

Highlights

Global	<p>With Wall Street ending mixed overnight amid pressure on tech stocks, the lingering trade tensions and EM concerns meant a continued flight to quality bid for UST bonds. Market players are awaiting tonight's key US nonfarm payrolls and unemployment data (with consensus eyeing 191k and 3.8% respectively, versus July's 157k and 3.9% prints), the third round of US\$200b of US tariffs on Chinese imports (as the public comment period ends), and a WSJ article suggested that US president Trump could target Japan's trade next. Meanwhile, Fed's Williams suggested that "it's still a little bit of a puzzle why we haven't seen wage growth pick up even more" even though "it's a bit of a Goldilocks economy from a policymakers point of view", albeit an inverted yield curve wouldn't be worrisome on its own.</p> <p>With the EM equity markets flirting with a bear market correction yesterday, there may be little near-term reprieve for Asian markets for today. The economic data calendar is packed with US' average hourly earnings (forecast: 2.7% yoy and 0.2% mom), Malaysia's July industrial production, German trade and industrial production, Eurozone's 2Q18 final GDP reading, and foreign reserves data from Indonesia and China. Fed's Rosengren, Mester and Kaplan are speaking.</p>
US	<p>Initial jobless claims missed expectations at 203k, but was 10k lower than the previous week, while the ADP employment added only 163k jobs, fewer than the anticipated 200k. Meanwhile, the non-manufacturing ISM improved more than expected from 55.7 (its weakest reading this year) in July to 58.5 in August, with new orders also rising from 57 to 60.4 and suggesting that the 3Q18 GDP growth moderation could be more benign. Separately, factory orders plunged 0.8% in July, but excluding transportation orders rose 0.2%.</p>
CH	<p>The Ministry of Finance announced a new incentive to encourage financial institutions to lend to small and medium sized companies. China will exempt the value added tax on interest income from the loan to micro and small companies, which was priced less than 150% of benchmark interest rate. No exemption will be given to loans priced above 150% benchmark interest rate. The announcement is in line with the recent policy direction to improve the transmission mechanism from money market to credit market as well as the support to meet funding demands from small companies.</p>

Major Markets

- **US:** The S&P500 slipped by 0.37%, dragged by a dip in tech equity, mainly due to chipmakers shares falling on profit warnings due to trade tensions.
- Micron stock plunged 9.87% on pricing pressures and a rating downgrade, while KLA-Tencor fell 9.72% as its CFO Bren Higgin's spoke of an increasingly negative outlook of the chip market.
- Netflix's share price saw some respite as it gained 1.55% (-6.17% on Wednesday), while the rest of FAANG stock declined.
- Eduardo Saverin, co-founder of Facebook, had warned that progressive intensification of regulation would be pressured on social media firms due to political interests globally.

- **Singapore:** The STI declined 0.27% to close at 3147.69 yesterday and there is no catalyst for a rebound at this juncture given the weak morning cues from Nikkei and Kospi. STI support is tipped at 3126 with resistance at 3200. With UST bonds rallying and yields lower by up to 3bps overnight, the flight to safety should also extend to the SGS bond market as well.

- **Malaysia:** Finance Minister Lim Guan Eng had said that the Sales and Services Tax (SST) exemption for mobile telecommunication services would only apply to Malaysians using prepaid cards, as it was often associated with the low-income group.
- Foreign reserves rose to \$104.4bn from \$104.2bn in July.

Bond Market Updates

- **Market Commentary:** The SGD swap curve traded little changed yesterday, with swap rates trading within 1bps lower across most tenors (with the exception of the 10-year and 15-year swap rates trading 1-2bps higher). The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 496bps. Overall, 10Y UST yields fell 3bps to close at 2.87% on the back of safe-haven demand as emerging market stocks fell for the sixth consecutive day.

