

Daily Market Review

Macro Highlights

- News out of the UK was the main driver of market's directions overnight. In a post policy meeting press conference, the Bank of England said that it no longer expects to ease this year and implied that faster inflation may even warrant tightening at some point. Governor Mark Carney and the Monetary Policy Committee said that the sterling pound's post-Brexit vote weakness has pushed up inflation faster than anticipated. The BOE added that consumer-price growth will rise to its 2% goal early next year and inflation will be at 2.5% in late 2019, the biggest three-year overshoot it has ever projected. The BOE also acknowledged the UK's resilient economy by raising its near term growth forecast this year to 2.2% and 1.4% in 2017. Mark Carney has often been criticized by pro-Brexit campaigners for being too gloomy on the potential fallout from the Brexit referendum and talking down the economy. Nevertheless, the MPC has voted unanimously to keep the key rate unchanged, maintain the current QE Gilt-purchase target at GBP435Bn and the corporate-bond purchase target of GBP10 Bn. The fear that the BOE may start to cut back on its current QE has led global bonds lower in the past few weeks, dragging the German Bunds and the UST in its wake. Both European government bonds and the UST headed lower overnight on the BOE's hawkish outlook, while sterling surged 1.3% to the highest level in 5 weeks to 1.245 vs. the dollar.
- UK court has ruled that PM Theresa May's move to trigger Article 50 to formally exit from the EU must first be approved by Parliament. This is because any negotiations or decisions made by the government will ultimately affect the constitutions which would require prior Parliament's approval. On the other hand, PM Theresa May has pledged to stick to her Brexit timetable plan to unilaterally start the process by the end of March by invoking Article 50 of the Lisbon Treaty to formally exit the EU. The UK government will appeal the decision, adding that "the British people have made a decision in the referendum and it's the job of the government to get on with delivering the decision of the British people."
- In the US presidential race, the latest polls from both the New York Times and Washington Post showed that Hillary Clinton is still ahead of Trump, but the lead has shrunk and is very slim at a mere two percentage points. According to a Bloomberg analysis, it's interesting to note that Hillary's supporters are mainly millennials, non-white voters, and unmarried women while Trump's supporters are generally white voters with no college degree. We have said that the US presidential election system is not based on the most number of individual votes one gets, but on who crosses the line first with 270 electoral votes. In a similar vein, Pimco has advised against focusing on state polling data, but to focus instead on the swing states which are likely to have a big influence on the outcome. Swing states, especially those that represent big electoral votes like Florida with 29 electoral votes, play an important role in deciding the winner. The 2012 election was a case in point when both Barack Obama and Mitt Romney were tied in the polls at 47.4% each, but the eventual outcome was decided by the swing states.
- Focus today will be the US jobs data with Non-farm payrolls expected at +173K (Sept +156K) and unemployment at 4.9% (Sept 5%).

Fixed Income

- Asian credits** were generally quiet and subdued with Japan away on holiday. The lack of catalysts plus the looming US presidential election next week have pushed investors to the sidelines. That the market is now in a risk-off mode has also weighed heavily on buying sentiment. IG spreads were generally wider and better selling was seen through the day although flows were quite limited. Many of the recent new issues

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Asset Class

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Yeo Aik Kiong Fixed Income
Iris Kao Funds
Low Ping Yee Funds
Sng Jia Hao Funds Portfolio

Market Data

Bond	Yld	1D (bp)	1W (bp)	1M (bp)	1Y (bp)
UST 2Y	0.81	-1	-4	-1	0
UST 5Y	1.26	0	-6	3	-37
UST 10Y	1.81	1	-4	12	-42
UST 30Y	2.60	3	-2	19	-39
Canada 10Y	1.19	2	-4	13	-43
Italy 10Y	1.69	3	16	39	2
UK 10Y	1.20	3	-5	42	-79
German 10Y	0.16	3	-1	21	-44
France 10Y	0.46	2	2	20	-48
Spain 10Y	1.23	3	4	26	-52
SWISS 10Y	-0.39	3	3	20	-7
Japan 10Y	-0.07	0	-2	1	-38
Australia10Y	2.35	5	-2	28	-38

CDS	Last	1D Change	1Y High	1Y Low
Asia IG	118.551	0.120	177.921	107.134
US IG	80.702	0.725	124.600	69.572
US HY	436.075	3.814	588.570	378.564
EURO IG	75.325	-0.381	125.719	65.038
Euro HY	335.500	-3.162	486.563	284.450

