

Highlights

Global	<p>Fed Chair Jerome Powell at the annual conference in Jackson Hole, Wyoming defended his gradualist approach and in essence, he hardened expectations for a September hike. Powell also laid out a doctrine of basing monetary policy as much on how the economy performs in reality than just on the prescriptions of academic models as he constantly made references to the term “shifting stars” in his speech.</p> <p>Meanwhile, Trump has said on Saturday on Twitter that the U.S. could have a “big trade agreement” with Mexico. Talks between the two sides carried on over the weekend in D.C. as Mexican Economy Minister Ildefonso Guajardo said that “we’re practically into the final hours of this negotiation” with a possibility of a deal on Monday to resolve their bilateral Nafta differences becomes more likely.</p> <p>Key events this week include the Korean central bank policy meeting this coming Friday, the release of China’s official factory PMI and the release of second-quarter revision figures by the U.S. Commerce Department. For today, market will look at Germany August IFO data to assess whether the recent rebound of Euro can be supported by economic fundamentals.</p>
US	<p>Two risks highlighted by the Fed at the Jackson Hole Symposium are: premature tightening as a result of moving too quickly and shortening the expansion, or moving too slowly and allowing for overheating of the economy. A continuation of a healthy labour market and income growth would reaffirm further gradual increases in the target range for the Fed funds rate, as Powell indicated in his speech.</p> <p>Several Fed policy makers reiterated their commitment to monetary policy decision-making “without regard to political considerations or influence”, hinting that President Trump’s recent complaints were unlikely to impact the pace of rate hikes significantly.</p>
EU	<p>According to Italian Deputy Prime Minister Luigi Di Maio, Italy will start the process of opposing the European Union’s next budget after the bloc’s member states failed to follow through on a deal reached in June for handling the flood of migrants.</p>
CH	<p>China is showing off its policy tool box on various fronts including monetary policy, fiscal policy and currency policy. On monetary front, China’s rates fell again after China continued to offer longer term liquidity generously. However, the easing monetary policy drove the USDCNY higher gradually last week. This triggered the announcement of resumption of counter cyclical factor in the RMB fixing on Friday night. It seems China is trying to achieve an ambitious balance to keep liquidity flushed while maintaining currency stability. We doubt this will be a sustainable balance in the medium term. To some extent, China may have to give up one parameter.</p>
MA	<p>Finance Minister Lim Guan Eng has said “only the finance minister has the power to approve the decision not to transfer the RM19.25 billion to the GST Refunds Trust Account”. Earlier on, he had mentioned that as of May 31 2018, the government had withheld GST refunds amounting to RM19.4bn.</p>
ID	<p>Finance Minister Sri Mulyani has said that the government will continue to closely monitor core and imported inflation to curb prices. She also said that the import of goods, especially consumption, will be carefully limited without hampering growth.</p>

