

Highlights

Global	<p>Wall Street experienced another choppy session last Friday, with disappointing earnings from Amazon.com and Alphabet. The sensitised risk appetite saw the 10-year UST bond yield falling to 3.08% (down from the 7-year high of 3.26% earlier this month) and the recent stock market sell-off has prompted some market speculation if the Fed would still tighten in December, with the fed funds futures probability slipping to 69.3%. In Europe, Italy's sovereign credit rating was spared by S&P at BBB, albeit the outlook was lowered to "negative" on Friday as it warned that "the government's policy reversal could undermine Italy's gradual economic recovery as the erosion of investor confidence is passed on to economic agents". Elsewhere, Sri Lanka also saw parliament suspended as President Sirisena dismissed PM Wickremesinghe and appointed Rajapaksa as his replacement, while right-leaning Jair Bolsonaro won the Brazilian elections.</p> <p>Asian bourses may trade in a range today, as investors await fresh catalysts amid the tentative bargain-hunting interest. The economic data calendar comprises US' personal spending and income, core PCE deflator and Dallas Fed manufacturing activity, and UK's budget statement. Fed's Evans is also speaking. For the week ahead, watch for the BOJ (31 Oct) and BOE (1 Nov) meetings where policy settings are likely to be kept static but the nuancing of the future path remains key. Earnings season also continues with Facebook, HSBC, Apple, Alibaba, GE, Exxon Mobil etc. This Friday, we get US' nonfarm payrolls and unemployment data, albeit with likely distortions from hurricanes past (namely Harvey and Irma) and present (Michael), which the Fed may look past to continue to target the fourth hike at the December FOMC meeting.</p>
US	<p>US' 3Q18 GDP growth came in at 3.5% qoq annualised, beating market estimates of 3.3%, led by personal consumption (4.0%) due to the sugar high from the tax cuts whereas business fixed investment disappointed at 0.8% (down from 8.7% in the previous quarter) and residential investment shrank for the third consecutive quarter (-4.0%).</p>
EU	<p>Italian Finance Minister Tria opined that the government "must in one way or another intervene" if there is a banking crisis.</p>
CH	<p>PBOC Deputy Governor Pan Gongsheng said the central bank has capability and confidence to keep RMB exchange rate at a reasonable, equilibrium level while warned short-sellers of the yuan. This reinforces our view that the PBOC will still take counter-cyclical measures to reduce the volatility of the RMB.</p>
SG	<p>Industrial production disappointed market expectations and unexpectedly contracted 0.2% yoy (-4.9% mom sa) in September, albeit the August data was revised higher to 3.7% yoy (-2.2% mom sa) from the initial estimate of 3.3% yoy (-2.0% mom sa). Although industrial production had expanded by a relatively healthy 8.2% yoy for the first nine months of 2018, we tip 4Q18 manufacturing growth to ease further to around 3.4% yoy. This does not detract from our baseline scenario that full-year 2018 growth of 3.3% is likely still achievable.</p> <p>The 3Q18 unemployment rate edged marginally higher from 2.0% yoy (revised from 2.1% initially) in 2Q to 2.1% yoy, but this reflects the continued inflow of jobseekers into the labour market.</p>