Equity Index	Last	1D +/-	1D %	YTD %	P/E
Djones	17,931	-29.0	-0.2	2.9	17.1
S&P 500	2,089	-9.3	-0.4	2.2	19.6
SK5E	2,973	-6.7	-0.2	-9.0	21.2
FTSE 100	6,791	-54.9	-0.8	8.8	46.4
CAC 40	4,412	-3.0	-0.1	-4.9	22.5
DAX	10,326	-45.1	-0.4	-3.9	19.0
Nikkei225	16,943	-191.6	-1.1	-11.0	21.6
Shanghai	3,129	26.2	0.8	-11.6	17.7
HangSeng	22,684	-127.0	-0.6	3.5	12.2
Taiwan	9,067	-71.8	-0.8	8.7	16.4
KOSPI	1,980	-3.7	-0.2	1.0	17.8
SG Straits	2,802	-5.1	-0.2	-2.8	11.9
ASX 200	5,195	-30.8	-0.6	-1.9	23.7
VIX	22.08	2.8	14	21.3	-

Currency	Last	1D %	1W %	1M %	YTD %
USDIndex	97.18	0.0	-1.2	1.1	-1.5
EUR	1.11	0.0	1.0	-0.9	2.2
JPY	103.15	-0.2	1.5	-0.2	16.5
GBP	1.25	0.1	2.4	-2.0	-15.3
CAD	1.34	0.0	0.0	-1.5	3.3
AUD	0.77	0.0	1.1	0.8	5.5
NZD	0.73	-0.2	2.2	1.5	7.2
CHF	0.97	-0.1	1.4	0.5	2.8
CNH	6.77	0.0	0.2	-1.1	-3.0
CNY	6.77	-0.1	0.3	-1.4	-4.0
TWD	31.48	0.1	0.6	-0.5	4.4
HKD	7.76	0.0	0.0	0.0	-0.1
SGD	1.38	-0.1	0.5	-1.0	2.5
ZAR	13.45	0.1	2.9	2.8	15.0

Commodity	Last	1D %	1W %	1M %	YTD %
WTI Crude	44.8	0.4	-8.0	-9.1	2.3
Brent Crude	46.5	0.3	-8.3	-9.6	3.4
Gold	1303.1	0.0	2.2	2.7	23

continue to trade lower as dealers turned more defensive. It's actually quite surprising to see some of these issues trading more than one point lower in price even though the UST yields have gone lower overnight. While Democratic nominee Hillary Clinton is still expected to win the US presidential election, strategists and investors expect a risk-off effect on markets, especially when the latest polls suggested that it's going to be a tight race. What was clearly a Hillary's victory in the pocket just last week, has turned into a distinct probability that Trump could become the most powerful man in the world next week. Bill Gross has warned on CNBC yesterday that a Clinton presidency would be neutral for stocks and bonds while a Trump presidency would be negative for stocks, bonds and the dollar for developed countries. Hence, more position adjustments are expected over the next few days as investors continue to de-risk into the election.

