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Phillip Singapore Monthly

October 2018: A new economic cold war

19 October 2018

Market: STI recovered in September with a modest 1.4% gain. YTD, it has returned a negative 4.3%. The rift between the U.S. and China is not limited to trade. It has spilled over to politics. Trump may realise it is not easy to pick a fight with someone your own size. Other pressure points are needed. To this end, the tone and rhetoric of the U.S. administration has intensified in recent weeks. The first salvo was fired by Vice President Mike Pence, accusing China of economic aggression, interference in US 2018 mid-term elections, stealing U.S. technology, intimidating neighbours, militarizing the South China Sea and religious persecution. In recent NAFTA (or USMCA) trade talks, a condition was also inserted that no member country can ink trade agreements with a non-market economy (we know who) without approval from the other member countries. More worrisome was an incident in the South China Sea in which a Chinese destroyer nearly clipped another U.S. Navy destroyer. Adding fuel to the fire were allegations by Bloomberg of Chinese spying from tiny microchips at data-centre equipment, based on their "anonymous" source(s).

Tensions with China are unlikely to abate anytime soon. China hawks Navarro (trade adviser) and Bolton (national security adviser) remain pivotal members of the Trump administration. But why all the hostility now? In part, we think Trump is seeking to beef up his credentials as a protector of jobs for Americans. Another more plausible reason is China's "Made in China 2025" strategic plan. Unveiled in 2015, this is a 10-year strategy to escape the middle-income trap and emerge a powerful manufacturing country. China will raise domestic content to 70% in 10 targeted industries. It will manufacture its own semiconductors, medicines and planes. From a U.S. multinationals' perspective, China has officially declared itself a competitor. It is no longer a customer or market for US products. Predictably, the multinationals will be more open to their governments' attempts to slow down the progress of any competitor.

Recommendation: We have downgraded our STI target from 3700 to 3400. The backdrop for equities is not positive. Global economic growth has peaked, interest rates are inching higher and we have a new cold war. Furthermore, we expect caution as we head towards U.S. mid-term elections. A loss of the Lower House for the Republican Party would mean more investigations of the President. Despite their tacit support, Democrats are unlikely to approve an infrastructure spending bill that could boost Trump's popularity. In Singapore, we still favour banks. Interest rates are rising and loan volumes, still healthy. A negative will be soft capital markets. This could hurt wealth-management income as risk-averse customers turn to lower-margin products. A stock that has become more appealing to us is SembCorp Industries. Almost all its businesses are perking up. India is enjoying a rebound in spot electricity prices. This augurs well for profits and increases the likelihood of securing long-term PPAs. Electricity demand in China is better than expected. Integrated energy operations in Jurong have shielded the company from depressing electricity spark spreads in spot markets. Expansion into renewables and rapid-response power plants should also fuel mid-term growth. As for its marine segment, it has been de-rated to fairly low expectations

Global Market Watch

Asia-Pacific	Level	1M (%)	YTD (%)
Nikkei 225	24,120	5.5	6.0
KOSPI	2,343	0.9	(5.0)
CSI 300	3,439	3.1	(14.7)
HSCEI	11,018	1.3	(5.9)
Taiex	11,006	(0.5)	3.4
Hang Seng	27,789	(0.4)	(7.1)
Sensex	36,227	(6.3)	7.1
Nifty	10,930	(6.4)	4.7
SET	1,756	2.0	0.2
KLCI	1,804	(1.5)	(0.2)
STI	3,257	1.4	(4.3)
JCI	5,977	(0.7)	(6.0)
Phil Comp	7,277	(7.4)	(15.0)
S&P/ASX 200	6,208	(1.8)	2.3

US/Europe	Level	1M (%)	YTD (%)
DJIA	26,458	1.9	7.0
NASDAQ Comp	8,046	(0.8)	16.6
S&P 500	2,914	0.4	9.0
FTSE 100	7,510	1.0	(2.3)
DAX	12,247	(0.9)	(5.2)
CAC 40	5,493	1.6	3.4
Euro STOXX 50	3,399	0.2	(3.0)
VIX	12	(5.8)	9.8

**Prices as at 30 September 2018*

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FSSTI Top Performers (1 Month)

FSSTI Top Gainers	S$	1M (Δ)	1M (%)	YTD (%)	1Y (%)
Yangzijiang	1.310	0.240	21.6	(8.2)	(11.2)
StarHub	1.910	0.270	16.2	(31.9)	(27.6)
HPH Trust	0.245	0.010	4.2	(39.8)	(43.8)
Keppel Corp	6.740	0.220	3.4	(7.8)	(4.9)
CMT	2.170	0.050	2.4	1.9	5.9
GoldenAgri	0.245	0.005	2.1	(33.8)	(35.5)
FSSTI Top Losers	**S$**	**1M (Δ)**	**1M (%)**	**YTD (%)**	**1Y (%)**
HongKongLand	6.100	(0.710)	(10.4)	(13.5)	(21.9)
UOL	6.320	(0.640)	(9.3)	(29.8)	(28.7)
Genting (S)	0.945	(0.085)	(8.3)	(27.9)	(20.3)
SPH	2.590	(0.180)	(6.5)	(1.5)	(2.6)
CityDev	8.370	(0.560)	(6.4)	(33.8)	(35.5)
ComfortDelgro	2.210	(0.150)	(6.4)	11.1	10.6

Singapore Indices Market Watch

Singapore Indices	Level	1M (%)	YTD (%)
FTSE ST Straits Times	3,257	1.4	(4.3)
FTSE ST Financial	983	0.6	(3.1)
FTSE ST Real Estate	791	(1.5)	(8.3)
FTSE ST Industrials	741	1.2	(4.7)
FTSE ST Consumer Service	710	0.0	(5.4)
FTSE ST Telecommunicate	820	1.5	(10.1)
FTSE ST Oil & Gas	365	8.1	(6.3)
FTSE ST Consumer Good	427	2.8	(14.6)
FTSE ST Utilities	308	3.0	(15.4)
FTSE ST Healthcare	1,343	3.1	9.2
FTSE ST Technology	222	(1.1)	(9.3)
FTSE ST Basic Material	43	(45.6)	(36.7)
FTSE ST Mid-Cap	737	2.2	(3.9)
FTSE ST Catalist	360	(2.8)	(23.3)