Major Markets

- **US:** Wall Street closed higher on Friday on upbeat comments by Fed chair Powell about the US economy, with both the S&P500 (+0.62%) and the Nasdaq composite (+0.86%) rising to all-time-highs.
- Tesla CEO Elon Musk announced the withdrawal of plans to take the firm private in a blog post released late Friday night. Netflix shares rose on rating upgrade stemming from potential upside from its Indian market. Autodesk stock (+15.3%) rose sharply as the firm exceeded profit and sales expectations for the second-quarter, on top of strong net subscription additions.
- **Singapore:** Industrial production rose 6.0% yoy but fell 1.7% mom sa in July, marking a slowdown from June's revised 8.0% yoy (4.4% mom sa). However, this is better than our expectation for 3.7% yoy (-2.1% mom sa) and market consensus forecast of 6.0% yoy (-1.0% mom sa). Excluding biomedical manufacturing, output still grew 5.1% yoy (0.4% mom sa).
- The STI closed lower on Friday, falling 1.14% to 3,213.00. Singtel (-2.33%), Sembcorp Industries (-2.43%) and Keppel Corp (-2.35%) led the slip, while some relief was seen in Jardine Matheson (+0.65%), Wilmar International (+0.63%) and ComfortDelGro Corp (+0.43%) shares.
- **Macau:** The economy expanded for the eighth consecutive quarter by 6% yoy in 2Q18, mainly supported by strong household spending and external demand. Private consumption grew at the strongest pace since 3Q 2014 by 5.3% yoy. Exports of goods increased by 29.9% yoy. Exports of gaming services and other tourism services rose by 13.7% yoy and 13.0% yoy respectively. Despite that, the economic growth for 2Q18 was the slowest since 3Q16 due to sharp decline in private investment (18.9% yoy) following the gradual completion of mega entertainment projects and housing projects. Moving into 2H18, we expect to see slower economic growth given three major downward risks. First, due to high base effect and the lack of much uncompleted mega projects, private investment may remain subdued. Second, a stronger MOP combined with Asia's muted economic outlook on trade war concerns will likely decelerate the growth of Macau's exports of goods and services. Third, higher interest rates and bearish stock market could dent business and consumer sentiments. On a positive note, strong infrastructure investment (government investment in fixed assets +28.9% yoy in 2Q18) may help to offset some downward risks to economic growth. Besides, the upcoming completion of HK-Zhuhai-Macau Bridge may lend some support to the tourism and gaming sectors. All in all, we expect GDP will grow by 5%-7% this year.

Bond Market Updates

- **Market Commentary:** The SGD swap curve flattened on Friday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 1bps lower (with the exception of the 30-year swap rates trading 2bps higher). 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 1bps to 485bps. 10Y UST yields rose 2bps to 2.85% initially ahead of the speech by Federal Reserve Chairman Jerome Powell on Friday for any indications on further rate hikes. However, yields subsequently reversed 4bps to close at 2.81% after Federal Reserve Chairman Powell affirmed expectations that the US central bank will continue raising rates.
- **New Issues:** There were no new issuances over 24 Aug 2018.

Key Financial Indicators

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	95.146	-0.54%	USD-SGD	1.3656	-0.57%
USD-JPY	111.240	-0.04%	EUR-SGD	1.5870	0.14%
EUR-USD	1.1622	0.71%	JPY-SGD	1.2271	-0.61%
AUD-USD	0.7329	1.12%	GBP-SGD	1.7539	-0.31%
GBP-USD	1.2846	0.27%	AUD-SGD	1.0000	0.46%
USD-MYR	4.1085	0.09%	NZD-SGD	0.9119	0.01%
USD-CNY	6.8105	-0.98%	CHF-SGD	1.3885	-0.32%
USD-IDR	14649	0.08%	SGD-MYR	2.9977	0.05%
USD-VND	23305	0.13%	SGD-CNY	4.9872	-0.52%

Equity and Commodity

Index	Value	Net change
DJIA	25,790.35	133.37
S&P	2,874.69	17.71
Nasdaq	7,945.98	67.52
Nikkei 225	22,601.77	190.95
STI	3,213.00	-36.89
KLCI	1,808.59	-2.28
JCI	5,968.75	-14.23
Baltic Dry	1,697.00	-12.00
VIX	11.99	-0.42

Interbank Offer Rates (%)

Tenor	EURIBOR	Change	Tenor	USD LIBOR	Change
1M	-0.3690	0.0020	O/N	1.9189	0.0008
2M	-0.3380	--	1M	2.0728	0.0080
3M	-0.3190	--	2M	2.1960	-0.0010
6M	-0.2660	--	3M	2.3173	0.0059
9M	-0.2060	--	6M	2.5230	0.0069
12M	-0.1660	0.0010	12M	2.8200	0.0080

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.88 (+0.02)	2.62 (--)
5Y	2.10 (--)	2.71 (-0.01)
10Y	2.38 (--)	2.81 (-0.02)
15Y	2.67 (-0.02)	--
20Y	2.70 (-0.01)	--
30Y	2.77 (-0.01)	2.96 (-0.02)

