Daily Credit Snapshot

Market Commentary

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- US' core CPI accelerated more than expected by 0.3% MoM in July ahead of the highly anticipated FOMC policy decision due later this week, pushing the market probability of a 25bp rate hike to above 85%. Although a record surge in wireless telephone services was a key driver, nevertheless the heat is on the Fed given the rising oil prices with the re-escalation in Iranian tensions, especially with the temporary closure of Saudi Arabia's East-West pipeline. The University of Michigan one-year inflation expectations gauge also catapulted from 4% to 4.6% in September. The S&P500 added 0.9% on Friday, but fell 0.8% for the week, whilst the 10-year UST bond yield rose to a near 3-year high of 4.96% as investors fretted over the near-term Fed rate path. Separately, China has threatened to cancel the upcoming Xi-Trump summit if the US approved new arms sales to Taiwan. This contrasted with US president Trump indicating he is open to Chinese automakers building cars in the US provided they employ American workers. Asian markets are likely to open with a careful tone today, awaiting the trifecta of central bank meetings starting with the FOMC decision on Wednesday, followed by BOE and BOJ. Fed chair Kevin Warsh may find himself cornered into a 25bp hike to 3.75-4% else risk disappointing markets after his hawkish rhetoric previously, but whether this is a one hike and done or with a potential second rate on the horizon will be key. The BoE is likely static but with 3 dissenters already at the July MPC, the key is how divided will the vote be, as well as the annual announcement on the pace of bond holding unwind. The BOJ is also expected to hike 25bps to 1.25% (highest since 1995) amid a sensitized JPY to any guidance for appetite for further hikes. Today's economic data calendar comprises of India's August CPI and PPI, with ECB's Lagarde, Schnabel and Escriva also speaking. China is the other key Asian focus with tomorrow's August data dump on industrial production, retail sales, fixed-asset investment, property and unemployment since consumption remains the weak link. On the corporate earnings front, watch for FedEx and Trip.com.

- SGD SORA OIS curve traded higher last Friday with the shorter tenors trading 5-7bps higher, belly tenors trading 6-7bps higher, and 10Y tenor trading 6bps higher.

- Flows in SGD corporates were light, with flows in BNP 4.25%-PERP.

- US Investment Grade remained unchanged at 78bps, and US High Yield spreads tightened by 7bps to 265bps respectively. Bloomberg Global Contingent Capital spreads widened by 2bps to 201bps.

- Bloomberg Asia USD Investment Grade spread widened by 2bps to 56bps, and the Asia USD High Yield spreads widened by 5bps to 313bps. (Bloomberg, OCBC)

New Issues:

- APAC and DM IG markets were zero and USD0.25bn respectively last Friday (prior day: zero and USD6.25bn) (Bloomberg, OCBC)

Mandates:

- Sony Life Insurance Co., Ltd. may issue USD-denominated 30NC10 step-up callable subordinated notes.

Key Market Movements

	14-Sep	1W chg (bps)	1M chg (bps)		14-Sep	1W chg	1M chg
iTraxx Asiax IG	66	0	-1	**Brent Crude Spot ($/bbl)**	106.6	9.9%	20.5%
				Gold Spot ($/oz)	4,335	-1.6%	-0.9%
iTraxx Japan	55	1	-3	**CRB Commodity Index**	423	1.5%	8.1%
iTraxx Australia	68	1	0	**S&P Commodity Index - GSCI**	752	2.2%	9.6%
CDX NA IG	51	1	1	**VIX**	15.8	10.6%	11.2%
CDX NA HY	107	-0	-1	**US10Y Yield**	4.96%	18bp	27bp
iTraxx Eur Main	53	1	2				
iTraxx Eur XO	258	8	11	**AUD/USD**	0.715	-1.0%	0.9%
iTraxx Eur Snr Fin	55	2	2	**EUR/USD**	1.157	-0.5%	0.0%
iTraxx Eur Sub Fin	89	2	3	**USD/SGD**	1.269	-0.2%	0.8%
				AUD/SGD	0.907	0.8%	-0.1%
USD Swap Spread 10Y	-39	-1	2	**ASX200**	8,739	-3.0%	-4.1%
USD Swap Spread 30Y	-69	-2	4	**DJIA**	52,573	-2.1%	-2.2%
				SPX	7,657	-1.2%	-1.7%
China 5Y CDS	35	-0	-2	**MSCI Asiax**	1,135	-2.4%	0.5%
Malaysia 5Y CDS	34	0	-0	**HSI**	24,897	-2.0%	-0.9%
Indonesia 5Y CDS	83	-1	-2	**STI**	5,718	-1.3%	-0.5%
Thailand 5Y CDS	42	2	2	**KLCI**	1,694	-1.2%	-1.9%
Australia 5Y CDS	14	-0	-0	**JCI**	6,430	-2.9%	0.4%
				EU Stoxx 50	6,325	-1.1%	-3.3%

Source: Bloomberg

Disclaimers