7188	-0.50%	GBP-SGD	1.7821	-0.39%
GBP-USD	1.2979	-0.48%	AUD-SGD	0.9869	-0.41%
USD-MYR	4.1405	0.06%	NZD-SGD	0.9053	-0.29%
USD-CNY	6.8688	--	CHF-SGD	1.3956	0.10%
USD-IDR	15043	0.89%	SGD-MYR	3.0095	-0.42%
USD-VND	23016	-1.27%	SGD-CNY	5.0049	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	2.1708	--
2M	-0.3380	--	1M	2.2651	--
3M	-0.3170	--	2M	2.3098	--
6M	-0.2680	--	3M	2.3981	--
9M	-0.2070	--	6M	2.6063	--
12M	-0.1580	--	12M	2.9255	--

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	2.0%	2.0%	0.0%	0.0%	0.0%
12/19/2018	74.0%	72.5%	1.5%	0.0%	0.0%
01/30/2019	75.1%	70.6%	4.4%	0.1%	0.0%
03/20/2019	91.9%	39.7%	49.2%	3.0%	0.0%
05/01/2019	92.9%	35.8%	48.0%	8.7%	0.4%
06/19/2019	96.1%	22.8%	42.5%	26.5%	4.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	75.23	-0.09%	Coffee (per lb)	1.077	5.33%
Brent (per barrel)	84.80	-0.21%	Cotton (per lb)	0.7619	-0.16%
Heating Oil (per gallon)	2.4076	-0.01%	Sugar (per lb)	0.1207	3.96%
Gasoline (per gallon)	2.1269	-0.03%	Orange Juice (per lb)	1.4675	0.44%
Natural Gas (per MMBtu)	3.1660	2.33%	Cocoa (per mt)	2,086	4.82%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,187.3	0.68%	Wheat (per bushel)	5.1925	1.91%
Nickel (per mt)	12,436.0	0.10%	Soybean (per bushel)	8.660	0.96%
Aluminium (per mt)	2,109.5	1.47%	Corn (per bushel)	3.6750	0.48%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,207.0	1.28%	Crude Palm Oil (MYR/MT)	2,160.0	0.14%
Silver (per oz)	14.693	1.28%	Rubber (JPY/KG)	172.4	0.52%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	26,773.94	122.73
S&P	2,923.43	-1.16
Nasdaq	7,999.55	-37.76
Nikkei 225	24,270.62	24.86
STI	3,242.65	-12.81
KLCI	1,798.15	5.69
JCI	5,875.62	-68.98
Baltic Dry	1,555.00	--
VIX	12.05	0.05

