

Highlights

Global	<p>Global risk sentiments remain somewhat jittery ahead of Fed chair Powell's speech at the Jackson Hole symposium with US-Sino trade talks failing to yield any immediate progress as the next tranche of tariffs on US\$16b kicked in. President Trump also reiterated that "there won't be theft of high grade technology" and praised FIRRMA (Foreign Investment Risk Review Modernization Act) for having "probably the best safeguards" in the world. Wall Street ended lower, with the 10-year UST bond yield rallying to 2.82%. On Trump's comments on his preferred interest rate trajectory, Fed's George opined "I don't feel personally that it impedes our ability to make decisions" and Kaplan also echoed that "I'm very confident we'll continue to do our job in an apolitical way".</p> <p>Asian markets may trade tread cautiously today, as investors await Powell's speech where he may articulate the 2019 growth-inflation outlook and the evolution of the Fed's monetary policy framework and stance going ahead. That said, we do not really expect any tectonic policy shifts arising from Powell's speech, which may imply it is essentially a non-event for financial markets. Today's economic data calendar comprises US' durable goods orders, Germany's 2Q18 GDP growth, Malaysia's CPI and S'pore's industrial production.</p>
US	<p>New home sales unexpectedly fell for the second month by 1.7% mom in July to a nine month low of 627k annualised pace, following a revised 2.4% decline in June, and suggesting potential cooling risks for the housing sector. Still, initial jobless claims fell for the third consecutive week to near record lows at 210k (-2k), which suggests that the labour market remains healthy. The flash composite PMI also slipped to a four-month low of 55.0 for August, with manufacturing and services both retreating to 54.5 and 55.2 respectively.</p>
CH	<p>As expected, a new round of additional tariffs on US\$16 billion imports took effect yesterday. China's Commerce Ministry said it will fight back against any tariffs. The focus will shift to next batch of US\$200 billion goods to be levied.</p>
EZ	<p>Eurozone's consumer confidence fell to its lowest in 15 months at -1.9 in August, suggesting that concerns about Turkey, Italy's fiscal problems and global trade tensions may have been contributing factors. Meanwhile, the region's services PMI rose to 54.4 which lifted the composite PMI to 54.4 despite the manufacturing PMI's slippage to 54.6 in August.</p>
AU	<p>RBA governor Orr surprised markets by opining that "our biggest challenge is actually to get inflation to rise" and "we don't rule out a cut if we have to". He stressed that "we're in no rush to be raising interest rates" and "that puts us out of sync a little bit with the rest of the world but that's fine". Meanwhile, PM Turnbull is facing a party vote today from right-wing populist Peter Dutton.</p>
SG	<p>July headline inflation was unchanged at 0.6% yoy (-0.1% mom nsa), but core CPI accelerated more than expected from 1.7% yoy in June to 1.9% in July (the highest since August 2014). Key price pressures came from education (2.4% yoy), healthcare (2.0%) and recreation & culture (41.7%).</p>
CMD	<p>Commodity prices surrendered some of their previous day's gains on risk-off appetite yesterday, after market-watchers digested US' decision to go ahead with 25% tariffs on \$16bn worth of Chinese imports. China is said to have immediately imposed retaliatory taxes on the same value of US products as well.</p>