MCI (P) 114/09/2018
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PHILLIP ABSOLUTE 10 – Our top 10 picks for absolute returns

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Rating	Target Price	Share Price	% Upside	Mkt Cap (US$ m)	PE FY17	PE FY18E	PE FY19E	P/BV FY17	Dividend Yield	ROE FY17
Yield														
Ascendas REIT	-3.6%	0.0%	-2.9%	Accumulate	2.82	2.64	7%	5,960	16.6	16.9	16.4	1.3	6.1%	8.0%
CapitaLand Comm Trust	0.6%	7.2%	-7.8%	Accumulate	1.88	1.78	6%	4,839	11.5	20.0	20.3	1.0	4.9%	8.8%
Growth														
Chip Eng Seng	0.6%	-0.6%	-14.4%	Buy	1.15	0.84	38%	380	13.4	10.9	12.7	0.7	4.8%	6.0%
Sheng Siong	-4.3%	5.7%	21.1%	Accumulate	1.13	1.12	1%	1,223	24.1	22.6	20.5	6.0	3.0%	26.8%
DBS Group	4.6%	-2.0%	5.0%	Buy	33.32	26.09	28%	48,387	15.2	11.5	10.2	1.4	3.6%	10.3%
Geo Energy	7.0%	7.0%	-13.2%	Buy	0.41	0.23	78%	222	6.1	5.0	3.9	2.5	4.3%	18.3%
Micro-Mechanics	0.6%	1.7%	-13.7%	Buy	2.30	1.82	26%	184	14.8	13.5	11.7	4.2	4.9%	29.8%
Re-rating Plays														
Banyan Tree	1.0%	-0.9%	-7.1%	Accumulate	0.73	0.53	39%	320	1.5	1.6	1.5	0.7	1.9%	6.5%
CapitaLand	-1.7%	6.6%	-4.5%	Accumulate	4.19	3.37	24%	10,188	9.0	13.2	13.0	0.7	3.6%	8.3%
Comfort DelGro	6.1%	3.4%	22.7%	Accumulate	2.78	2.43	14%	3,821	18.1	16.8	16.7	2.0	4.3%	10.8%
Average	1.07%	2.8%	-1.5%				26%	75,523	13.0	13.2	12.7	2.0	4.1%	13.4%

Source: Bloomberg, PSR. Phillip Absolute 10 performance assumes equal weight to every stock in the portfolio. Any change to Phillip portfolio is only conducted at month end. Performance of the portfolio and STI does not take into account gains from dividends.

HISTORICAL PERFORMANCE

	Absolute 10	STI
Jan18	4.9%	3.9%
Feb18	-3.1%	-0.5%
Mar18	-2.7%	-2.6%
Apr18	1.4%	5.4%
May18	-3.1%	-5.1%
Jun18	-4.3%	-4.6%
Jul18	1.5%	1.6%
Aug18	-0.7%	-3.2%
Sep18	1.1%	1.4%
YTD	-5.2%	-4.5%
Out/(Under)perf.		-0.7%

Portfolio Review:

Our inaugural Phillip Absolute 10 Model portfolio began in January. It started well with a rise of 4.9% in January. Banyan Tree and CapitaLand led gains in January. DBS has been a significant contributor to our performance with a gain of 15% for the period of Jan-Feb18. We then switched to OCBC in March due to the higher upside to our target price and a beneficiary of higher interest rates (in particular through insurance business). In July we swapped out Asian PayTV, Dairy Farm and OCBC, with CapitaLand Commercial Trust, Sheng Siong and DBS.

In September, our gains could not match the STI. Our largest gainers were Geo Energy, ComfortDelgro and DBS Group. Transportation stats continue to support the reduced supply of private hire vehicles and the taxi fleet has started to recover, albeit modestly. Geo was helped by an announcement to dual list in Hong Kong. Weakness was in Sheng Siong, Ascendas REIT and CapitaLand.

We are still comfortable with our portfolio and no changes will be made. Sheng Siong is undergoing some profit taking after some stellar gains. We expect strong earnings from the company as gross margins pick up from higher contribution of fresh food and sales expands with new store openings Ascendas REIT share price was hurt by a share placement. We still like Ascendas for it diversified portfolio of more than 100 properties. It will also enjoy pick-up in rental for the business parks as office rentals in the core central region continue to climb. New investments into Singapore will favour their high-spec buildings. CapitaLand is pulled down by the expected weakness in property sales as new cooling measures were rolled-out. We like CapitaLand emphasis on building up its recurrent revenue base as it seek higher quality income with better ROEs from an asset-light model.