Major Markets

- **US:** Wall Street closed lower on Friday, with the S&P500 (-1.73%) and DJIA (-1.19%) dipping below early-2018 levels again after a slight rebound on Thursday. The Nasdaq composite slipped 2.07% to close down at 7,167.21.
- Alphabet (-1.80%), parent company of Google, reported decelerating sales growth in the third quarter and higher costs in the form of payments to distribution partners for promotion of its search engine.
- Amazon plunged 7.82% on lower-than-expected 3Q revenue, as growth from its e-commerce arm slowed for the second consecutive quarter.
- **Singapore:** September's industrial production print marked the first yoy contraction since December 2017 (-2.4% yoy) and also the third consecutive mom contraction as well as the most significant mom decline since February 2017. Excluding biomedical manufacturing, output grew 1.9% yoy but contracted for the second consecutive month by 2.4% mom sa in Sep.
- Electronics output unexpectedly declined 5.5% yoy in Sep, amid broad-based weakness in all electronics clusters except the infocomms & consumer electronics segment (+10.2% yoy). This suggests that the electronics turnaround remains somewhat elusive for now. Biomedical manufacturing also contracted 9.7% yoy, dragged down by medical technology (-5.8% yoy) and pharmaceuticals (-11.1% yoy due to a different mix of active ingredients being produced). The sudden weakness in pharmaceuticals is also worrying given its inherent volatility and especially since pharmaceuticals had been providing some buffer to mitigate the electronics slowdown in recent months.
- The resident and citizen unemployment rates were also unchanged at 2.9% and 3.0% respectively. Total employment, excluding foreign domestic workers, improved for the fourth consecutive quarter and more than doubled from 6.5k in 2Q to 15.2k in 3Q18. More importantly, the improvement was broad-based and led by the services sector which added 12.3k jobs (+71% qoq). In addition, manufacturing also added 3.5k jobs for the first time after 15 straight quarters of declines and whilst construction employment continued to decline by 400, this was at a slower pace than the 700 in 2Q18. Moreover, retrenchments fell from 3.03k in 2Q to 2.5k in 3Q18, and compared to 3.4k a year ago. Amidst the economic restructuring efforts, the services sector contributed the bulk of the retrenchments (1.5k), while manufacturing and construction chalked up 800 and 200 respectively. Job opportunities are likely to be driven by services sectors like info-communications and media, finance and insurance, healthcare and professional services. The job vacancy rate rose. The Ministry of Manpower also cautioned that "as the labour market begins to tighten, employers may face greater challenges filling vacancies". This reinforces the tightness of the domestic labour market which may sustain wage growth going into 2019 and help underpin core inflationary pressures if businesses pass on the higher wage costs to consumers.
- The STI declined 1.35% to close at 2972.02 (lowest since Jan17), despite Friday's sell-off in Wall Street, the morning leads from Nikkei and Kospi are positive amid tentative bargain-hunting. STI's support and resistance are tipped at 2962 and 3000. With the UST bonds rallying on Friday and yields lower by up to 5bps led by the belly of the curve, SGS bonds may extend gains today too.
- **China:** Japan's PM Abe visited China and announced that over 500 business deals has been signed to promote the economic cooperation between the two countries. An improving relationship between China and other countries may help to ease the impact of US-China trade war escalation.

- **Malaysia:** Inflation continued to remain subdued as both headline and core inflation rose by 0.3% yoy for September 2018. The categories that recorded significant increase were housing, water, electricity, gas and other fuels at 2.1% yoy, education at 1.1% yoy and restaurants & hotels at 1.1% yoy. For this week, look out for the release of the budget this coming Friday 2nd November 2018.
- **Philippines:** Three regions will be increasing their non-agricultural daily minimum wages in 2019. The highest non-agricultural daily minimum wage for any region though will continue to remain the same at 400 pesos.
- **Macau:** Unemployment rate remained static at the lowest level since 2015 of 1.8% in 3Q 2018. On a more positive note, labour participation rate picked up to 71.3% while employed population increased to 387600 from 385000 over the three months through August. Meanwhile, the underemployment rate dropped to 0.4% from 0.6%. Delving into details, the employment situation of different industries was mixed. Due to the concerns over China's economic slowdown and anti-money laundering policies, the employment of gaming sector dropped by 0.7% mom. On the back of resilient tourism activities, the employment of hotels, restaurants and similar activities and that of retail sector grew by 1.98% mom and 0.1% mom respectively. Moving forward, with HK-Zhuhai-Macau Bridge starting operations from 24th Oct, it may inject fresh impetus to both tourism and gaming sectors and support their employment in the near term. Nonetheless, since Macau's economic outlook is fraught with uncertainties from strong MOP, trade war fears and China's economic deceleration, overall hiring sentiment may still weaken in the medium term. All in all, we expect the unemployment rate to rise gradually towards 1.9%.

Bond Market Updates

- **Market Commentary:** The SGD swap curve bull flattened last Friday, with swap rates for the shorter tenors trading 2-4bps lower while the longer tenors traded 4-6bps lower. The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 2bps to 148bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 540bps. Overall, 10Y UST yields fell 3bps to close at 3.08% on the back of safe haven demand after stocks sank in volatile trading.
- **New Issues:** Kaisa Group Holdings Ltd has priced a USD250mn re-tap of its KAISAG 7.875%'21s via a USD75mn re-tap at 93.478 and a USD175mn re-tap at 93.417. PT Indonesia Asahan Aluminium (Persero) has scheduled for investor meetings from 29 October for its potential USD bond issuance.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	96.359	-0.33%	USD-SGD	1.3800	-0.08%
USD-JPY	111.910	-0.45%	EUR-SGD	1.5737	0.17%
EUR-USD	1.1403	0.25%	JPY-SGD	1.2333	0.39%
AUD-USD	0.7090	0.14%	GBP-SGD	1.7702	--
GBP-USD	1.2828	0.09%	AUD-SGD	0.9787	0.08%
USD-MYR	4.1768	0.18%	NZD-SGD	0.8999	-0.13%
USD-CNY	6.9435	-0.08%	CHF-SGD	1.3839	0.12%
USD-IDR	15216	0.18%	SGD-MYR	3.0206	-0.10%
USD-VND	23356	0.03%	SGD-CNY	5.0281	-0.11%