Equity

- **US stocks** fell for the eighth straight session, again due to US Presidential election jitters. The healthcare and information technology sectors led the market lower, while the energy, utilities and financials rose. Healthcare stocks traded broadly lower on reports that first charges in DOJ probe of generic-drug pricing might come by year-end. Companies that have received subpoenas included industry giants Mylan NV (-6.9%) and Teva Pharmaceutical (-9.5%), as well as Impax Labs (-19.5%) and Lannett Co. (-26.6%). Branded drug maker Pfizer dropped another 2.4% overnight after posting a profit miss on Tuesday. Market sentiment was also affected by the DoJ's probe of generic drug pricing. Banking stocks outperformed, benefiting from the rise in the 10-year Treasury bond yields. Bank of America ended the day flat at US\$ 16.48 while JP Morgan shed 0.4% overnight. Alibaba Group reported that 3Q revenue grew by 55% y/y to Rmb 34.3 bn, surpassing the Rmb 33.9 bn expected by analysts. However, the stock fell 0.8% overnight. Facebook plunged 5.6% after its CFO warned that that ad growth will likely slow "meaningfully" due to limits on ad load and 2017 will be a year of aggressive investment that will see a substantial increase in expenses.
- **Stoxx Europe 600 Index** managed to break the eight days losing streak to finish the day flat at 331.56. Almost all the sectors fell, led by the materials and consumer staples sectors. The financial and real estate sectors were the sole gainers. ING Groep climbed 2.3% after posting stronger-than-expected underlying net profit of EUR 1.34 bn in 3Q, +22.9% y/y. Societe Generale SA also climbed 5.5% after reporting stronger-than-expected 3Q results due to higher revenue from trading stocks and bonds. Credit Suisse Group plunged 7.1% after announcing a profit miss for 3Q. Volkswagen said it will hold an extraordinary meeting on 4 Nov. to consider the company's large-scale restructuring. The stock retreated 0.9%. According to Reuters, the Basel committee of supervisors found that Deutsche Bank is among part of the large European banks to face higher capital requirement. The stock ended 0.2% lower at EUR 12.23. Adidas AG plunged 6.3% after its 3Q gross margin and net income came in a tad below consensus estimates. 3Q gross margin was 47.6% compared to consensus estimates of 48%, while 3Q net income of EUR 386 mn was below market estimates of EUR 389 mn.
- **China Mainland shares** posted strong gains on Thursday, supported by the stronger-than-expected Caixin China PMI data. Caixin China services PMI and composite PMI hit four-month high of 52.4 and 52.9 in October, respectively. Brokerages climbed amid speculation the start date for the Shenzhen-Hong Kong Stock Connect program will be announced soon.
- **Hong Kong stocks** struggled on Thursday as market sentiment was dampened by the Nikkei Hong Kong Purchasing Manager Index which slipped to 48.2 in October, from 49.3 in September. Wynn Macau plunged 4.7% after posting 3Q profit that missed analysts' estimates. The earnings miss was partly due to Wynn Palace's slow ramp-up. Its peers Sands China also slipped 0.9% in sympathy. Energy stocks continued to

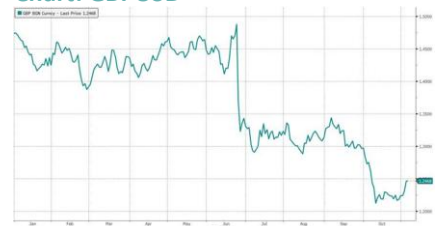
struggle after data showed US crude stockpiles climbed last week. Sinopec fell 1.2% and Petrochina retreated 0.4%. China Resources Land advanced 0.3% on bargain-hunting despite a commentary that China should tighten mortgage controls to curb the property bubble. Railway infrastructure-related stocks continued to trade on expectations they will benefit from further expansion of railway construction investment. China Communications Construction rose 1.3% and China Railway Group added 0.5%.

- **Japan** financial markets were closed for the Culture Day public holiday.

Foreign Exchange

- **Dollar Index** - continue to slide amid concerns over US election uncertainties. We have NFP tonight. It will be the last few key indicators for Fed to gauge a rate hike in December. Dollar may pare some losses from here if there is any upside surprise. Now the market is expected Fed to raise rate in December with probability over 70%.
- **GBPUSD** - surged after the ruling announced and BOE's decision; GBPUSD hit 1.2494 overnight. The decision of High Court may provide temporary relief to the market. However, a hard Brexit is yet off the table as the UK Government will appeal and send the case to the Supreme Court in early December. The referendum result needs to be respected, they said. Meanwhile, at the monetary policy meeting yesterday, BOE raised 2017 growth forecast from 0.8% to 1.4% while keeping rates and QE size unchanged on the basis that inflation and growth are broadly in line with expectation in the past couple of months. Overall, headwinds may come a bit late than we have anticipated but we remain cautious on this pair.
- **USDCNY** - PBoC fixed lower for the second consecutive day and USDCNY traded in a tight range between 6.7583 - 6.7595. Shanghai Composite index managed to reach 3140 during Asian session on the improving prospect of economic growth. In October, manufacturing PMI rose to 51.2 followed by service PMI printed at 52.4, the highest level in 4 months. We expect Yuan to trade sideways ahead of US election next week.
- **USDCAD** - stuck in a narrow range between 1.3350 - 1.3400 for the week. Falling oil prices and a likely Trump presidency have landed some support for this pair irrespective of USD's broad weakness against other major currencies. We expect no major changes in USDCAD ahead of US election into the coming sessions.
- **USDSGD** - SGD, tracking USD's weakness, strengthened with other Asian currencies despite in a risk-off environment. We are neutral on this pair and have been recommending to take profit at 1.39 area for those with long-USD positions. USDSGD is likely to consolidate at current level going into year end.

