

Highlights

Global	<p>Wall Street rose yesterday, buoyed by optimism about M&A (as PepsiCo agreed to buy SodaStream International and Tyson Foods is buying Keystone Foods) while the USD slipped ahead of the Jackson Hole symposium, and the UST bonds gained with the 10-year yield lower by 4bps to 2.82% (lowest since 6 July) awaiting the impending US-Sino trade talks and the next US\$16b of additional US tariffs on Chinese imports due to kick in on 23 August, as well as the FOMC minutes tomorrow. Meanwhile, US president Trump apparently complained at a fundraiser that “during this period of time I should be given some help by the Fed” as well as opined that “I think China’s manipulating their currency, absolutely. And I think the euro is being manipulated also” in a Reuters interview. The latter may douse recent market hopes for a US-Sino trade resolution or cease-fire.</p> <p>Asian markets may trade with a mixed tone today as global risk sentiments remain fragile and investors await further cues such as the RBA August meeting minutes. Today’s economic data calendar remains relatively light and comprises of Thai trade data, HK CPI and Malaysia’s foreign reserves.</p>
US	<p>Fed’s Bostic (voter) warned that “I will not vote for anything that will willingly invert the curve”, albeit he noted that “there are many, many signals in the economy and we have to pay attention to all of them” and “an inversion does not guarantee anything”. He also maintained his expectation for one more hike this year.</p>
CH	<p>China’s Vice Premier Liu He reiterated to increase financial support to SMEs via expanded direct financing channel. In addition, the onshore newspaper also reported quoting source that China may lower the risk weights for banks holding of local government debt to zero from currently 20% to create the demand for local government bond ahead of massive issuance of local government special bond in the next two months. China has increasingly relied on fiscal policy to support growth given the room for further monetary policy easing is limited.</p>
AU	<p>RBA governor Lowe reiterated that there is “no strong case” to hike rates yet and sees risks from the trade tension, but notes the 2-3% inflation target remains in the “right place”. Meanwhile, PM Turnbull survived a leadership vote by 48-35 against Home Affairs Minister Dutton.</p>
TH	<p>Thailand’s 2Q18 GDP growth was at a stellar 4.6% y/y (+1.0% qoqsa), the fastest year-on-year 2Q18 growth pace seen 2012. Moreover, 1Q18 GDP growth was revised higher from a previous print of 4.8% to 4.9%. In all, Thailand’s GDP grew at a strong 4.8% y/y in the first half of 2018, a pace much higher than Bank of Thailand’s 4.4% full-year target. Accounting for the higher-than-expected growth print, we upgrade our Thailand GDP outlook from 4.2% to 4.4%, and continue to pencil a one-time token 25bps hike by the Bank of Thailand at end 2018.</p>
CMD	<p>Further gains in growth-related commodities were seen overnight on the back of better risk appetite seen from higher Wall Street prints. Elsewhere, palm oil futures rallied for its third consecutive trading day to MYR2,255/MT at yesterday’s close as market-watchers tune cautious over the impending El Nino weather extremity (60 – 70% probability happening into 2018 according to weather experts – see our August Commodities Outlook 2018), while Bloomberg estimates eye on higher Indian palm oil demand.</p>

