

Highlights

| | |
|---------------|--|
| Global | Friday's rebound in global equity markets after a week of bloodletting must raise the question of whether it was a dead cat bounce, so this week's market action would be key. US' 3Q earnings season kicked off with robust earnings from Citigroup, JPMorgan Chase and Wells Fargo last Friday, and 3Q earnings are tipped to rise 21.5% (following 24% in 1Q and 26% EPS growth) according to Refinitive. S&P500 added 1.42%, while the 10-year UST bond yield was 1bps higher at 3.16% on Friday. That said, the risks remain from the rising USD and US interest rates, global withdrawal of liquidity by major central banks, US-China trade tensions, sporadic geopolitical hotspots (with the latest being US-Saudi Arabia over a missing journalist even as US-Turkish tensions subside with the return of the pastor) and a potential hard Brexit (after weekend talks hit a stalemate ahead of Wednesday's EU summit). Asian markets likely to reassess the situation this week. Today's economic data calendar comprises India's Sep trade data, US' retail sales and business inventories, and China's new yuan loans and FDI for Sep. ECB's Angeloni, Nouy, and de Guindos are also speaking. For the week ahead, watch for RBA Oct minutes tomorrow, FOMC minutes on 18 Oct, BOK policy decision (will they hike 25bps or wait till Nov?) on 18 Oct, the US' semi-annual FX report (will China be labelled a currency manipulator?) on 18 Oct, and Fed's Quarles' speech and China's 3Q18 GDP growth estimates on 19 Oct, and the host of FedSpeak through the week that may shed cues on whether they interpret the latest equity market rout is a warning signal for the central bank not to be overly hawkish. |
| US | The University of Michigan sentiment unexpectedly slipped from 100.1 in Sep to 99.0 in Oct (forecast: 100.5), with the current conditions and expectations gauges both softer at 114.4 and 89.1 respectively (down from 115.2 and 90.5 previously). Interestingly, the 1-year inflation gauge surprised higher from 2.7% to 2.8%, but the 5-10 year inflation gauge eased from 2.5% to 2.3% (matching the lowest reading on record back in 2016). Meanwhile, the import price index surged 0.5% mom (3.5% yoy) in Sep, lifted by petroleum imports (+4.1% mom) and left import prices excluding petroleum flat on-month after three months of declines due to the stronger USD, whereas export price index was flat on-month (2.7% yoy). |
| JP | PM Abe is planning to announce at today's cabinet meeting to implement a consumption tax rate hike from 8% to 10% as planned on 1 October 2019. |
| CH | In last week's IMF and World Bank annual meeting in Bali, PBoC Governor Yi Gang reiterated to maintain a prudent and neutral monetary policy. However, he also said there is still ample room to implement monetary policy including interest rate, reserve requirement ratio and financial condition, signalling that RRR cut remains as an option to counter any external shock. |
| MA | Prime Minister-in-waiting Anwar Ibrahim has been elected into parliament after winning a landslide victory in the Port Dickson by-election on the 13th October 2018, where he reportedly received around 70% of the total vote. |
| ID | Bank Indonesia Governor Perry Warjiyo said clarity on the gradual pace of US interest rate hikes was one of the key takeaways of the IMF-World Bank annual meetings at Bali. Meanwhile, Jokowi told a gathering there that "winter is coming". |

Major Markets

- **US:** Wall Street ended the week on a higher note, with the S&P500 rising by 1.42% following a brief sell-off as seen in the 6 consecutive days in the red prior to Friday. A rebound in consumer technology stocks, as well as major financial firms' upbeat 3Q earnings buoyed the broader equity market.
- Similarly, the DJIA and Nasdaq composite gained 1.15% and 2.29%, respectively.
- Citigroup (+2.14%) and Wells Fargo (+1.30%) reported solid 3Q earnings, exceeding market expectations on the back of lower corporate taxes and cost-cutting measures.
- However, JPMorgan Chase stock (-1.09%) slipped despite strong earnings reported, as investors possibly focused on expectations of "mid-single digits" decline in trading revenue, according to the bank's guidance.

- **Singapore:** The STI recovered 0.71% to end at 3069.17 on Friday, but despite Friday's recovery in Wall Street, today's morning cues from Nikkei and Kospi remain negative, so STI may face further consolidative pressures between 3047 (last Thursday's low) and 3100. With the UST yield curve still steepening, watch if SGS bonds follow suit today.

- **China:** Trade data beat market expectations in September. Total export growth in dollar term reaccelerated to 14.5% yoy while import grew by 14.3% yoy. The strong trade data was partially attributable to frontloading activities by China's export to US as the latest batch of tariff on US\$200 billion Chinese goods only took effect from 24 September. The Trump Administration may continue to press China to make concessions ahead of possible meeting between President Xi and President Trump in late November in G20 meeting. The focus is likely to shift to US Treasury's semi-annual report due today on whether US will name China as currency manipulator.