PHILLIP SINGAPORE SECTOR UNIVERSE

Phillip Singapore Sectors (101 companies)	1 Mth Perf.	3 Mth Perf.	YTD Perf.	PSR Recomm	Target % change	Mkt Cap (US$ m)	PE FY16	PE FY17e	PE FY18e	P/BV FY17	Dividend Yield	ROE FY17	EPS Growth FY18e	EPS Growth FY19e
Commodities - Plant./Others	1.0%	-3.1%	-3.3%	Overweight	13.1%	22,100	12.8	12.6	11.3	1.9	3.1%	8.7%	2%	11%
Conglomerate/Utilities	-6.8%	-1.1%	-4.6%	Overweight	16.9%	109,423	25.1	20.0	18.5	0.9	2.6%	9.3%	25%	8%
Consumer - F&B/Gaming/Media	-5.1%	-5.6%	-7.0%	Neutral	9.7%	38,673	16.6	19.0	17.6	4.2	3.5%	17.8%	-12%	8%
Finance	-3.3%	-8.5%	-1.8%	Overweight	30.8%	119,828	13.4	11.0	10.0	1.6	3.4%	12.1%	22%	10%
Healthcare	-6.5%	-6.4%	-5.7%	Neutral	20.3%	13,248	40.9	48.1	38.4	2.3	0.8%	3.7%	-15%	25%
Industrial - Electronics/Others	-1.0%	-8.6%	-4.0%	Overweight	25.8%	14,291	15.2	14.3	13.4	3.9	4.8%	23.8%	6%	6%
Property/Construction	-1.9%	-6.6%	-9.3%	Overweight	23.2%	45,621	10.6	13.0	13.2	0.6	3.3%	8.7%	-19%	-1%
REIT - Hospitality	-2.8%	-1.9%	-9.6%	N/A	12.0%	6,606	14.8	17.8	16.6	0.9	6.8%	7.5%	-17%	7%
REIT - Industrial	0.0%	2.1%	-2.1%	Neutral	7.0%	16,474	14.9	17.0	15.7	1.2	6.1%	9.3%	-12%	8%
REIT - Office	1.2%	2.8%	-8.5%	Overweight	3.9%	13,135	14.7	21.2	20.9	0.9	5.3%	6.5%	-31%	1%
REIT - Retail	-0.4%	1.9%	-2.2%	Neutral	3.4%	17,566	10.1	18.8	17.6	1.0	5.8%	10.5%	-47%	7%
REIT - Others/Foreign/Biz Trust	-3.7%	-8.1%	-22.7%	Underweight	11.6%	5,951	17.4	18.7	18.1	0.9	10.4%	5.6%	-7%	3%
Shipping - Yards/Vessel owners	2.7%	-4.3%	-18.7%	Underweight	12.9%	6,021	29.0	18.9	15.9	2.8	10.8%	2.6%	53%	19%
Telecommunications	0.2%	-2.5%	-11.2%	N/A	16.0%	41,632	9.8	15.4	14.6	2.0	5.7%	21.2%	-37%	5%
Transportation	-1.4%	-8.6%	-2.0%	Overweight	16.1%	18,632	15.7	16.2	15.6	1.8	4.1%	9.9%	-3%	4%
	-3.1%	-4.4%	-5.3%		19.1%	489,202	14.8	15.1	14.1	1.6	3.8%	11.7%	-2%	8%

Best performing sectors in Sep18 were Shipping, Industrial and Consumer. Shipping benefited from 15.9% jump in Yangzijiang and 21% rally in Sembcorp Marine. In Industrial, 800 Super (+20.5%) and ST Engineering (+6.6%) took the lead in gainers. Consumer benefited from gains in Thai Beverage (+9.7%), Best World (+17.6%) and SPH (+2.5%).

Worst performing sectors in Sep18 were REIT-Industrial, Property and REIT-Others. REIT-Industrial lost groud due to losses in Ascendas REIT and Mapletree Logistics. Property suffered from losses in Hong Kong Land, OUE and Guocoland. Weakness in REIT-Others was due to declines in Asian PayTV (-11%), Accordia Golf (-3.5%) and Manulife US (-4.2%).

SUMMARY OF SECTOR AND COMPANY VIEWS

1. Commodities	Overweight with BUY calls on China Aviation Oil (aviation growth in China), Geo Energy (increased production volume) and Golden Energy (volume growth and improved balance sheet liquidity).
2. Conglomerate / Utilities	Overweight. SembCorp Industries rated a BUY due to valuations and expectation of better operating performance from India. China Everbright Water is a BUY for their stable pipeline of projects.
3. Consumer	Neutral. We have BUY recommendation on Old Chang Kee. Sheng Siong is an ACCUMULATE. We downgraded Thai Beverage to a REDUCE due to weak Thai consumer spending.
4. Finance	Overweight. We maintain DBS, OCBC and UOB as BUYs. Banks are enjoying a positive scenario in 2018, with higher volumes, margin expansion and reversal in provisions. Weak capital markets will slow revenue momentum from wealth management. SGX is a BUY as derivatives capture the surge in market volatility.
5. Healthcare	Neutral. Our BUY calls are HMI and SOG. Raffles Medical is an ACCUMULATE. Volumes in healthcare are soft as Singapore public hospitals and Malaysian hospitals take market share.
6. Industrial	Overweight. We have BUY calls on SHS, Nam Lee, China Sunsine and Micro-Mechanics. We upgraded 800 Super from ACCUMULATE to BUY.
7. Property	Overweight. Our BUY recommendation is Chip Eng Seng. Banyan Tree, CapitaLand, City Developments and Ho Bee Land are ACCUMULATE calls.
8. REIT – Hosp.	No coverage at present but the outlook is positive as hotel supply to tail off in 2018 onwards.
9. REIT – Ind.	Neutral. We have ACCUMULATE recommendation on Ascendas REIT and Keppel DC REIT. Cache and Mapletree Industrial Trust are a NEUTRAL.
10. REIT – Office	Overweight. Only coverage is CapitaLand Commercial Trust with an ACCUMULATE due to improving demand-supply conditions in the office sector.
11. REIT – Retail	Neutral. Our BUY recommendation is Dasin. CapitaLand Retail China Trust is ACCUMULATE. Both CapitaLand Mall Trust and Fraser Centrepoint Trust are NEUTRAL.
12. REIT - Others	Underweight. We have a REDUCE on Asian PayTV. Dividends for next year have been guided higher and revenues have started to contract due to loss of payTV subscribers.
13. Shipping	Underweight. We have a REDUCE on SembCorp Marine as industry condition are still weak.
14. Telecomm.	No coverage at present.
15. Transport.	Overweight. We have an ACCUMULATE on ComfortDelGro, SATS and SIA Engineering.