Chart: GBPUSD



Commodity	Last	1D %	1W %	1M %	YTD %
WTI Crude	44.8	0.4	-8.0	-9.1	2.3
Brent Crude	46.5	0.3	-8.3	-9.6	3.4
Natural Gas	2.8	1.4	-9.5	-12	1.6
Gold	1303.1	0.0	2.2	2.7	23
Silver	18.4	0.1	3.5	3.2	33
Platinum	999.7	0.4	1.9	1.4	12
LME Copper	4960.0	0.8	3.5	2.9	5.4
LME Alum.	1729.0	0.3	1.9	3.4	12
Corn	347.3	-0.2	-2.2	-0.3	-9.3
Nickel	10440.5	1.6	1.1	1.1	17
Cotton	68.1	-0.8	-2.4	-0.7	5.2
Comdty Index	168.9	-0.3	-2.7	-2.3	6.7

Economic Calendar

Day	Date	Time	Country	Event	Period	Survey	Actual	Prior	Note
Mon	10/31	7:50 AM	Japan	Industrial Production YoY	Sep P	1.9	0.9	4.5	-
Mon	10/31	7:50 AM	Japan	Retail Trade YoY	Sep	(1.8)	(1.9)	(2.1)	Revised (2.2)
Mon	10/31	5:30 PM	UK	Mortgage Approvals	Sep	61.5 K	62.9 K	60.1 K	Revised 61.0 K
Mon	10/31	6:00 PM	Eurozone	CPI Estimate YoY	Oct	0.5	0.5	0.4	-
Mon	10/31	6:00 PM	Eurozone	CPI Core YoY	Oct A	0.8	0.8	0.8	-
Mon	10/31	6:00 PM	Eurozone	GDP SA QoQ	3Q A	0.3	0.3	0.3	-
Mon	10/31	6:00 PM	Eurozone	GDP SA YoY	3Q A	1.6	1.6	1.6	-
Mon	10/31	8:30 PM	US	Personal Income	Sep	0.4	0.3	0.2	-
Mon	10/31	8:30 PM	US	Personal Spending	Sep	0.4	0.5	0.0	Revised (0.1)
Mon	10/31	8:30 PM	US	PCE Core YoY	Sep	1.7	1.7	1.7	-
Mon	10/31	9:45 PM	US	Chicago Purchasing Manager	Oct	54.0	50.6	54.2	-
Tue	11/01	8:30 AM	Japan	Nikkei Japan PMI Mfg	Oct F	-	51.4	51.7	-
Tue	11/01	9:00 AM	China	Manufacturing PMI	Oct	50.3	51.2	50.4	-
Tue	11/01	9:00 AM	China	Non-manufacturing PMI	Oct	-	54.0	53.7	-
Tue	11/01	9:45 AM	China	Caixin China PMI Mfg	Oct	50.1	51.2	50.1	-
Tue	11/01	10:55 AM	Japan	BOJ Policy Rate	1-Nov	(0.1)	(0.1)	(0.1)	-
Tue	11/01	11:30 AM	Australia	RBA Cash Rate Target	1-Nov	1.5	1.5	1.5	-
Tue	11/01	5:30 PM	UK	Markit UK PMI Manufacturing SA	Oct	54.5	54.3	55.4	Revised 55.5
Tue	11/01	9:45 PM	US	Markit US Manufacturing PMI	Oct F	53.2	53.4	53.2	-
Tue	11/01	10:00 PM	US	Construction Spending MoM	Sep	0.5	(0.4)	(0.7)	Revised (0.5)
Tue	11/01	10:00 PM	US	ISM Manufacturing	Oct	51.7	51.9	51.5	-
Wed	11/02	2:28 AM	US	Wards Total Vehicle Sales	Oct	17.60 M	17.90 M	17.65 M	-
Wed	11/02	1:00 PM	Japan	Consumer Confidence Index	Oct	42.6	42.3	43.0	-
Wed	11/02	3:00 PM	UK	Nationwide House Px NSA YoY	Oct	4.9	4.6	5.3	-
Wed	11/02	4:50 PM	France	Markit France Manufacturing PMI	Oct F	51.3	51.8	51.3	-
Wed	11/02	4:55 PM	Germany	Markit/BME Germany Manufacturing PMI	Oct F	55.1	55.0	55.1	-
Wed	11/02	5:00 PM	Eurozone	Markit Eurozone Manufacturing PMI	Oct F	53.3	53.5	53.3	-
Wed	11/02	5:30 PM	UK	Markit/CIPS UK Construction PMI	Oct	51.8	52.6	52.3	-
Wed	11/02	7:00 PM	US	MBA Mortgage Applications	28-Oct	-	(1.2)	(4.1)	-
Wed	11/02	8:15 PM	US	ADP Employment Change	Oct	165 K	147 K	154 K	Revised 202 K
Thu	11/03	2:00 AM	US	FOMC Rate Decision (Upper Bound)	2-Nov	0.5	0.5	0.5	-
Thu	11/03	6:30 AM	Australia	AIG Perf of Services Index	Oct	-	50.5	48.9	-
Thu	11/03	9:45 AM	China	Caixin China PMI Services	Oct	-	52.4	52.0	-
Thu	11/03	5:30 PM	UK	Markit/CIPS UK Services PMI	Oct	52.5	54.5	52.6	-
Thu	11/03	6:00 PM	Eurozone	Unemployment Rate	Sep	10.0	10.0	10.1	Revised 10.0
Thu	11/03	8:00 PM	UK	Bank of England Bank Rate	3-Nov	0.25	0.25	0.25	-
Thu	11/03	8:00 PM	UK	BOE Asset Purchase Target	Nov	435 B	435 B	435 B	-
Thu	11/03	8:30 PM	US	Initial Jobless Claims	29-Oct	256 K	265 K	258 K	-
Thu	11/03	9:45 PM	US	Markit US Services PMI	Oct F	54.8	54.8	54.8	-
Thu	11/03	10:00 PM	US	ISM Non-Manf. Composite	Oct	56.0	54.8	57.1	-
Thu	11/03	10:00 PM	US	Durable Goods Orders	Sep F	(0.1)	(0.3)	(0.1)	-
Thu	11/03	10:00 PM	US	Cap Goods Orders Nondef Ex Air	Sep F	-	(1.3)	(1.2)	-
Fri	11/04	8:30 AM	Japan	Nikkei Japan PMI Services	Oct	-	50.5	48.2	-
Fri	11/04	4:50 PM	France	Markit France Services PMI	Oct F	52.1	52.1	52.1	-
Fri	11/04	4:55 PM	Germany	Markit Germany Services PMI	Oct F	54.1	54.1	54.1	-
Fri	11/04	5:00 PM	Eurozone	Markit Eurozone Services PMI	Oct F	53.5	53.5	53.5	-
Fri	11/04	8:30 PM	US	Change in Nonfarm Payrolls	Oct	173 K	156 K	156 K	-
Fri	11/04	8:30 PM	US	Unemployment Rate	Oct	4.9	5.0	5.0	-
Fri	11/04	8:30 PM	US	Average Hourly Earnings YoY	Oct	2.6	2.6	2.6	-
Fri	11/04	8:30 PM	US	Underemployment Rate	Oct	-	-	9.7	-

