

## Federal Reserve Likely to Raise Interest Rates on Steady Jobs Report

The US economy may have added fewer than expected jobs in September, but the labour market remained firm, bolstering the case for a rate hike this year.

The closely watched US nonfarm payrolls came in at 156,000 in September. Although the figure was below market expectations of a 172,000 increase, the pace of jobs creation was nonetheless an improvement from 151,000 in August.

The scrutiny of the nonfarm payroll figure came amid increased speculation of a possible Fed rate hike in December, on the back of largely upbeat economic data prior to the jobs report. In particular, growth in the US services sector accelerated at a better than expected pace last month. The manufacturing sector, which had hitherto struggled, entered into expansion territory in September, with the Manufacturing ISM and Non-Manufacturing ISM printing 51.5 and 57.1 respectively.

Overall, the Fed appears inclined to proceed with another rate hike – markets are pricing in a 65% probability of one rate increase this year in December.

The US Treasury market was fairly volatile last week, both prior to and after the nonfarm payroll announcement. The benchmark 10-year UST reached a high of 1.77% after the jobs data was released before markets regained a semblance of calm and closed the week around 1.72%.

	Value	% w/w Change
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### Equities

Dow Jones Indus. Avg	18,240.5	-0.4
S&P 500 Index	2,153.7	-0.7
MSCI AC Asia Pacific	140.6	+0.6
S&P/ASX 200 Index	5,467.4	+0.6
Hang Seng Index	23,851.8	+2.4
Ho Chi Minh Stock Index	684.0	-0.3
Jakarta Composite Index	5,377.1	+0.2
FTSE Bursa Malaysia KLCI	1,665.4	+0.8
KOSPI Index	2,053.8	+0.5
Karachi 100 Index	41,200.5	+1.6
S&P BSE Sensex Index	28,061.1	+0.7
Shanghai SE Composite <sup>1</sup>	-	-
Stock Exch Of Thai Index	1,504.3	+1.4
Straits Times Index	2,875.2	+0.2
Taiwan TAIEX Index	9,265.8	+1.1
TOPIX Index (Tokyo)	1,350.6	+2.1

### Bonds / Currencies

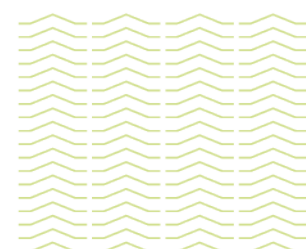
US 10YR Treasuries	1.7181	+12bps
EUR/USD	1.1201	-0.3
USD/JPY	102.98	+1.6
GBP/USD	1.2434	-4.1

### Commodities

Gold (Spot)	1,256.9	-4.5
Crude Oil (WTI)	49.8	+3.3
RJ/CRB Commodity Index	188.3	+1.1

<sup>1</sup>Note: Closed due to Golden Week in China

Source: Bloomberg (last trading price for week ended 7 October 2016)



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