Phillip On The Ground – excerpts from our various conversations

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Consumer – Liquor/Beauty/Cigarettes

1. There is a shortage of Cognac brandy in SE Asia. Cognac VSOP and XO were produced 8 years and 15-years ago respectively. Demand was not anticipated to be so high. Brands allocate supply to locations with the best margins. Chinese consumers have been willing to pay more and secured more allocation.
2. In beauty products, promoters need the ability to sell when customers are inside the shop. If not managed well, shelves can be half filled and promoters unfamiliar with details of their product. Conducting mystery shoppers exercise is vital in monitoring the efficacy of these promoters.
3. When distributing smaller craft liquor brands, margins are available not only from distribution but margins from promotional activities. Traditional distributors are weak in marketing, channel activation and brand activities.
4. When price differential of duty paid and non-duty paid cigarettes are as large as 50-60%, the risk of rampant parallel non-duty products are high. Need good enforcement by the authorities.

Student dorm - UK

1. Important to focus on markets reliant on locals, where the demand is not so volatile such as high-end Chinese student market. The student to bed ratio in many cities are favourable and demographics of the 18-19-year-olds will support demand for several years. Another critical aspect of dorms is to have long stay (44 to 51 weeks) students. Property manager can charge 3% to 5% of net operating income to manage these assets.
2. In view of the likely contraction in EU students, as they will lose their EU grant, many universities are opening up spaces from other nationalities.
3. Most dorms have nomination percentages, which is the number of units secured exclusive to the university themselves. A negative will be the lower rent because the university will purchase in bulk but the offset is lower operating and staff cost to market this segment of the business.
4. The competitor to dorms for students are the houses with multiple occupants (HMOs). These are basically private residences where 5 to 6 student cramp into a single location. There has been increased licensing on HMOs and the authorities aim for higher regulations due to overcrowding, health and safety concerns.

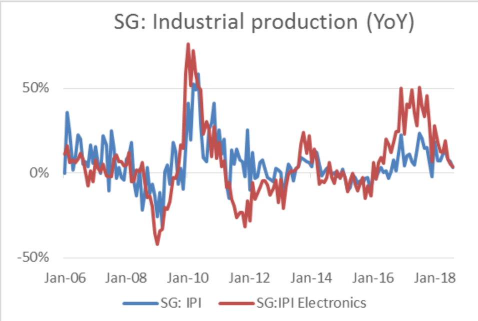
Laundry

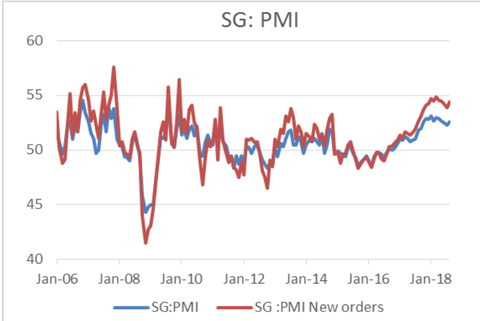
1. Laundry is very traditional and competitive business. The large segments are healthcare and hospitality. The requirements for hospitality can be higher compared to healthcare because of the added service of ironing the materials.
2. There is an opportunity in hotel laundry as hotels remove their central laundry operation to reuse the space for retail. In the past, hotels own towel and napkin but now pay for it on a sale and leaseback method.
3. In terms of cost, energy is 20% and labour around 30% of cost for a laundry business. Ability to be self-sufficient in energy or steam, can be a competitive advantage.

1.SINGAPORE ECONOMICS

Business Activity

Industrial activity in Singapore is weakening. Industrial production index (IPI) expanded 3.3% YoY in August. This is the weakest in 2018. Expectations were for a growth of 4.7%. Growth in 3Q18 is now trending at 5% YoY. A steep decline from 2Q18 10.4% growth. Singapore new orders PMI slipped in September. The reading of 54.2 is moderately lower than the prior month. And much better than a year ago when the index was 53.1 (average in 2017: 51.6). Headline PMI in September was similarly a tad softer at 52.4.





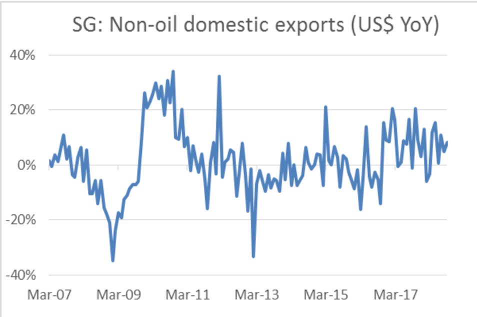
YoY	Month	IPI	IPI-Elec
Previous	Jul-18	6.7%	5.1%
Latest	Aug-18	3.3%	3.6%

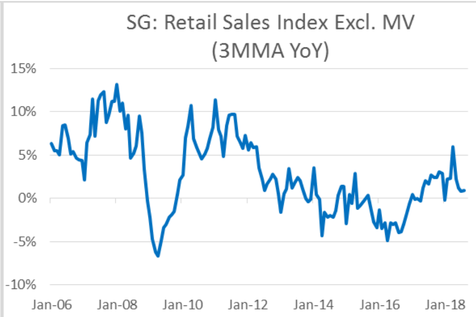
	Month	PMI	N.Order
Previous	Aug-18	52.6	54.4
Latest	Sep-18	52.4	54.2

Trade/Consumer

Singapore exports have been resilient this year. NODX rose 8.3% YoY in September. NODX in 3Q18 is up 8% YoY (2Q18: +9%). Pulling NODX up has been chemical exports. Chemical exports account for 31% of NODX, even larger than electronics. Chemical exports rose 23.3% in September. For 3Q18, chemical exports jumped 24.3% (2Q18: + 20%).

Retail sales is Singapore is still lifeless. Retail sales excluding motor vehicles (ex-MV) did register a moderate improvement in August, with an increase of 2.4% YoY. Segments with healthy sales were restaurants, watches and apparel. On YTD basis, retail sales (ex-MV) is up a modest 1.6%, similar to last year's 1.8% expansion.