Major Markets

- **US:** Trade tensions escalated as the US slapped 25% tariffs on \$16bn worth of Chinese imports, leading to immediate retaliation by China via import duties on an equal amount of US goods. China also planned to file a complaint with the World Trade Organisation against US' initiation of trade tariffs.
- Kansas City Federal Reserve Bank President George indicated that two more rate hikes this year would be "appropriate", with several more to come in 2019 as the Fed aims for about 3%.
- Mid-level officials from China and US resumed trade talks in Washington amid implementation of new punitive tariffs.
- Meanwhile, the VIX Index fell to 12.41 on Thursday, as compared to 12.25 on Wednesday.
- **Singapore:** The STI added 1.56% to close higher at 3249.89, but may tread in a 3200-3250 range today, given weak cues from Wall Street overnight and morning slippage by Kospi. With the ongoing rally in UST bonds, SGS bonds may be better bid in the interim.
- **Malaysia:** Former Prime Minister Najib Tun Razak has called for a Royal Commission of Inquiry (RCI) into the East Coast Rail Link (ECRL), Multi Product Pipeline (MPP) and the Trans Sabah Gas Pipeline (TSGP) to determine any wrongdoing into these projects. He also called on the government to reveal all agreements, feasibility studies, economic impact assessments and cost-benefit analysis to allow the public to determine if it is best for Putrajaya to proceed or scrap these projects. Earlier, Prime Minister Mahathir Mohamad had announced that the ECRL, MPP and TSGP have been cancelled.
- **Indonesia:** The Indonesian Chamber of Commerce and Industry (Kadin) and the Indonesian Employers Association (Apindo) have opposed a government plan to increase import tax on goods that can be produced locally, saying it could backfire on the economy. Earlier, the Finance Ministry announced that it is looking into an import tax on goods in an attempt to address the current account deficit.
- **Macau:** Visitor arrivals increased for the sixth consecutive month and were up 4% yoy in July 2018. Notably, the number of overnight visitors has seen positive year-on-year growth consecutively for three years. Besides, overnight visitors accounted for an average of 52.8% of total visitors during Jun 2016 to Jul 2018, higher than the average of 47.2% during Jan 2008 to May 2016. Furthermore, the average length of stay of visitors remained unchanged at a record high of 1.3 days. Taken all together, it indicates that a raft of new hotel openings and Asia's broad-based recovery has boosted tourism and hotel sectors over the past few years. However, visitors from Hong Kong, Taiwan, South Korea and Japan decreased by 2.5% yoy, 1% yoy, 19.8% yoy and 4.2% yoy in July. A strong MOP as well as Asia's subdued economic outlook on trade war fears may shrug off some growth momentum of the tourism activities. On a positive note, the upcoming infrastructure improvement and more new hotel openings may help to cap the slowdown in the tourism sector. All in all, we expect visitor arrivals will continue to increase but at a slow pace in the coming months. The latest moves, while largely expected, still highlighted the ongoing US-Sino trade conflict and could exacerbate further should the US further decide to implement another \$200bn worth of tariffs. Growth-related commodity prices dipped further especially, while the stronger greenback on safe haven demand pressured gold prices lower as well. Elsewhere, weaker palm oil prices were seen again, likely as alternative oils such as soybeans continue to stay weak.

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Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1bps higher while the longer tenors traded 1-3bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 3bps to 486bps. Overall, 10Y UST yields rose 1bps to close at 2.83% ahead of the speech by Federal Reserve Chairman Jerome Powell on Friday after minutes from the recent US central bank meeting showed that further interest rate hikes are likely soon.
- **New Issues:** Redco Properties Group Ltd has priced a USD200mn 2-year bond (guaranteed by certain of the company's restricted subsidiaries incorporated outside of the PRC) at 11.0%, in line with its initial price guidance. Mapletree Treasury Services Ltd has priced a SGD300mn bond (guaranteed by Mapletree Investments Pte Ltd) at 3.4%, tightening from its initial price guidance of 3.45%. Perennial Real Estate Holdings Ltd has priced a SGD10mn re-tap on its PREHSP 5.95%'20s at 5.95%, in line with its initial price guidance. Vigorous Champion International Limited has scheduled for investor meetings from 27 Aug for its potential USD bond issuance (guaranteed by China Ping An Insurance Overseas (Holdings) Limited). Anhui Transportation Holding Group (H.K.) Ltd has scheduled for investor meetings from 27 Aug for its potential USD bond issuance (guaranteed by Anhui Transportation Holding Group Co Ltd). CGNPC International Ltd has scheduled for investor meetings from 28 Aug for its potential USD bond issuance (guaranteed by China General Nuclear Power). Huafa Group 2018 I Co Ltd has scheduled for investor meetings from 24 Aug for its potential USD bond issuance (guaranteed by Zhuhai Huafa Group Co Ltd).