Source: Bloomberg

Comments on Economic Releases

- Monday** – Japan retail sales in September were unchanged from previous month, but declined compared with year ago levels, reflecting sustained weakness in consumer spending. U.K. mortgage approvals rose in September to a 3 month high, suggesting that household demand for credit is holding up since Brexit vote in June. Euro area inflation accelerated slightly in October on the back of higher oil prices. Core prices were largely steady, but remain well below ECB target, pointing at possibly more monetary stimulus down the road. U.S. report revealed a broad-based spending rebound at the end of the third quarter, which bodes well for 4Q growth in personal consumption.
- Tuesday** – China’s official factory gauge rose to the highest since July 2014, led by new orders, suggesting the economy’s stabilization continued into the fourth quarter as robust consumption underpins demand. No surprise from the BoJ this round, as policy remains is on hold as far as the eye can see. We will probably see BoJ meetings return to occasional policy tweaks but no fireworks. U.S. construction spending fell in September, driven by flattening private residential with falling state and local construction spending, as authorities have been cutting back on infrastructure projects amid anemic revenue growth. Manufacturing ISM for October suggests that factory activity remains some degree of forward momentum.
- Wednesday** – U.S. light vehicle sales surged in October to highest SAAR figure this year, but declined YoY for the third consecutive month. According to ADP data, U.S. companies added the fewest of workers in five months during October, and marking a more limited pace of job creation.
- Thursday** – Fed left interest rates on hold, while keeping option open for rate hike by year-end. BoE upward revisions to forecasts for near term economic growth and inflation proved enough for members of its MPC to vote in favor of keeping policy unchanged this month. Recession in U.S. business investment likely to extend into the final quarter amid contracting new orders for core capital goods.

Source: Bloomberg

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