YoY	Month	SG:NODX
Previous	Aug-18	5.0%
Latest	Sep-18	8.3%

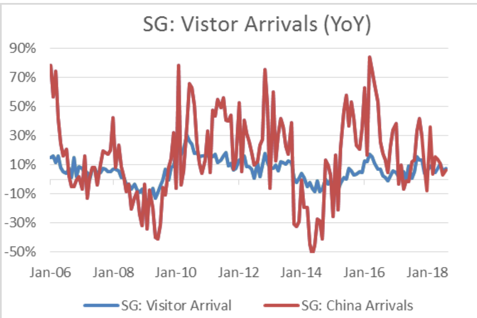
YoY	Month	Retail
Previous	Jul-18	0.1%
Latest	Aug-18	2.4%

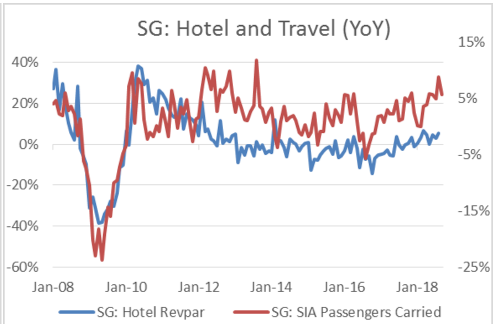
Tourism

Visitor arrivals improved in August with a growth of 7.8% YoY. YTD18, arrivals are up 7.5% (2017: 6.2%). Hurting arrivals have been slower momentum in Chinese arrivals. It was up 6.4% in August. This is below the 13% YoY growth enjoyed in 2Q18.

RevPAR* for Singapore hotels is expanding. In August, RevPAR rose 5.5% YoY to S$201.7. YTD average RevPAR growth of 3.5% is the best in 6-years.

*Revenue per available = hotel room rate x occupancy rate





YoY	Month	Visitors	China
Previous	Jul-18	6.1%	3.2%
Latest	Aug-18	7.8%	6.4%

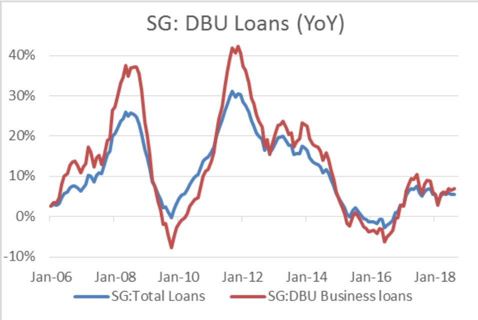
YoY	Month	RevPAR	SIA
Previous	Jul-18	2.7%	4.8%
Latest	Aug-18	5.5%	8.8%

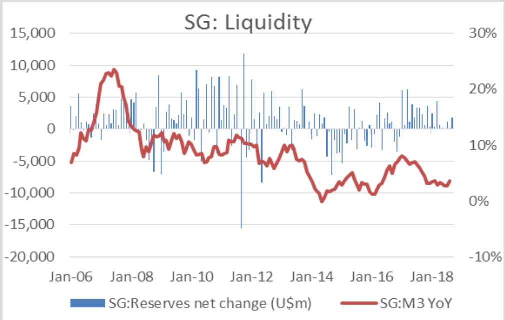
Source: CEIC, PSR

Monetary

Singapore loans grew 5.6% in August. 3Q18 loans growth is tracking at a similar rate to 2Q18 5.7% rise. The strength in loans is driven by business loans, which increased 7.0% in August.

Singapore FX reserves still on a healthy uptrend. September reserves piled up an additional US$1.8bn to a record US$291bn. YTD18, reserves are up US$11bn compared with US$28bn for a similar period in 2017. Money supply registered an uptick in growth in August after slowing down to 2-year lows last month.





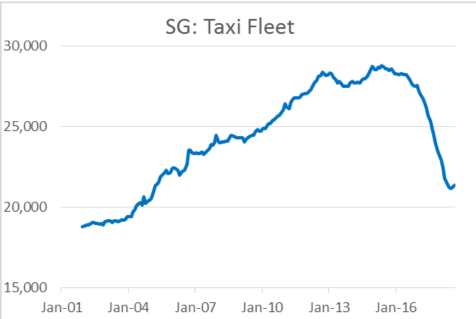
YoY	Month	Total	Business
Previous	Jul-18	5.5%	6.6%
Latest	Aug-18	5.6%	7.0%

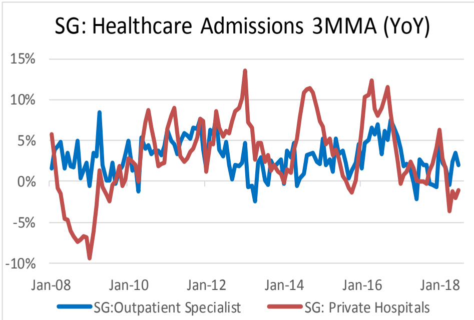
	Month	FX	M3
Previous	Jul-18	1,165	2.7%
Latest	Aug-18	272	3.6%
	Sep-18	1,846	n.a.

Transport/Healthcare

After 18 months of taxi unit contraction, August experienced the 2nd consecutive month of fleet expansion. Taxi fleet rose 190 unit in August. The largest monthly increase in more than 3-years.

Private hospital in Singapore still face weak patient admission. It declined 0.9% in June. 1H18, private hospital admission is up 0.5%, the worst performance in 9-years. This is even slower than 2017 modest rise of 1.6%. Separately, admissions for specialist outpatient care fell -1.8% in June and up 1.1% in 1H18 (2017: +0.3%).