- **New Issues:** Toyota Tsusho Corp has priced a USD500mn 5-year bond at CT5+95bps, tightening from its initial price guidance of CT5+120bps area. Anhui Transportation Holding Group (H.K.) Ltd has priced a USD350mn 3-year bond (guaranteed by Anhui Transportation Holding Group Co Ltd) at 5.0%, tightening from its initial price guidance of 5.3%. Export-Import Bank of China has priced a USD300mn 5-year bond at 3mL+70bps. Expand Lead Ltd has scheduled for investor meetings from 7 Sept for its potential USD bond issuance (keepwell deed provider: China Minmetals Corp).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.021	-0.17%	USD-SGD	1.3751	-0.04%
USD-JPY	110.750	-0.70%	EUR-SGD	1.5983	-0.11%
EUR-USD	1.1623	-0.06%	JPY-SGD	1.2412	0.65%
AUD-USD	0.7200	0.10%	GBP-SGD	1.7780	0.15%
GBP-USD	1.2930	0.19%	AUD-SGD	0.9902	0.07%
USD-MYR	4.1445	-0.08%	NZD-SGD	0.9060	-0.11%
USD-CNY	6.8355	0.08%	CHF-SGD	1.4244	0.62%
USD-IDR	14893	-0.30%	SGD-MYR	3.0143	0.20%
USD-VND	23314	0.00%	SGD-CNY	4.9709	0.19%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	1.9188	--
2M	-0.3380	--	1M	2.1205	--
3M	-0.3190	--	2M	2.2069	--
6M	-0.2690	--	3M	2.3168	--
9M	-0.2080	--	6M	2.5406	--
12M	-0.1670	--	12M	2.8439	--

Fed Rate Hike Probability

Meeting	Prob Hike	2-2.25	2.25-2.5	2.5-2.75	2.75-3
09/26/2018	100.0%	96.3%	0.00%	0.0%	0.0%
11/08/2018	100.0%	93.8%	2.6%	0.0%	0.0%
12/19/2018	100.0%	34.9%	62.2%	1.7%	0.0%
01/30/2019	100.0%	33.5%	61.0%	4.2%	0.1%
03/20/2019	100.0%	15.3%	45.5%	36.2%	2.4%
05/01/2019	100.0%	14.1%	43.0%	37.0%	5.2%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.77	-1.38%	Coffee (per lb)	1.022	-1.54%
Brent (per barrel)	76.50	-1.00%	Cotton (per lb)	0.8130	-0.50%
Heating Oil (per gallon)	2.2091	-1.14%	Sugar (per lb)	0.1080	-0.83%
Gasoline (per gallon)	1.9510	-0.70%	Orange Juice (per lb)	1.5270	-0.13%
Natural Gas (per MMBtu)	2.7720	-0.82%	Cocoa (per mt)	2,281	-1.30%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,812.5	1.02%	Wheat (per bushel)	5.1375	-1.53%
Nickel (per mt)	12,364.0	0.00%	Soybean (per bushel)	8.393	0.15%
Aluminium (per mt)	2,008.0	-1.77%	Corn (per bushel)	3.6625	0.27%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,204.3	0.25%	Crude Palm Oil (MYR/MT)	2,277.0	-0.61%
Silver (per oz)	14.181	-0.27%	Rubber (JPY/KG)	167.6	-0.24%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,995.87	20.88
S&P	2,878.05	-10.55
Nasdaq	7,922.73	-72.45
Nikkei 225	22,487.94	-92.89
STI	3,147.69	-8.59
KLCI	1,798.57	3.07
JCI	5,776.10	92.59
Baltic Dry	1,477.00	--
VIX	14.65	0.74