Major Markets

- **US:** President Trump reiterated his stance on Turkey, and ruled out giving in to Turkish demands for the release of American pastor Andrew Brunson, saying that “no concessions” will be given. Turkey had previously offered to release the pastor in exchange for debt forgiveness in US fines on a Turkish bank.
- Wall Street closed higher on Monday as investor sentiment improved on the back of strong energy and industrial stock. The S&P500 rose 0.24% and was about 0.6% away from its January record at market close.
- Nike gained 3.05% as asset management firm Piper Jaffray upgraded its stock ratings, while Estee Lauder climbed 3.40% after exceeding quarterly sales and profit estimates. Netflix added 3.46% upon reports that it would introduce advertisements between episodes.
- Major M&A deals were also announced, namely PepsiCo’s \$3.2bn acquisition of SodaStream International in a shift toward health-conscious drinks, and Tyson Foods’ purchase of Keystone Foods (a top meat supplier to McDonald’s) for \$2.2bn. Meanwhile, the VIX Index fell to 12.49 on Monday, as compared to 12.64 on Friday.
- **Singapore:** The STI closed down 0.15% at 3204.71 yesterday, notwithstanding the CSI 300’s strong 1.17% rebound on market speculation for a US-Sino trade resolution. Although Wall Street gained overnight and Kospi is off to a firmer start this morning, it remains to be seen if the STI may break its 3200 support and retest the recent 6 July low of 3191.82. With UST bonds rallying overnight led by the belly of the curve, SGS bonds may extend gains today as well. Watch for the issue size announcement for the upcoming 2-year SGS re-opening later today, with the auction to follow on 29 August for issue on 3 September.
- **Malaysia:** The Malaysian government has inked five deals with China in the areas of agriculture and finance during Prime Minister Mahathir Mohamad’s visit to China. This includes a deal on frozen durians and renewing a local currency swap agreement for three years to facilitate trade and investment. Mahathir also said, “We’re not against any Chinese companies but against Malaysians who borrow huge sums of money to carry out unnecessary projects.” The Prime Minister also said that he sees “China as a model for development” and he also assured the Chinese government and people that “there will be no change of policy” towards China. He also said, “I believe that China will look sympathetically towards a problem that we have to resolve, and perhaps help us in resolving some of our internal fiscal problems.” According to the Straits Times, Mahathir also invited Chinese companies to invest in Malaysia, adding that Malaysia wanted to learn from Chinese manufacturers.
- **Indonesia:** According to the Jakarta Post, Finance Minister Sri Mulyani Indrawati has said her ministry was preparing a ministerial regulation draft to regulate import income tax (PPH) to curb imports in response to the increasing current account deficit. Previously, the Finance Ministry said it would assess 500 import items, mostly consumer goods that could be replaced by local products. Also, according to the Jakarta Post, Fiscal policy head Suahasil Nazara even said the import income tax would be imposed on between 600 and 800 goods that were currently being assessed by the ministry.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors as well as the belly trading within 1bps while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 6bps to 488bps. 10Y UST yields fell 5bps to close at 2.82%, its six-week low ahead of the release of the minutes from the Federal Reserve's meeting on Wednesday.
- **New Issues:** Singtel Group Treasury Pte Ltd has priced a USD500mn 10-year bond (guaranteed by Singapore Telecommunications Ltd) at CT10+105bps, tightening from its initial price guidance of CT10+125bps. Zhejiang Baron (BVI) Company Limited has priced a USD200mn 3-year bond (guaranteed by Hangzhou Jianggan District Urban Construction & Comprehensive Development Co Ltd) at 6.8%, in line with its initial price guidance. Guangzhou Metro Group Co Ltd has priced a USD630mn 2-year bond at 4.4%. Perennial Real Estate Holdings has priced a SGD170mn 2-year bond at 5.95%, tightening for its initial price guidance of 6.0%. Modernland Realty Tbk PT has scheduled for investor calls on 20 Aug for its potential USD bond issuance. Shanghai Lingang Economic Development (Group) Co Ltd has scheduled for investor meetings from 21 Aug for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.900	-0.21%	USD-SGD	1.3692	-0.15%
USD-JPY	110.070	-0.39%	EUR-SGD	1.5722	0.22%
EUR-USD	1.1482	0.38%	JPY-SGD	1.2440	0.27%
AUD-USD	0.7340	0.37%	GBP-SGD	1.7523	0.21%
GBP-USD	1.2798	0.38%	AUD-SGD	1.0048	0.17%
USD-MYR	4.1005	-0.12%	NZD-SGD	0.9095	-0.04%
USD-CNY	6.8577	-0.29%	CHF-SGD	1.3811	0.28%
USD-IDR	14588	-0.03%	SGD-MYR	2.9882	0.02%
USD-VND	23276	-0.12%	SGD-CNY	5.0013	-0.18%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3700	--	O/N	1.9169	--
2M	-0.3370	--	1M	2.0694	--
3M	-0.3190	--	2M	2.1859	--
6M	-0.2660	--	3M	2.3119	--
9M	-0.2070	--	6M	2.5108	--
12M	-0.1670	--	12M	2.8130	--

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%	94.0%	6.0%	0.0%	0.0%
11/08/2018	100.0%	91.4%	8.4%	0.2%	0.0%
12/19/2018	100.0%	33.6%	60.9%	5.4%	0.1%
01/30/2019	100.0%	32.2%	59.8%	7.6%	0.3%
03/20/2019	100.0%	16.8%	46.6%	32.7%	3.8%
05/01/2019	100.0%	15.0%	43.5%	34.1%	6.8%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	66.43	0.79%	Coffee (per lb)	1.010	-3.58%
Brent (per barrel)	72.21	0.53%	Cotton (per lb)	0.8270	1.61%
Heating Oil (per gallon)	2.1138	0.74%	Sugar (per lb)	0.1009	-0.88%
Gasoline (per gallon)	2.0151	1.73%	Orange Juice (per lb)	1.5610	-0.79%
Natural Gas (per MMBtu)	2.9410	-0.17%	Cocoa (per mt)	2,195	2.14%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,921.6	1.45%	Wheat (per bushel)	5.6250	-2.98%
Nickel (per mt)	13,496.0	0.58%	Soybean (per bushel)	8.933	0.06%
Aluminium (per mt)	2,044.0	1.28%	Corn (per bushel)	3.7650	-0.59%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,194.6	0.88%	Crude Palm Oil (MYR/MT)	2,255.0	0.76%
Silver (per oz)	14.670	0.27%	Rubber (JPY/KG)	169.9	1.13%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,758.69	89.37
S&P	2,857.05	6.92
Nasdaq	7,821.01	4.68
Nikkei 225	22,199.00	-71.38
STI	3,204.71	-4.73
KLCI	1,787.58	4.11
JCI	5,892.19	108.39
Baltic Dry	1,723.00	--
VIX	12.49	-0.15