	Month	% YoY	Units
Previous	Jul-18	-16.4%	12
Latest	Aug-18	-14.1%	190

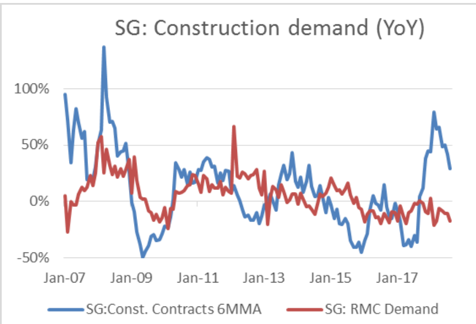
YoY	Month	Pv Hosp	Specialist
Previous	Jul-18	-2.6%	6.2%
Latest	Aug-18	-4.8%	-2.3%

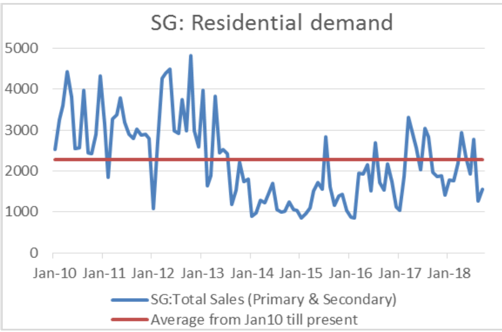
Construction/Property

Construction demand in Singapore remains healthy. Contracts awarded rose almost 8% in July. YTD18, contracts awarded surged 42%. This is the best growth rate in more than 10-years. Bulk of the growth is from public sector contracts.

Ready-mixed concrete demand in Singapore is still lacklustre with August and YTD18 demand down 17% and 10% respectively.

In August, transactions declined 55% YoY. Both primary and secondary transactions fell more than 50%. Volumes are at their lowest since March. YTD18, total transactions are down 13%.





YoY	Month	Const	RMC
Previous	Jul-18	11.4%	-10.3%
Latest	Aug-18	66.2%	-17.3%

Units	Month	Total	Primary	Secondary
Previous	Aug-18	1,271	625	646
Latest	Sep-18	1,564	937	627

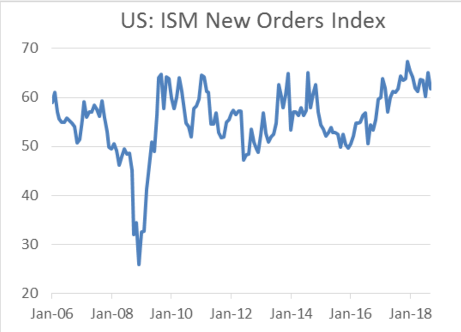
Source: CEIC, Realis, Bloomberg, PSR

2. US ECONOMICS

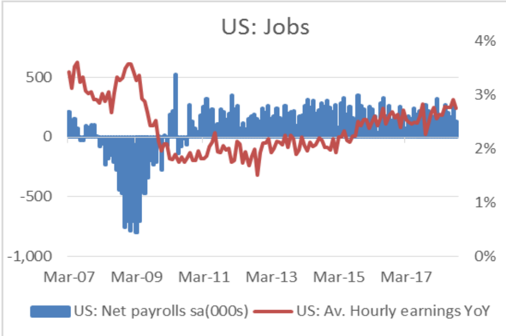
Business Activity / Jobs

ISM new orders index tapered down to 61.8. A year ago, the index was 64.4. The average read in 2018 was 63 (2017: 62.2). Trade worries has not meaningfully impacted factory activity. ISM is a gauge of manufacturing activity in the U.S.

Job growth in September for the U.S. was 134,000 (expectations +180k). Job growth was impacted by Hurricane Florence. Payrolls in retail and restaurants declined. Unemployment rate at 3.7% reached near 50-year lows. Wages rose 2.8% in September, a tad below the 9-year high growth rates in the prior month.



	Month	New
Previous	Aug-18	65.1
Latest	Sep-18	61.8

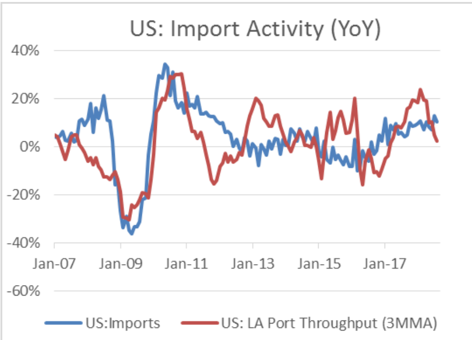


	Month	Payrolls	Hourly
Previous	Aug-18	270	2.92%
Latest	Sep-18	134	2.75%

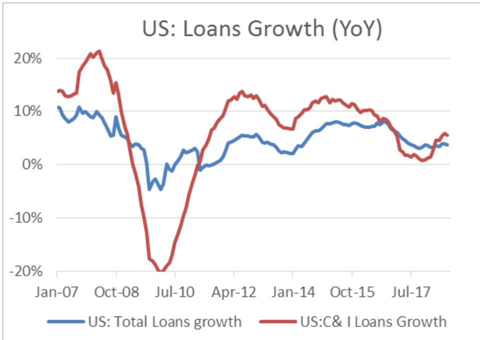
Trade / Banking

US imports still resilient despite the threat of tariffs. US imports rose 10.1% in August. YTD18 imports are the fastest growth levels in 7-years. LA port has seen a significant slowing in activity over the past 2-month.

Loans growth has been between 3% to 4% over the past 18-months. C&I (or business) has been on a recovery path and up 5.6% in August.



YoY	Month	Imports	Port
Previous	Jul-18	12.8%	-4.4%
Latest	Aug-18	10.1%	-1.9%



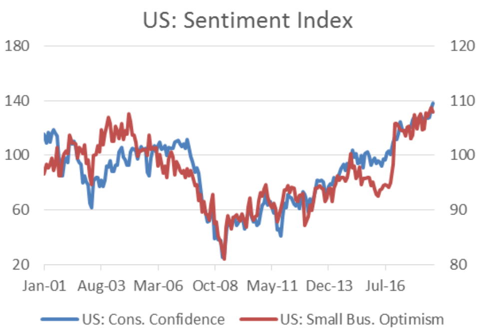
YoY	Month	Total	C&I
Previous	Jul-18	4.0%	6.0%
Latest	Aug-18	3.8%	5.6%

Sentiment / Consumer

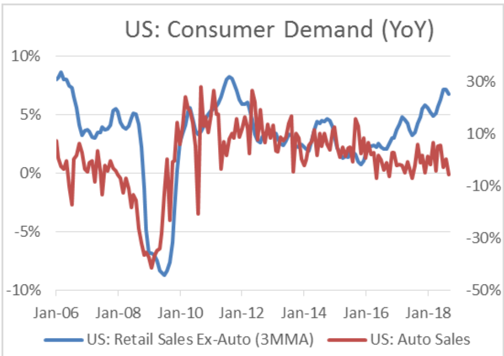
US Consumer confidence index in September rose to 138.4 (est. 132.1) and reached near 18-year highs.