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.90 (--)	2.63 (-0.02)
5Y	2.12 (--)	2.74 (-0.03)
10Y	2.40 (-0.01)	2.87 (-0.03)
15Y	2.70 (--)	--
20Y	2.73 (--)	--
30Y	2.81 (--)	3.05 (-0.02)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	19.60	-1.49
EURIBOR-OIS	3.74	-0.19
TED	19.16	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
09/06/2018 01:00	NZ QV House Prices YoY	Aug	--	4.80%	5.10%	--
09/06/2018 07:00	SK BoP Current Account Balance	Jul	--	\$8757.8m	\$7377.0m	--
09/06/2018 07:50	JN Japan Buying Foreign Bonds	Aug-31	--	¥543.4b	¥235.5b	¥247.2b
09/06/2018 07:50	JN Foreign Buying Japan Stocks	Aug-31	--	-¥4.6b	-¥334.9b	-¥209.7b
09/06/2018 09:30	AU Trade Balance	Jul	A\$1450m	A\$1551m	A\$1873m	A\$1937m
09/06/2018 14:00	GE Factory Orders MoM	Jul	1.80%	-0.90%	-4.00%	--
09/06/2018 15:00	MA Foreign Reserves	Aug-30	--	\$104.4b	\$104.2b	--
09/06/2018 15:30	GE Markit Germany Construction PMI	Aug	--	51.5	50	--
09/06/2018 20:15	US ADP Employment Change	Aug	200k	163k	219k	217k
09/06/2018 20:30	CA Building Permits MoM	Jul	1.00%	-0.10%	-2.30%	-1.30%
09/06/2018 20:30	US Initial Jobless Claims	Sep-01	213k	203k	213k	--
09/06/2018 20:30	US Continuing Claims	Aug-25	1720k	1707k	1708k	1710k
09/06/2018 21:45	US Bloomberg Consumer Comfort	Sep-02	--	58	58.3	--
09/06/2018 21:45	US Markit US Services PMI	Aug F	55.2	54.8	55.2	--
09/06/2018 21:45	US Markit US Composite PMI	Aug F	--	54.7	55	--
09/06/2018 22:00	US ISM Non-Manufacturing Index	Aug	56.8	58.5	55.7	--
09/06/2018 22:00	US Factory Orders	Jul	-0.60%	-0.80%	0.70%	0.60%
09/06/2018 22:00	US Durable Goods Orders	Jul F	-1.70%	-1.70%	-1.70%	--
09/06/2018 22:00	US Durables Ex Transportation	Jul F	--	0.10%	0.20%	--
09/07/2018 07:30	JN Household Spending YoY	Jul	-0.90%	0.10%	-1.20%	--
09/07/2018 08:00	JN Labor Cash Earnings YoY	Jul	2.40%	--	3.60%	3.30%
09/07/2018 09:30	AU Home Loans MoM	Jul	-0.10%	--	-1.10%	--
09/07/2018 09:30	AU Owner-Occupier Loan Value MoM	Jul	--	--	-1.00%	--
09/07/2018 12:00	MA Industrial Production YoY	Jul	1.40%	--	1.10%	1.50%
09/07/2018 13:00	JN Leading Index CI	Jul P	103.5	--	104.7	--
09/07/2018 14:00	GE Trade Balance	Jul	19.5b	--	21.8b	--
09/07/2018 14:00	GE Current Account Balance	Jul	20.0b	--	26.2b	--
09/07/2018 14:00	GE Exports SA MoM	Jul	0.30%	--	0.00%	0.10%
09/07/2018 14:00	GE Imports SA MoM	Jul	0.10%	--	1.20%	1.30%
09/07/2018 14:00	GE Industrial Production SA MoM	Jul	0.20%	--	-0.90%	--
09/07/2018 14:45	FR Trade Balance	Jul	-5739m	--	-6248m	--
09/07/2018 14:45	FR Industrial Production MoM	Jul	0.20%	--	0.60%	--
09/07/2018 14:45	FR Industrial Production YoY	Jul	1.00%	--	1.70%	--
09/07/2018 15:30	UK Halifax House Prices MoM	Aug	0.10%	--	1.40%	--
09/07/2018 15:30	TH Foreign Reserves	Aug-31	--	--	\$204.9b	--
09/07/2018 16:00	IT Retail Sales MoM	Jul	--	--	-0.20%	--
09/07/2018 16:00	IT Retail Sales YoY	Jul	--	--	1.50%	--
09/07/2018 16:00	TA Trade Balance	Aug	\$3.76b	--	\$2.24b	--
09/07/2018 16:00	TA Exports YoY	Aug	5.10%	--	4.70%	--
09/07/2018 16:00	TA Imports YoY	Aug	15.60%	--	20.50%	--
09/07/2018 17:00	EC GDP SA QoQ	2Q F	0.40%	--	0.40%	--
09/07/2018 17:00	EC GDP SA YoY	2Q F	2.20%	--	2.20%	--
09/07/2018 20:30	CA Net Change in Employment	Aug	5.0k	--	54.1k	--
09/07/2018 20:30	US Change in Nonfarm Payrolls	Aug	191k	--	157k	--
09/07/2018 20:30	CA Unemployment Rate	Aug	5.90%	--	5.80%	--
09/07/2018 20:30	US Change in Manufact. Payrolls	Aug	23k	--	37k	--
09/07/2018 20:30	US Unemployment Rate	Aug	3.80%	--	3.90%	--
09/07/2018	CH Foreign Reserves	Aug	\$3115.00b	--	\$3117.95b	--
09/07/2018	HK Foreign Reserves	Aug	--	--	\$431.9b	--
09/07/2018	ID Foreign Reserves	Aug	--	--	--	--
09/06/2018 09/13	VN Domestic Vehicle Sales YoY	Aug	--	--	3.60%	--

Source: Bloomberg

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