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	95.666	0.55%	USD-SGD	1.3734	0.51%
USD-JPY	111.290	0.66%	EUR-SGD	1.5848	0.01%
EUR-USD	1.1540	-0.49%	JPY-SGD	1.2346	-0.11%
AUD-USD	0.7248	-1.36%	GBP-SGD	1.7593	-0.28%
GBP-USD	1.2811	-0.77%	AUD-SGD	0.9954	-0.88%
USD-MYR	4.1050	0.20%	NZD-SGD	0.9118	-0.36%
USD-CNY	6.8778	0.53%	CHF-SGD	1.3929	0.22%
USD-IDR	14638	0.44%	SGD-MYR	2.9963	-0.02%
USD-VND	23275	--	SGD-CNY	5.0134	0.17%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3710	--	O/N	1.9178	--
2M	-0.3380	--	1M	2.0660	--
3M	-0.3190	--	2M	2.1895	--
6M	-0.2660	--	3M	2.3118	--
9M	-0.2060	--	6M	2.5125	--
12M	-0.1670	--	12M	2.8080	--

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%	88.0%	12.0%	0.0%	0.0%
11/08/2018	100.0%	85.6%	14.1%	0.3%	0.0%
12/19/2018	100.0%	29.7%	60.8%	9.3%	0.2%
01/30/2019	100.0%	28.5%	59.5%	11.4%	0.6%
03/20/2019	100.0%	15.4%	45.3%	33.5%	5.5%
05/01/2019	100.0%	13.8%	42.2%	34.7%	8.4%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.83	-0.04%	Coffee (per lb)	1.015	0.59%
Brent (per barrel)	74.73	-0.07%	Cotton (per lb)	0.8149	-0.97%
Heating Oil (per gallon)	2.1754	0.33%	Sugar (per lb)	0.1012	-0.59%
Gasoline (per gallon)	2.0592	-0.43%	Orange Juice (per lb)	1.5625	0.51%
Natural Gas (per MMBtu)	2.9640	0.27%	Cocoa (per mt)	2,337	1.04%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	5,902.9	-0.59%	Wheat (per bushel)	5.4175	-0.64%
Nickel (per mt)	13,208.5	-1.86%	Soybean (per bushel)	8.540	-1.87%
Aluminium (per mt)	2,061.8	0.48%	Corn (per bushel)	3.6100	-1.57%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,194.0	-0.77%	Crude Palm Oil (MYR/MT)	2,218.0	-1.03%
Silver (per oz)	14.642	-1.40%	Rubber (JPY/KG)	176.5	-1.29%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	25,656.98	-76.62
S&P	2,856.98	-4.84
Nasdaq	7,878.46	-10.64
Nikkei 225	22,410.82	48.27
STI	3,249.89	50.00
KLCI	1,810.87	12.76
JCI	5,982.99	38.68
Baltic Dry	1,735.00	--
VIX	12.41	0.16

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.87 (-0.01)	2.62 (+0.03)
5Y	2.10 (-0.01)	2.72 (+0.02)
10Y	2.39 (-0.01)	2.83 (+0.01)
15Y	2.69 (-0.02)	--
20Y	2.71 (-0.02)	--
30Y	2.78 (-0.02)	2.98 (--)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.69	-0.82
EURIBOR-OIS	3.93	-0.07
TED	24.79	--