U.S. small business optimism index is stubbornly resilient. Despite a softer number in September at 107.9, it is marginally below the record high in the survey's 45-year history, achieved last month.

Consumer spending in the U.S. is healthy despite the slower growth in September. U.S. retail sales (ex-auto) grew 5.6% YoY in September. This is slower than the blistering 7% growth chalked up the prior 2 months. Retail spend is on track for its fastest growth in 7-years. YTD18, retail sales are up 6% (2017: + 4.6% YoY).



	Month	Retail	Auto
Previous	Aug-18	134.7	108.8
Latest	Sep-18	138.4	107.9



YoY	Month	Retail	Auto
Previous	Aug-18	7.1%	0.6%
Latest	Sep-18	5.6%	-5.4%

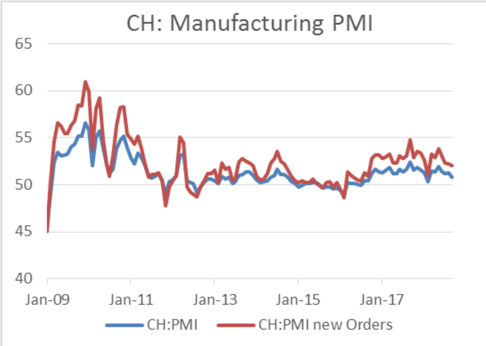
Source: CEIC, PSR

3. CHINA ECONOMICS

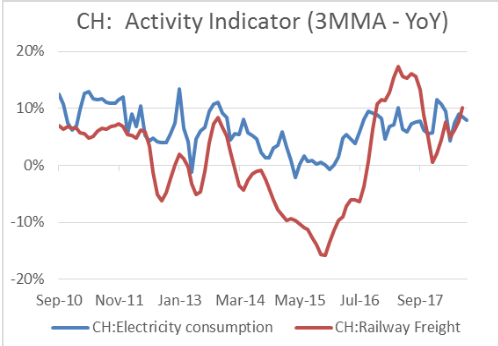
Business Activity

Manufacturing activity in China took a dip in September. Manufacturing PMI declined to its lowest in 7-months to 50.8. A year ago, the index was 52.4. YTD average is 51.2, similar to 2017 average of 51.6.

Power consumption is soaring ahead with a rise of 8.8% in August. This brings YTD18 power consumption to rise 8.8%. The best pace of growth in 7-years.



	Month	PMI	NewOrd.
Previous	Aug-18	51.3	52.2
Latest	Sep-18	50.8	52.0

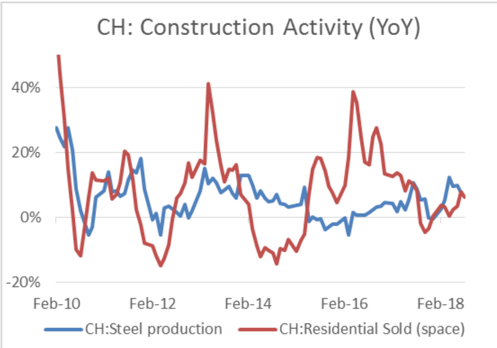


YoY	Month	Elect.	Railway
Previous	Jul-18	6.8%	8.7%
Latest	Aug-18	8.8%	6.7%

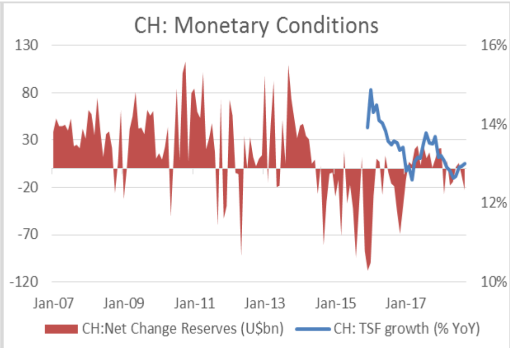
Construction/Property/Monetary

There is gradual recovery of property sales in China. Residential space sold in China enjoyed expanded a modest 2.8% in August. YTD18 sales are up only 4.1%. Still weaker than 2017 rise of 5.3%.

As renminbi weakens, the focus will be on China foreign reserves for clues of a capital flight. China's foreign reserves declined by US$22.7bn in September. This is the 2nd highest withdrawal this year. YTD18, reserves are down around US$53bn (2017: + US$129bn). In comparison, during the 2015 and 2016 capital flight scare over China, reserves fell a combined US$830bn.



YoY	Month	Steel	Resi.
Previous	Jul-18	9.8%	11.0%
Latest	Aug-18	7.7%	2.8%

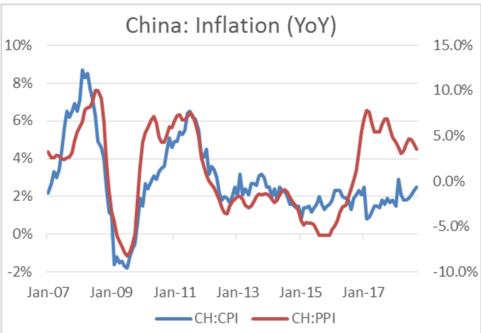


	Month	Reserves	Loans
Previous	Aug-18	-8.2	12.9%
Latest	Sep-18	-22.7	13.0%

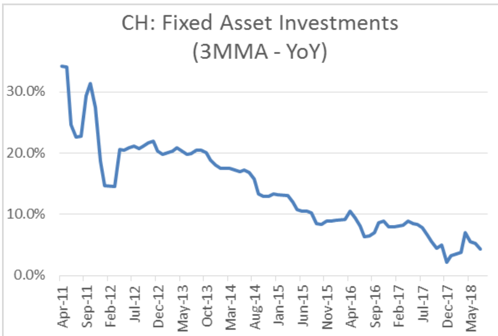
Inflation/Retail

CPI ticked up the fourth consecutive month to 2.5% in August. This is still below China 2018 consumer inflation goal of around 3%. PPI decelerated to the lowest in 5-months.