- **Indonesia:** According to the Jakarta Post, Coordinating Economic Minister Darmin Nasution said the government would soon hold a meeting to decide on whether it will increase the price of subsidized premium-branded gasoline. This came after Energy and Mineral Resource Minister Ignasius Jonan announced the price increase of premium gasoline starting on 10th October 2018 but State-Owned Enterprise Minister Rini Soemarno would withdraw the announcement later.

- **Philippines:** According to Bloomberg, Special Assistant to President Rodrigo Duterte has said that "the government may decide to suspend the excise tax" should oil average US\$80 a barrel from October through December 2018. Under a tax reform law that started in 2018, excise taxes on oil products are to be gradually increased from 2018 to 2020. The law also provides for an exemption to temporarily suspend the next increase set on 1st January 2019, if the average price of Dubai crude based on the Mean of Platts Singapore reaches or tops US\$80 a barrel from October to December 2018.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened last Friday, with swap rates for the shorter tenors trading 1-2bps lower while the longer tenors traded 2-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 3bps to 490bps. 10Y UST yields fell 2bps to 3.13% in the earlier part of the trading session on the back of a steep equities sell-off. Yields subsequently recovered 3bps to close at 3.16% after US import prices came in higher than expected.
- **New Issues:** Capital Environment Holdings Ltd has priced a USD50mn re-tap of its BEICAP 5.625'21s (keepwell provider: Beijing Capital Group Co Ltd) at 5.735%.

Key Financial Indicators

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|----------------|-----------|----------|----------------|-----------|----------|
| DX | 95.221 | 0.21% | USD-SGD | 1.3782 | 0.13% |
| USD-JPY | 112.210 | 0.04% | EUR-SGD | 1.5927 | -0.19% |
| EUR-USD | 1.1560 | -0.28% | JPY-SGD | 1.2284 | 0.11% |
| AUD-USD | 0.7114 | -0.14% | GBP-SGD | 1.8127 | -0.47% |
| GBP-USD | 1.3153 | -0.58% | AUD-SGD | 0.9804 | -0.01% |
| USD-MYR | 4.1540 | -0.11% | NZD-SGD | 0.8967 | -0.13% |
| USD-CNY | 6.9220 | 0.47% | CHF-SGD | 1.3885 | -0.19% |
| USD-IDR | 15197 | -0.25% | SGD-MYR | 3.0158 | 0.17% |
| USD-VND | 23345 | -- | SGD-CNY | 5.0237 | 0.53% |

Interbank Offer Rates (%)

| Tenor | EURIBOR | Change | Tenor | USD LIBOR | Change |
|------------|---------|---------|------------|-----------|---------|
| 1M | -0.3690 | -- | O/N | 2.1694 | -0.0029 |
| 2M | -0.3370 | -- | 1M | 2.2798 | 0.0002 |
| 3M | -0.3180 | -- | 2M | 2.3341 | 0.0034 |
| 6M | -0.2670 | -- | 3M | 2.4364 | 0.0001 |
| 9M | -0.2070 | -- | 6M | 2.6521 | 0.0169 |
| 12M | -0.1570 | -0.0010 | 12M | 2.9634 | 0.0091 |

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 | 76.2% | 74.7% | 1.5% | 0.0% | 0.0% |
| 01/30/2019 | 77.1% | 72.7% | 4.3% | 0.1% | 0.0% |
| 03/20/2019 | 93.2% | 37.7% | 52.4% | 3.0% | 0.0% |
| 05/01/2019 | 93.8% | 34.9% | 51.0% | 7.6% | 0.3% |
| 06/19/2019 | 97.1% | 19.6% | 42.4% | 30.7% | 4.2% |

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|--------|
| WTI (per barrel) | 71.34 | 0.52% | Coffee (per lb) | 1.166 | 3.23% |
| Brent (per barrel) | 80.43 | 0.21% | Cotton (per lb) | 0.7837 | 2.03% |
| Heating Oil (per gallon) | 2.3213 | -0.47% | Sugar (per lb) | 0.1307 | 1.16% |
| Gasoline (per gallon) | 1.9420 | 0.48% | Orange Juice (per lb) | 1.4355 | 0.60% |
| Natural Gas (per MMBtu) | 3.1610 | -1.89% | Cocoa (per mt) | 2,160 | 3.00% |
| Base Metals | Futures | % chg | Grains | Futures | % chg |
| Copper (per mt) | 6,174.0 | -0.09% | Wheat (per bushel) | 5.1725 | 1.82% |
| Nickel (per mt) | 12,580.0 | -0.19% | Soybean (per bushel) | 8.675 | 1.08% |
| Aluminium (per mt) | 2,034.5 | 0.99% | Corn (per bushel) | 3.7375 | 1.22% |
| Precious Metals | Futures | % chg | Asian Commodities | Futures | % chg |
| Gold (per oz) | 1,222.0 | -0.46% | Crude Palm Oil (MYR/MT) | 2,193.0 | 1.01% |
| Silver (per oz) | 14.635 | 0.20% | Rubber (JPY/KG) | 168.7 | -0.30% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