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (--)	2.59 (-0.02)
5Y	2.13 (--)	2.70 (-0.04)
10Y	2.42 (-0.01)	2.82 (-0.04)
15Y	2.72 (--)	--
20Y	2.75 (--)	--
30Y	2.81 (--)	2.98 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	25.42	-1.06
EURIBOR-OIS	3.95	0.08
TED	27.94	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/20/2018 07:01	UK Rightmove House Prices MoM	Aug	--	-2.30%	-0.10%	--
08/20/2018 07:01	UK Rightmove House Prices YoY	Aug	--	1.10%	1.40%	--
08/20/2018 10:30	TH GDP YoY	2Q	4.40%	4.60%	4.80%	4.90%
08/20/2018 10:30	TH GDP SA QoQ	2Q	0.90%	1.00%	2.00%	2.10%
08/20/2018 12:14	TH Car Sales	Jul	--	81946	87854	--
08/20/2018 14:00	GE PPI MoM	Jul	0.20%	0.20%	0.30%	--
08/20/2018 14:00	GE PPI YoY	Jul	3.00%	3.00%	3.00%	--
08/20/2018 15:00	JN Convenience Store Sales YoY	Jul	--	0.10%	1.10%	--
08/20/2018 15:54	PH BoP Overall	Jul	--	-\$455m	-\$1177m	--
08/20/2018 16:00	TA Export Orders YoY	Jul	2.90%	8.00%	-0.10%	--
08/20/2018 16:20	TA BoP Current Account Balance	2Q	--	\$17820m	\$20079m	\$19350m
08/20/2018 17:00	EC Construction Output MoM	Jun	--	0.20%	0.30%	--
08/20/2018 17:00	EC Construction Output YoY	Jun	--	2.60%	1.80%	2.00%
08/20/2018 22:00	CA Bloomberg Nanos Confidence	Aug-17	--	56.6	55.9	--
08/21/2018 05:00	SK PPI YoY	Jul	--	2.90%	2.60%	--
08/21/2018 06:45	NZ Net Migration SA	Jul	--	4720	4840	--
08/21/2018 09:30	AU RBA August Meeting Minutes					
08/21/2018 11:00	NZ Credit Card Spending MoM	Jul	--	--	2.10%	--
08/21/2018 11:00	NZ Credit Card Spending YoY	Jul	--	--	5.70%	--
08/21/2018 11:30	TH Customs Imports YoY	Jul	10.00%	--	10.83%	--
08/21/2018 11:30	TH Customs Exports YoY	Jul	10.00%	--	8.19%	--
08/21/2018 11:30	TH Customs Trade Balance	Jul	-\$30m	--	\$1579m	--
08/21/2018 13:00	JN Supermarket Sales YoY	Jul	--	--	0.10%	--
08/21/2018 13:30	JN Nationwide Dept Sales YoY	Jul	--	--	3.10%	--
08/21/2018 13:30	JN Tokyo Dept Store Sales YoY	Jul	--	--	6.90%	--
08/21/2018 14:00	JN Machine Tool Orders YoY	Jul F	--	--	13.00%	--
08/21/2018 15:00	MA Foreign Reserves	Aug-15	--	--	\$104.5b	--
08/21/2018 16:30	UK Public Finances (PSNCR)	Jul	--	--	13.3b	--
08/21/2018 16:30	UK Central Government NCR	Jul	--	--	13.6b	--
08/21/2018 16:30	UK Public Sector Net Borrowing	Jul	-2.0b	--	4.5b	--
08/21/2018 16:30	UK PSNB ex Banking Groups	Jul	-1.1b	--	5.4b	--
08/21/2018 16:30	HK CPI Composite YoY	Jul	2.40%	--	2.40%	--
08/21/2018 18:00	UK CBI Trends Total Orders	Aug	8	--	11	--
08/21/2018 18:00	UK CBI Trends Selling Prices	Aug	14	--	13	--
08/21/2018 20:30	CA Wholesale Trade Sales MoM	Jun	0.70%	--	1.20%	--
08/21/2018	SK Imports 20 Days YoY	Aug	--	--	21.60%	--
08/21/2018	SK Exports 20 Days YoY	Aug	--	--	9.30%	--
08/21/2018	MU CPI Composite YoY	Jul	--	--	3.11%	--
08/20/2018 08/21	ID Motorcycle Sales	Jul	--	--	375034	--
08/20/2018 08/21	ID Local Auto Sales	Jul	--	--	58837	--

Source: Bloomberg

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