China fixed asset investments (FAI) continue to recover modestly in August with an expansion of 4.6% YoY. YTD18, FAI is up 5.3% (2017: +5.7%). This is a record low growth. Investments account for 44% of the economy on track for record low growth.



YoY	Month	CPI	PPI
Previous	Aug-18	2.3%	4.1%
Latest	Sep-18	2.5%	3.6%



YoY	Month	FAI
Previous	Jul-18	3.0%
Latest	Aug-18	4.6%

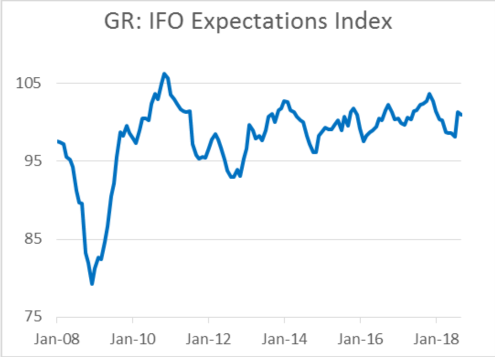
Source: CEIC, PSR

4. GLOBAL ECONOMICS

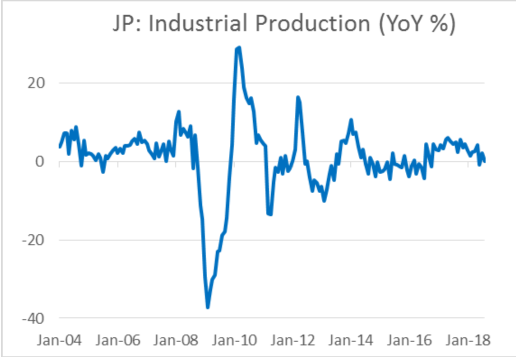
Germany and Japan

German IFO business expectations index was stable at 101. These are the highest levels since February. The IFO index is based on a survey of around 9,000 executives in manufacturing, services, trade and construction.

Japan industrial production is finding it hard to sustain any meaningful uptrend. August was virtually flat after the bump in the prior month



	Month	IFO
Previous	Aug-18	101.3
Latest	Sep-18	101.0



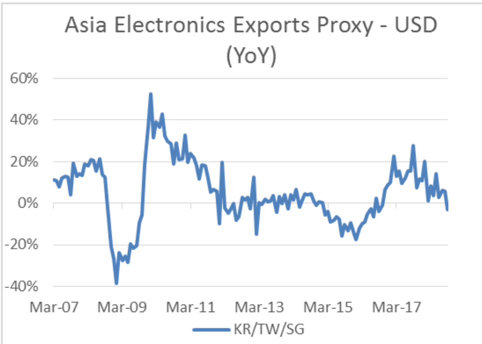
YoY	Month	IPI
Previous	Jun-18	-0.9%
Latest	Jul-18	2.2%

Electronics

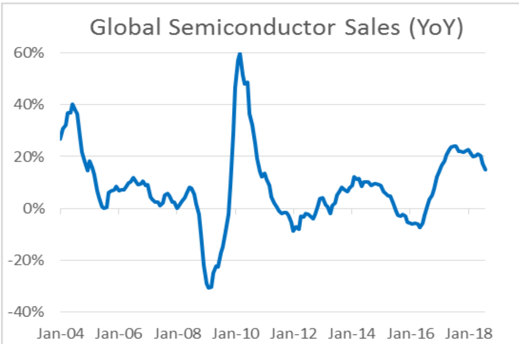
Our Asian electronics exports* proxy has started to turn negative. The contraction in September is the first in almost 2 years. The decline in September came from 8% fall in Korean exports.

Worldwide semiconductor sales growth rates is decelerating. This is despite breaking revenue records. In August, semiconductor sales slowed to 15%. This is the slowest rate of growth in 19-months.

* Korea, Taiwan, Singapore exports



YoY	Month	Exports
Previous	Aug-18	5.9%
Latest	Sep-18	-3.3%

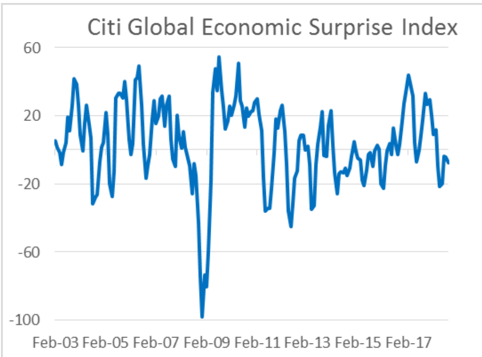


YoY	Month	Sales
Previous	Jul-18	17.4%
Latest	Aug-18	14.9%

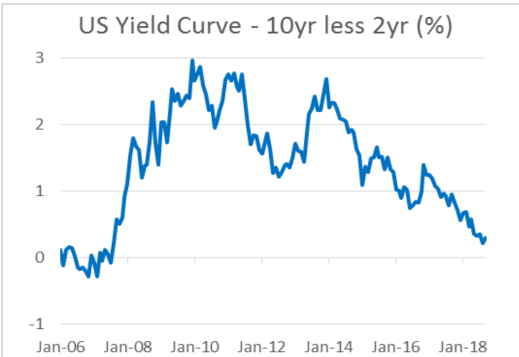
Global growth

The global surprise index remain in negative territory for the 6th consecutive month and is remain below the long-term average of 3.8.

Yield curves rose in September. It is still around the lowest levels since Aug07 just before it inverted.



	Month	Index
Previous	Aug-18	-4.5
Latest	Sep-18	-7.7



	Month	Yield
Previous	Aug-18	0.22
Latest	Sep-18	0.29

Source: CEIC, Bloomberg, PSR

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