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	--	O/N	2.1768	0.0025
2M	-0.3380	--	1M	2.2967	0.0017
3M	-0.3180	-0.0010	2M	2.3853	0.0056
6M	-0.2590	--	3M	2.5204	0.0111
9M	-0.1980	--	6M	2.7768	0.0026
12M	-0.1480	-0.0010	12M	3.0568	0.0050

Fed Rate Hike Probability

Meeting	Prob Hike	2.25-2.5	2.5-2.75	2.75-3	3-3.25
11/08/2018	4.8%	4.8%	0.0%	0.0%	0.0%
12/19/2018	69.3%	66.1%	3.2%	0.0%	0.0%
01/30/2019	70.8%	64.3%	6.3%	0.2%	0.0%
03/20/2019	88.9%	42.5%	42.3%	4.0%	0.1%
05/01/2019	89.9%	39.6%	42.3%	7.6%	0.5%
06/19/2019	94.3%	26.8%	41.1%	22.6%	3.5%

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	67.59	0.39%	Coffee (per lb)	1.197	-1.24%
Brent (per barrel)	77.62	0.95%	Cotton (per lb)	0.7853	1.09%
Heating Oil (per gallon)	2.3030	1.09%	Sugar (per lb)	0.1384	-0.93%
Gasoline (per gallon)	1.8150	0.12%	Orange Juice (per lb)	1.3560	-1.85%
Natural Gas (per MMBtu)	3.1850	-0.53%	Cocoa (per mt)	2,251	1.90%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,042.9	-0.49%	Wheat (per bushel)	5.0525	3.69%
Nickel (per mt)	11,849.0	-2.01%	Soybean (per bushel)	8.450	0.39%
Aluminium (per mt)	1,994.3	0.43%	Corn (per bushel)	3.6775	1.87%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,232.5	0.28%	Crude Palm Oil (MYR/MT)	2,046.0	-1.21%
Silver (per oz)	14.700	0.48%	Rubber (JPY/KG)	147.8	2.35%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	24,688.31	-296.24
S&P	2,658.69	-46.88
Nasdaq	7,167.21	-151.12
Nikkei 225	21,184.60	-84.13
STI	2,972.02	-40.82
KLCI	1,683.06	-3.53
JCI	5,784.92	29.96
Baltic Dry	1,516.00	--
VIX	24.16	-0.06

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.04 (-0.01)	2.81 (-0.04)
5Y	2.27 (-0.03)	2.91 (-0.05)
10Y	2.51 (-0.03)	3.08 (-0.04)
15Y	2.80 (-0.02)	--
20Y	2.83 (-0.02)	--
30Y	2.93 (-0.01)	3.31 (-0.03)

Financial Spread (bps)

	Value	Change
LIBOR-OIS	24.12	-0.01
EURIBOR-OIS	3.93	-0.30
TED	20.11	0.65

CFTC Commodities Futures and Options

For the week ended: 23 Oct 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Sugar	67,901	19,761	48,140	Nymex Crude	482,706	509,991	-27,285
Coffee	-38,341	-55,855	17,514	Wheat	-15,418	-5,506	-9,912
Gold	28,404	14,959	13,445	Natural Gas	-14,801	-6,071	-8,730
Silver	-5,651	-15,448	9,797	RBOB Gasoline	93,673	101,424	-7,751
Corn	87,295	83,833	3,462	Soybean	-33,353	-26,904	-6,449
Cocoa	-22,679	-25,007	2,328	Heating Oil	37,935	43,952	-6,017
Palladium	13,600	12,019	1,581	Lean Hogs	26,838	29,044	-2,206
Cotton	56,116	55,213	903	Platinum	12,840	14,551	-1,711
Copper	8,648	8,141	507	Live Cattle	97,625	97,419	206