| Index | Value | Net change |
|-------------------|-----------|------------|
| DJIA | 25,339.99 | 287.16 |
| S&P | 2,767.13 | 38.76 |
| Nasdaq | 7,496.89 | 167.83 |
| Nikkei 225 | 22,694.66 | 103.80 |
| STI | 3,069.17 | 21.78 |
| KLCI | 1,730.74 | 22.25 |
| JCI | 5,756.49 | 53.67 |
| Baltic Dry | 1,579.00 | 64.00 |
| VIX | 21.31 | -3.67 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|------------|--------------|--------------|
| 2Y | 2.04 (-0.01) | 2.85 (--) |
| 5Y | 2.35 (--) | 3.01 (+0.01) |
| 10Y | 2.58 (--) | 3.16 (+0.01) |
| 15Y | 2.86 (--) | -- |
| 20Y | 2.89 (--) | -- |
| 30Y | 2.94 (--) | 3.33 (+0.01) |

Financial Spread (bps)

| | Value | Change |
|--------------------|-------|--------|
| LIBOR-OIS | 18.57 | 0.49 |
| EURIBOR-OIS | 3.78 | 0.10 |
| TED | 17.34 | -0.98 |

CFTC Commodities Futures and Options

For the week ended: 09 Oct 2018

| | Current | Previous | Net Chg | | Current | Previous | Net Chg |
|-------------|---------|----------|---------|---------------|---------|----------|---------|
| Sugar | -25,737 | -83,100 | 57,363 | Nymex Crude | 538,782 | 566,007 | -27,225 |
| Natural Gas | -6,056 | -27,729 | 21,673 | Gold | -56,998 | -35,201 | -21,797 |
| Corn | 20,492 | 3,728 | 16,764 | Cocoa | -28,978 | -20,228 | -8,750 |
| Coffee | -76,238 | -88,897 | 12,659 | Silver | -22,958 | -18,438 | -4,520 |
| Soybean | -42,835 | -44,608 | 1,773 | Copper | 7,225 | 11,505 | -4,280 |
| Palladium | 11,733 | 10,451 | 1,282 | RBOB Gasoline | 111,201 | 114,862 | -3,661 |
| Platinum | 9,211 | 8,130 | 1,081 | Live Cattle | 98,053 | 101,700 | -3,647 |
| Heating Oil | 48,330 | 47,910 | 420 | Cotton | 56,417 | 59,256 | -2,839 |
| Lean Hogs | 28,457 | 28,332 | 125 | Wheat | -7,957 | -5,300 | -2,657 |