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%	14.3%	44.0%	35.4%	6.0%
05/01/2019	100.0%	12.8%	41.0%	36.3%	9.0%

Financial Spread (bps)

	Value	Change
LIBOR-OIS	23.34	-0.94
EURIBOR-OIS	3.87	-0.06
TED	23.09	-1.17

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	68.72	1.31%	Coffee (per lb)	1.047	3.15%
Brent (per barrel)	75.82	1.46%	Cotton (per lb)	0.8163	0.17%
Heating Oil (per gallon)	2.2022	1.23%	Sugar (per lb)	0.1023	1.09%
Gasoline (per gallon)	2.0779	0.91%	Orange Juice (per lb)	1.5645	0.13%
Natural Gas (per MMBtu)	2.9170	-1.59%	Cocoa (per mt)	2,364	1.16%
Base Metals	Futures	% chg	Grains	Futures	% chg
Copper (per mt)	6,003.2	1.70%	Wheat (per bushel)	5.3650	-0.97%
Nickel (per mt)	13,347.0	1.05%	Soybean (per bushel)	8.553	0.15%
Aluminium (per mt)	2,081.8	0.97%	Corn (per bushel)	3.6275	0.48%
Precious Metals	Futures	% chg	Asian Commodities	Futures	% chg
Gold (per oz)	1,213.3	1.62%	Crude Palm Oil (MYR/MT)	2,219.0	0.05%
Silver (per oz)	14.901	1.77%	Rubber (JPY/KG)	175.9	-0.34%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

CFTC Commodities Futures and Options

For the week ended: 21 Aug 2018

	Current	Previous	Net Chg		Current	Previous	Net Chg
Soybean	-33,061	-54,065	21,004	Nymex Crude	574,487	609,143	-34,656
Natural Gas	-63,302	-77,861	14,559	Sugar	-117,067	-90,888	-26,179
Corn	59,107	49,178	9,929	Coffee	-99,208	-91,975	-7,233
Lean Hogs	1,082	-7,575	8,657	Cotton	88,196	93,234	-5,038
Live Cattle	81,539	73,706	7,833	Copper	-1,913	3,112	-5,025
Gold	-23,964	-25,349	1,385	Silver	-7,480	-2,937	-4,543
Cocoa	-351	-462	111	Wheat	56,607	60,592	-3,985
Platinum	-10,586	-9,923	-663	RBOB Gasoline	102,288	105,414	-3,126
Palladium	1,104	1,960	-856	Heating Oil	35,119	36,867	-1,748