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event		Survey	Actual	Prior	Revised
10/26/2018 05:00	SK Consumer Confidence	Oct	--	99.5	101.7	100.2
10/26/2018 07:30	JN Tokyo CPI YoY	Oct	1.50%	1.50%	1.30%	--
10/26/2018 07:30	JN Tokyo CPI Ex-Fresh Food YoY	Oct	1.00%	1.00%	1.00%	--
10/26/2018 07:30	JN Tokyo CPI Ex-Fresh Food, Energy YoY	Oct	0.70%	0.60%	0.70%	--
10/26/2018 08:32	SI URA Private Home Prices QoQ	3Q F	--	0.50%	0.50%	--
10/26/2018 10:30	SI Unemployment rate SA	3Q	2.10%	2.10%	2.10%	2.00%
10/26/2018 11:19	MU Unemployment Rate	Sep	--	1.80%	1.80%	--
10/26/2018 12:00	MA CPI YoY	Sep	0.60%	0.30%	0.20%	--
10/26/2018 13:00	SI Industrial Production YoY	Sep	3.50%	-0.20%	3.30%	3.70%
10/26/2018 13:00	SI Industrial Production SA MoM	Sep	-1.80%	-4.90%	-2.00%	-2.20%
10/26/2018 14:00	GE GfK Consumer Confidence	Nov	10.5	10.6	10.6	--
10/26/2018 14:45	FR Consumer Confidence	Oct	95	95	94	--
10/26/2018 14:45	FR PPI MoM	Sep	--	0.30%	0.20%	0.40%
10/26/2018 14:45	FR PPI YoY	Sep	--	3.60%	3.70%	--
10/26/2018 15:30	TH Foreign Reserves	Oct-19	--	\$203.6b	\$203.2b	--
10/26/2018 15:30	TH Forward Contracts	Oct-19	--	\$32.2b	\$32.8b	--
10/26/2018 16:00	EC ECB Survey of Professional Forecasters					
10/26/2018 16:00	IT Hourly Wages YoY	Sep	--	1.90%	2.00%	--
10/26/2018 16:00	IT Hourly Wages MoM	Sep	--	0.00%	0.90%	--
10/26/2018 16:00	TA Monitoring Indicator	Sep	--	22	24	--
10/26/2018 20:30	US GDP Annualized QoQ	3Q A	3.30%	3.50%	4.20%	--
10/26/2018 20:30	US Personal Consumption	3Q A	3.30%	4.00%	3.80%	--
10/26/2018 20:30	US GDP Price Index	3Q A	2.10%	1.70%	3.00%	--
10/26/2018 20:30	US Core PCE QoQ	3Q A	1.80%	1.60%	2.10%	--
10/26/2018 22:00	US U. of Mich. Sentiment	Oct F	99	98.6	99	--
10/27/2018 09:30	CH Industrial Profits YoY	Sep	--	4.10%	9.20%	--
10/29/2018 07:50	JN Retail Trade YoY	Sep	2.10%	--	2.70%	--
10/29/2018 07:50	JN Retail Sales MoM	Sep	-0.20%	--	0.90%	--
10/29/2018 07:50	JN Dept. Store, Supermarket Sales	Sep	0.10%	--	-0.10%	--
10/29/2018 10:00	VN Exports YTD YoY	Oct	14.90%	--	15.40%	--
10/29/2018 10:00	VN Imports YTD YoY	Oct	12.00%	--	11.80%	--
10/29/2018 10:00	VN Trade Balance	Oct	\$600m	--	\$700m	--
10/29/2018 10:00	VN CPI YoY	Oct	3.95%	--	3.98%	--
10/29/2018 10:00	VN Industrial Production YoY	Oct	--	--	9.10%	--
10/29/2018 10:00	VN Retail Sales YTD YoY	Oct	--	--	11.30%	--
10/29/2018 17:00	IT PPI MoM	Sep	--	--	0.50%	--
10/29/2018 17:00	IT PPI YoY	Sep	--	--	5.10%	--
10/29/2018 17:30	UK Net Consumer Credit	Sep	1.2b	--	1.1b	--
10/29/2018 17:30	UK Net Lending Sec. on Dwellings	Sep	2.9b	--	2.9b	--
10/29/2018 17:30	UK Mortgage Approvals	Sep	64.7k	--	66.4k	--
10/29/2018 17:30	UK Money Supply M4 MoM	Sep	--	--	0.20%	--
10/29/2018 17:30	UK M4 Money Supply YoY	Sep	--	--	1.20%	--
10/29/2018 17:30	UK M4 Ex IOFCs 3M Annualised	Sep	--	--	0.90%	--
10/29/2018 20:30	US Personal Income	Sep	0.40%	--	0.30%	--
10/29/2018 20:30	US Personal Spending	Sep	0.40%	--	0.30%	--
10/29/2018 20:30	US Real Personal Spending	Sep	0.30%	--	0.20%	--
10/29/2018 20:30	US PCE Deflator MoM	Sep	0.10%	--	0.10%	--
10/29/2018 20:30	US PCE Deflator YoY	Sep	2.00%	--	2.20%	--
10/29/2018 20:30	US PCE Core MoM	Sep	0.10%	--	0.00%	--
10/29/2018 20:30	US PCE Core YoY	Sep	2.00%	--	2.00%	--
10/29/2018 22:30	US Dallas Fed Manf. Activity	Oct	28.1	--	28.1	--

Source: Bloomberg

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