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

| Date Time | Event | Survey | Actual | Prior | Revised | |
|------------------|--------------------------------------|--------|----------|----------|----------|----------|
| 10/12/2018 05:30 | NZ BusinessNZ Manufacturing PMI | Sep | -- | 51.7 | 52 | -- |
| 10/12/2018 07:00 | SK Unemployment rate SA | Sep | 4.10% | 4.00% | 4.20% | -- |
| 10/12/2018 07:50 | JN Money Stock M3 YoY | Sep | 2.50% | 2.50% | 2.50% | -- |
| 10/12/2018 07:50 | JN Money Stock M2 YoY | Sep | 2.90% | 2.80% | 2.90% | -- |
| 10/12/2018 07:50 | JN Japan Buying Foreign Bonds | Oct-05 | -- | ¥200.5b | ¥379.9b | ¥380.8b |
| 10/12/2018 07:50 | JN Foreign Buying Japan Bonds | Oct-05 | -- | ¥633.3b | ¥179.7b | ¥179.4b |
| 10/12/2018 07:50 | JN Foreign Buying Japan Stocks | Oct-05 | -- | ¥1578.4b | ¥835.7b | ¥835.6b |
| 10/12/2018 08:00 | SI GDP SAAR QoQ | 3Q A | 5.00% | 4.70% | 0.60% | 1.20% |
| 10/12/2018 08:00 | SI GDP YoY | 3Q A | 2.40% | 2.60% | 3.90% | 4.10% |
| 10/12/2018 08:30 | AU Home Loans MoM | Aug | -1.00% | -2.10% | 0.40% | 0.00% |
| 10/12/2018 08:30 | AU Owner-Occupier Loan Value MoM | Aug | -- | -2.70% | 1.30% | 1.40% |
| 10/12/2018 08:30 | AU RBA Financial Stability Review | | | | | |
| 10/12/2018 10:53 | CH Trade Balance | Sep | \$19.20b | \$31.69b | \$27.89b | \$26.65b |
| 10/12/2018 10:53 | CH Trade Balance CNY | Sep | 136.20b | 213.23b | 179.75b | 171.41b |
| 10/12/2018 10:53 | CH Exports YoY | Sep | 8.20% | 14.50% | 9.80% | 9.10% |
| 10/12/2018 10:53 | CH Imports YoY | Sep | 15.30% | 14.30% | 20.00% | 19.90% |
| 10/12/2018 12:30 | JN Tertiary Industry Index MoM | Aug | 0.30% | 0.50% | 0.10% | -0.10% |
| 10/12/2018 13:00 | SI Retail Sales SA MoM | Aug | -- | 2.50% | -2.90% | -2.70% |
| 10/12/2018 13:00 | SI Retail Sales YoY | Aug | -1.30% | -0.40% | -2.60% | -2.70% |
| 10/12/2018 14:00 | GE CPI MoM | Sep F | 0.40% | 0.40% | 0.40% | -- |
| 10/12/2018 14:00 | GE CPI YoY | Sep F | 2.30% | 2.30% | 2.30% | -- |
| 10/12/2018 14:00 | GE CPI EU Harmonized MoM | Sep F | 0.40% | 0.40% | 0.40% | -- |
| 10/12/2018 14:00 | GE CPI EU Harmonized YoY | Sep F | 2.20% | 2.20% | 2.20% | -- |
| 10/12/2018 15:30 | TH Foreign Reserves | Oct-05 | -- | \$203.2b | \$204.5b | -- |
| 10/12/2018 17:00 | EC Industrial Production SA MoM | Aug | 0.50% | 1.00% | -0.80% | -0.70% |
| 10/12/2018 17:00 | EC Industrial Production WDA YoY | Aug | -0.20% | 0.90% | -0.10% | 0.30% |
| 10/12/2018 20:00 | IN CPI YoY | Sep | 4.02% | 3.77% | 3.69% | -- |
| 10/12/2018 20:00 | IN Industrial Production YoY | Aug | 3.80% | 4.30% | 6.60% | 6.50% |
| 10/12/2018 20:30 | US Import Price Index MoM | Sep | 0.20% | 0.50% | -0.60% | -0.40% |
| 10/12/2018 22:00 | US U. of Mich. Sentiment | Oct P | 100.5 | 99 | 100.1 | -- |
| 10/15/2018 07:01 | UK Rightmove House Prices MoM | Oct | -- | 1.00% | 0.70% | -- |
| 10/15/2018 07:01 | UK Rightmove House Prices YoY | Oct | -- | 0.90% | 1.20% | -- |
| 10/15/2018 12:00 | ID Exports YoY | Sep | 6.90% | -- | 4.15% | -- |
| 10/15/2018 12:00 | ID Trade Balance | Sep | -\$444m | -- | -\$1021m | -- |
| 10/15/2018 12:30 | JN Capacity Utilization MoM | Aug | -- | -- | -0.60% | -- |
| 10/15/2018 12:30 | JN Industrial Production MoM | Aug F | -- | -- | 0.70% | -- |
| 10/15/2018 12:30 | JN Industrial Production YoY | Aug F | -- | -- | 0.60% | -- |
| 10/15/2018 14:30 | IN Wholesale Prices YoY | Sep | 5.00% | -- | 4.53% | -- |
| 10/15/2018 20:30 | US Empire Manufacturing | Oct | 20 | -- | 19 | -- |
| 10/15/2018 20:30 | US Retail Sales Advance MoM | Sep | 0.60% | -- | 0.10% | -- |
| 10/15/2018 20:30 | US Retail Sales Ex Auto MoM | Sep | 0.40% | -- | 0.30% | -- |
| 10/15/2018 20:30 | US Retail Sales Ex Auto and Gas | Sep | 0.40% | -- | 0.20% | -- |
| 10/15/2018 22:30 | CA BoC Business Outlook Future Sales | 3Q | -- | -- | 6 | -- |
| 10/15/2018 | IN Exports YoY | Sep | -- | -- | 19.20% | -- |
| 10/15/2018 | IN Imports YoY | Sep | -- | -- | 25.40% | -- |
| 10/15/2018 | PH Overseas Workers Remittances | Aug | \$2550m | -- | \$2401m | -- |
| 10/15/2018 | PH Overseas Remittances YoY | Aug | 2.00% | -- | 5.20% | -- |
| 10/15/2018 10/19 | US Monthly Budget Statement | Sep | \$75.0b | -- | \$7.9b | -- |
| 10/15/2018 10/16 | CH Money Supply M2 YoY | Sep | 8.30% | -- | 8.20% | -- |
| 10/15/2018 10/16 | CH New Yuan Loans CNY | Sep | 1358.7b | -- | 1280.0b | -- |

Source: Bloomberg

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