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.97 (--)	2.81 (-0.01)
5Y	2.26 (--)	2.95 (-0.01)
10Y	2.53 (-0.01)	3.06 (-0.02)
15Y	2.80 (--)	--
20Y	2.83 (-0.01)	--
30Y	2.88 (--)	3.22 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	17.65	-0.83
EURIBOR-OIS	3.83	0.20
TED	19.84	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
10/02/2018 00:00	IT New Car Registrations YoY	Sep	--	-25.37%	9.46%	9.65%
10/02/2018 01:00	IT Budget Balance	Sep	--	-19.8b	1.3b	1.1b
10/02/2018 05:00	SK Business Survey Manufacturing	Oct	--	78	77	--
10/02/2018 05:00	SK Business Survey Non-Manufacturing	Oct	--	77	77	--
10/02/2018 07:00	SK Industrial Production SA MoM	Aug	0.40%	1.40%	0.40%	0.50%
10/02/2018 07:00	SK Industrial Production YoY	Aug	1.30%	2.50%	0.90%	1.00%
10/02/2018 07:50	JN Monetary Base YoY	Sep	--	5.90%	6.90%	--
10/02/2018 12:30	AU RBA Cash Rate Target	Oct-02	1.50%	1.50%	1.50%	--
10/02/2018 14:00	UK Nationwide House PX MoM	Sep	0.20%	0.30%	-0.50%	--
10/02/2018 14:00	UK Nationwide House Px NSA YoY	Sep	1.90%	2.00%	2.00%	--
10/02/2018 14:30	AU Commodity Index SDR YoY	Sep	--	4.80%	6.70%	6.60%
10/02/2018 14:30	AU Commodity Index AUD	Sep	--	115.7	113.6	113.5
10/02/2018 16:30	UK Markit/CIPS UK Construction PMI	Sep	52.9	52.1	52.9	--
10/02/2018 16:30	HK Retail Sales Value YoY	Aug	8.00%	9.50%	7.80%	--
10/02/2018 16:30	HK Retail Sales Volume YoY	Aug	6.50%	8.10%	5.90%	--
10/02/2018 17:00	EC PPI MoM	Aug	0.20%	0.30%	0.40%	0.70%
10/02/2018 17:00	EC PPI YoY	Aug	3.80%	4.20%	4.00%	4.30%
10/02/2018 21:00	SI Electronics Sector Index	Sep	--	51.4	52	--
10/02/2018 21:00	SI Purchasing Managers Index	Sep	52.4	52.4	52.6	--
10/03/2018 00:00	NZ QV House Prices YoY	Sep	--	4.60%	4.80%	--
10/03/2018 06:30	AU AiG Perf of Services Index	Sep	--	52.5	52.2	--
10/03/2018 08:00	NZ ANZ Commodity Price	Sep	--	--	-1.10%	--
10/03/2018 08:30	JN Nikkei Japan PMI Services	Sep	--	--	51.5	--
10/03/2018 08:30	JN Nikkei Japan PMI Composite	Sep	--	--	52	--
10/03/2018 09:30	AU Building Approvals MoM	Aug	1.00%	--	-5.20%	--
10/03/2018 09:30	AU Building Approvals YoY	Aug	-2.50%	--	-5.60%	--
10/03/2018 15:45	IT Markit/ADACI Italy Services PMI	Sep	52.8	--	52.6	--
10/03/2018 15:45	IT Markit/ADACI Italy Composite PMI	Sep	51.8	--	51.7	--
10/03/2018 15:50	FR Markit France Services PMI	Sep F	54.3	--	54.3	--
10/03/2018 15:50	FR Markit France Composite PMI	Sep F	53.6	--	53.6	--
10/03/2018 15:55	GE Markit Germany Services PMI	Sep F	56.5	--	56.5	--
10/03/2018 15:55	GE Markit/BME Germany Composite PMI	Sep F	55.3	--	55.3	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat A	Oct-03	--	--	28000	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat B	Oct-03	--	--	31307	--
10/03/2018 16:00	SI Automobile COE Open Bid Cat E	Oct-03	--	--	32000	--
10/03/2018 16:00	EC Markit Eurozone Services PMI	Sep F	54.7	--	54.7	--
10/03/2018 16:00	EC Markit Eurozone Composite PMI	Sep F	54.2	--	54.2	--
10/03/2018 16:30	UK Official Reserves Changes	Sep	--	--	\$437m	--
10/03/2018 16:30	UK Markit/CIPS UK Services PMI	Sep	54	--	54.3	--
10/03/2018 16:30	UK Markit/CIPS UK Composite PMI	Sep	53.9	--	54.2	--
10/03/2018 17:00	EC Retail Sales MoM	Aug	0.20%	--	-0.20%	--
10/03/2018 17:00	EC Retail Sales YoY	Aug	1.70%	--	1.10%	--
10/03/2018 19:00	US MBA Mortgage Applications	Sep-28	--	--	2.90%	--
10/03/2018 20:15	US ADP Employment Change	Sep	184k	--	163k	--
10/03/2018 21:45	US Markit US Services PMI	Sep F	53	--	52.9	--
10/03/2018 21:45	US Markit US Composite PMI	Sep F	--	--	53.4	--
10/03/2018 22:00	US ISM Non-Manufacturing Index	Sep	58	--	58.5	--
10/03/2018	MU Hotel Occupancy Rate	Aug	--	--	88.7	--
10/02/2018 10/03	US Wards Total Vehicle Sales	Sep	16.80m	17.40m	16.60m	--

Source: Bloomberg

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