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
08/23/2018 02:00	US FOMC Meeting Minutes	Aug-01	--	--	--	
08/23/2018 07:50	JN Japan Buying Foreign Bonds	Aug-17	--	¥1929.4b	¥123.9b	¥124.7b
08/23/2018 07:50	JN Foreign Buying Japan Bonds	Aug-17	--	¥729.6b	¥58.9b	--
08/23/2018 07:50	JN Foreign Buying Japan Stocks	Aug-17	--	¥510.6b	¥107.1b	--
08/23/2018 08:30	JN Nikkei Japan PMI Mfg	Aug P	--	52.5	52.3	--
08/23/2018 11:12	MU Visitor Arrivals	Jul	--	3034t	2603t	--
08/23/2018 13:00	SI CPI YoY	Jul	0.60%	0.60%	0.60%	--
08/23/2018 13:00	SI CPI NSA MoM	Jul	-0.10%	-0.10%	0.10%	--
08/23/2018 13:00	JN Leading Index CI	Jun F	--	104.7	105.2	--
08/23/2018 14:45	FR Manufacturing Confidence	Aug	108	110	108	109
08/23/2018 15:15	FR Markit France Manufacturing PMI	Aug P	53.5	53.7	53.3	--
08/23/2018 15:15	FR Markit France Services PMI	Aug P	55.1	55.7	54.9	--
08/23/2018 15:15	FR Markit France Composite PMI	Aug P	54.6	55.1	54.4	--
08/23/2018 15:30	GE Germany Manufacturing PMI	Aug P	56.5	56.1	56.9	--
08/23/2018 15:30	GE Markit Germany Services PMI	Aug P	54.3	55.2	54.1	--
08/23/2018 15:30	GE Markit/BME Germany Composite PMI	Aug P	55.1	55.7	55	--
08/23/2018 16:00	EC Markit Eurozone Manufacturing PMI	Aug P	55.2	54.6	55.1	--
08/23/2018 16:00	TA Industrial Production YoY	Jul	3.60%	4.43%	0.36%	0.51%
08/23/2018 16:00	SI Automobile COE Open Bid Cat A	Aug-23	--	31997	33798	--
08/23/2018 16:00	SI Automobile COE Open Bid Cat B	Aug-23	--	32429	34381	--
08/23/2018 16:00	EC Markit Eurozone Services PMI	Aug P	54.4	54.4	54.2	--
08/23/2018 16:00	EC Markit Eurozone Composite PMI	Aug P	54.5	54.4	54.3	--
08/23/2018 20:30	US Initial Jobless Claims	Aug-18	215k	210k	212k	--
08/23/2018 20:30	US Continuing Claims	Aug-11	1730k	1727k	1721k	1729k
08/23/2018 21:00	US FHFA House Price Index MoM	Jun	0.30%	0.20%	0.20%	0.40%
08/23/2018 21:45	US Bloomberg Consumer Comfort	Aug-19	--	58.6	58.9	--
08/23/2018 21:45	US Markit US Manufacturing PMI	Aug P	55	54.5	55.3	--
08/23/2018 21:45	US Markit US Services PMI	Aug P	55.8	55.2	56	--
08/23/2018 21:45	US Markit US Composite PMI	Aug P	--	55	55.7	--
08/23/2018 22:00	US New Home Sales	Jul	645k	627k	631k	638k
08/23/2018 22:00	US New Home Sales MoM	Jul	2.20%	-1.70%	-5.30%	-2.40%
08/23/2018 22:00	EC Consumer Confidence	Aug A	-0.7	-1.9	-0.6	-0.5
08/24/2018 06:45	NZ Trade Balance NZD	Jul	-400m	-143m	-113m	-288m
08/24/2018 06:45	NZ Exports NZD	Jul	4.76b	5.35b	4.91b	4.88b
08/24/2018 06:45	NZ Imports NZD	Jul	5.20b	5.49b	5.02b	5.17b
08/24/2018 07:30	JN Natl CPI YoY	Jul	1.00%	0.90%	0.70%	--
08/24/2018 07:30	JN Natl CPI Ex Fresh Food YoY	Jul	0.90%	0.80%	0.80%	--
08/24/2018 12:00	MA CPI YoY	Jul	0.90%	--	0.80%	--
08/24/2018 13:00	SI Industrial Production YoY	Jul	6.00%	--	7.40%	--
08/24/2018 13:00	SI Industrial Production SA MoM	Jul	-1.00%	--	3.90%	--
08/24/2018 14:00	GE GDP SA QoQ	2Q F	0.50%	--	0.50%	--
08/24/2018 14:00	GE GDP NSA YoY	2Q F	2.30%	--	2.30%	--
08/24/2018 14:00	GE GDP WDA YoY	2Q F	2.00%	--	2.00%	--
08/24/2018 15:30	TH Foreign Reserves	Aug-17	--	--	\$203.5b	--
08/24/2018 16:30	UK Finance Loans for Housing	Jul	40650	--	40541	--
08/24/2018 20:30	US Durable Goods Orders	Jul P	-1.00%	--	0.80%	--
08/24/2018 20:30	US Durables Ex Transportation	Jul P	0.50%	--	0.20%	--
08/24/2018 20:30	US Cap Goods Orders Nondef Ex Air	Jul P	0.50%	--	0.20%	--
08/24/2018 20:30	US Cap Goods Ship Nondef Ex Air	Jul P	0.30%	--	0.70%	--
08/24/2018	MU GDP YoY	2Q	--	--	9.20%	--

Source: Bloomberg

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