Source: CFTC, Bloomberg, OCBC Bank

Economic Calendar

Date Time	Event	Survey	Actual	Prior	Revised	
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 06:45	NZ Trade Balance 12 Mth YTD NZD	Jul	-4520m	-4441m	-4031m	-4206m
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 07:50	JN PPI Services YoY	Jul	1.20%	1.10%	1.20%	1.10%
08/24/2018 12:00	MA CPI YoY	Jul	0.90%	0.90%	0.80%	--
08/24/2018 13:00	SI Industrial Production YoY	Jul	6.00%	6.00%	7.40%	8.00%
08/24/2018 13:00	SI Industrial Production SA MoM	Jul	-1.00%	-1.70%	3.90%	4.40%
08/24/2018 14:00	GE GDP SA QoQ	2Q F	0.50%	0.50%	0.50%	--
08/24/2018 14:00	GE GDP NSA YoY	2Q F	2.30%	2.30%	2.30%	--
08/24/2018 14:00	GE GDP WDA YoY	2Q F	2.00%	2.00%	2.00%	--
08/24/2018 15:30	TH Foreign Reserves	Aug-17	--	\$202.9b	\$203.5b	--
08/24/2018 15:30	TH Forward Contracts	Aug-17	--	\$32.9b	\$32.5b	--
08/24/2018 16:15	MU GDP YoY	2Q	--	6.00%	9.20%	--
08/24/2018 16:20	TA Money Supply M1B Daily Avg YoY	Jul	--	5.76%	5.90%	--
08/24/2018 16:20	TA Money Supply M2 Daily Avg YoY	Jul	--	3.68%	4.10%	--
08/24/2018 16:30	UK UK Finance Loans for Housing	Jul	40650	39584	40541	40330
08/24/2018 20:30	US Durable Goods Orders	Jul P	-1.00%	-1.70%	0.80%	0.70%
08/24/2018 20:30	US Durables Ex Transportation	Jul P	0.50%	0.20%	0.20%	0.10%
08/24/2018 20:30	US Cap Goods Orders Nondef Ex Air	Jul P	0.50%	1.40%	0.20%	0.60%
08/24/2018 20:30	US Cap Goods Ship Nondef Ex Air	Jul P	0.30%	0.90%	0.70%	0.90%
08/27/2018 09:30	CH Industrial Profits YoY	Jul	--	--	20.00%	--
08/27/2018 16:00	GE IFO Business Climate	Aug	101.8	--	101.7	--
08/27/2018 16:00	GE IFO Expectations	Aug	98.4	--	98.2	--
08/27/2018 16:00	GE IFO Current Assessment	Aug	105.3	--	105.3	--
08/27/2018 16:00	TA Monitoring Indicator	Jul	--	--	22	--
08/27/2018 16:30	HK Exports YoY	Jul	6.00%	--	3.30%	--
08/27/2018 16:30	HK Imports YoY	Jul	9.00%	--	4.40%	--
08/27/2018 16:30	HK Trade Balance HKD	Jul	-42.4b	--	-54.1b	--
08/27/2018 20:30	US Chicago Fed Nat Activity Index	Jul	0.45	--	0.43	--
08/27/2018 22:00	CA Bloomberg Nanos Confidence	Aug-24	--	--	56.6	--
08/27/2018 22:30	US Dallas Fed Manf. Activity	Aug	30	--	32.3	--
08/27/2018	MU Unemployment Rate	Jul	--	--	1.80%	--
08/27/2018 09/03	GE Retail Sales MoM	Jul	-0.20%	--	1.20%	0.90%
08/27/2018 09/03	GE Retail Sales YoY	Jul	1.30%	--	3.00%	--
08/27/2018 08/30	GE Import Price Index MoM	Jul	0.00%	--	0.50%	--
08/27/2018 08/30	GE Import Price Index YoY	Jul	5.20%	--	4.80%	--
08/25/2018 08/31	VN Exports YTD YoY	Aug	--	--	15.30%	--
08/25/2018 08/31	VN Imports YTD YoY	Aug	--	--	10.20%	--
08/25/2018 08/31	VN Trade Balance	Aug	--	--	-\$300m	--
08/25/2018 08/31	VN CPI YoY	Aug	--	--	4.46%	--
08/25/2018 08/31	VN Industrial Production YoY	Aug	--	--	14.30%	--
08/25/2018 08/31	VN Retail Sales YTD YoY	Aug	--	--	11.10%	--

Source: Bloomberg

OCBC Treasury Research	
<p>Macro Research</p> <p>Selena Ling LingSSSelena@ocbc.com</p> <p>Emmanuel Ng NgCYEmmanuel@ocbc.com</p> <p>Tommy Xie Dongming XieD@ocbc.com</p> <p>Barnabas Gan BarnabasGan@ocbc.com</p> <p>Terence Wu TerenceWu@ocbc.com</p> <p>Alan Lau AlanLau@ocbc.com</p>	<p>Credit Research</p> <p>Andrew Wong WongVKAM@ocbc.com</p> <p>Ezien Hoo EzienHoo@ocbc.com</p> <p>Wong Hong Wei WongHongWei@ocbc.com</p> <p>Seow Zhi Qi ZhiQiSeow@ocbc.com</p>

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC Bank, its related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial services to such issuers. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products.

This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).