

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.77	149.37	+0.06	+1.00
EUR	1.0607	1.0573	+0.0007	▼0.0080
AUD	0.6479	0.6435	+0.0008	▼0.0006
SGD	1.3618	1.3662	+0.0004	+0.0010
CNY	7.2983	7.2980	+0.0000	▼0.0010
INR	83.07	83.04	▼0.15	+0.10
IDR	15461	15455	▼65	+80
MYR	4.6855	4.6953	▼0.0134	+0.0058
PHP	56.57	56.59	▼0.38	▼0.20
THB	36.47	36.41	▼0.34	+0.40

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.571%	▼0.4 bp	+13.7 bp
JPY (10YR)	0.765%	+0.4 bp	+1.9 bp
EUR* (10YR)	2.839%	▼9.1 bp	+10.0 bp
AUD (5YR)	4.144%	▼1.2 bp	+6.8 bp
SGD (5YR)	3.339%	▼4.8 bp	+2.7 bp
CNY (5YR)	2.525%	+0.0 bp	+0.4 bp
INR (5YR)	7.228%	▼2.1 bp	+4.6 bp
IDR (5YR)	6.568%	+5.5 bp	+16.2 bp
MYR (5YR)	3.723%	+0.2 bp	+0.7 bp
PHP (5YR)	6.180%	▼5.1 bp	+5.2 bp
THB (5YR)	2.890%	▼1.7 bp	+6.6 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,507.50	▼0.47%	▼1.34%
N225 (JP)	31,857.62	▼0.05%	▼1.68%
STOXX 50 (EU)	4,174.66	+0.31%	▼0.77%
ASX (AU)	4,127.24	+0.22%	▼1.08%
STI (SG)	3,217.41	+0.32%	+0.39%
SHCOMP (CN)	3,110.48	+0.00%	▼0.70%
SENSEX (IN)	65,828.41	+0.49%	▼0.27%
JSE (ID)	6,939.89	+0.03%	▼1.10%
KLSE (MY)	1,424.17	▼1.11%	▼1.80%
PSE (PH)	6,321.24	▼1.01%	+2.91%
SET (TH)	1,471.43	▼0.72%	▼3.36%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	284.53	▲0.88%	▲0.51%
COPPER (LME)	8,212.50	+0.56%	+0.62%
IRON ORE (CN)	120.79	+0.02%	▲0.97%
GOLD	1,848.63	▲0.87%	▲3.98%
OIL (WTI)	90.79	▼1.00%	+0.84%

Three Take-aways:

- 1) Markets were unable to absorb much relief from PCE deflator and improved sentiments.
- 2) US government shutdown threat pushed back to mid-November.
- 3) RBA remains concerned about inflation but insufficient for a 25bp hike; 15bp increase watched.

Maintaining

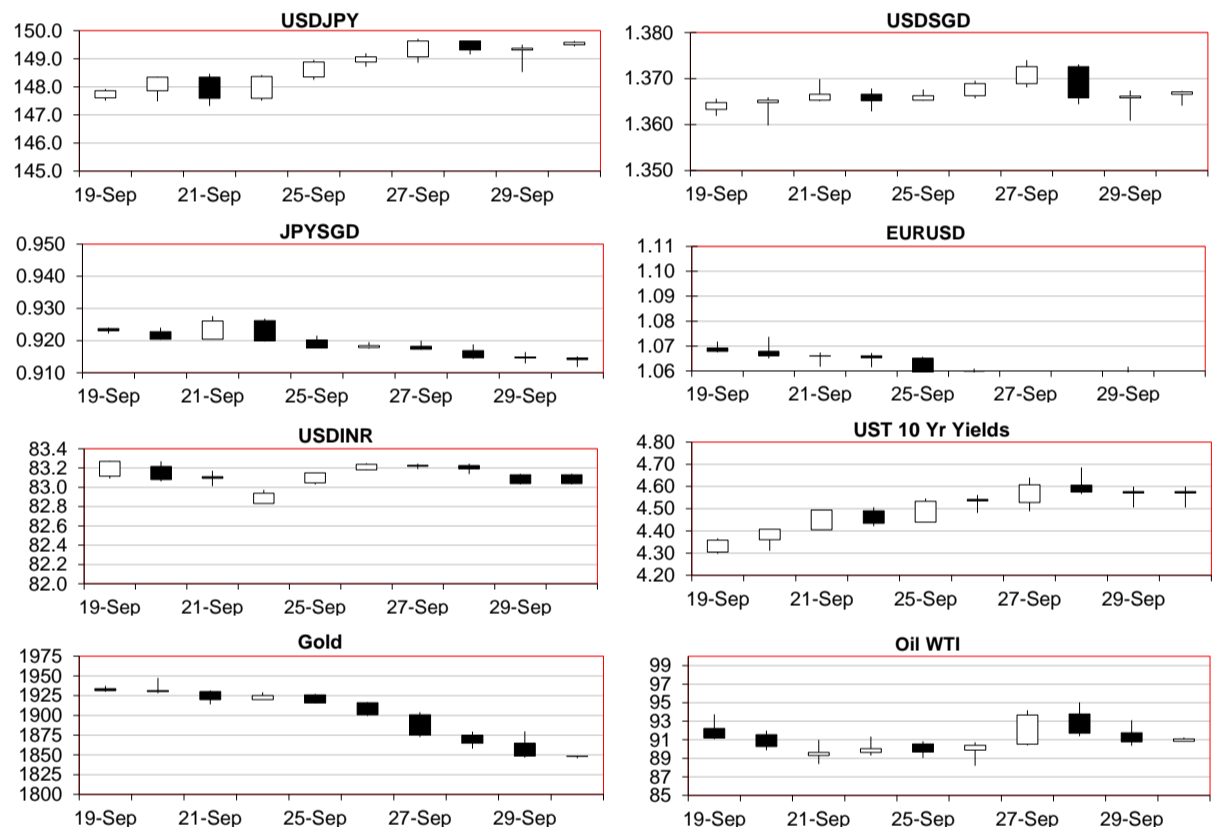
- Last Friday, markets made little headway. US equities were mixed with the Dow and S&P 500 dropping 0.5% and 0.3% respectively while the Nasdaq edged up 0.2%.
- UST yields dipped slightly (2Y: -1.5bp; 10Y: -0.4bp). **Market appear unable to take in much relief despite upwardly revised consumer sentiments and the PCE deflator print coming in as expected.**
- Admittedly, while New York Fed President John Williams also signalled that rates are near/or at a peak, this ought to be no new revelation given the indications from their Dot Plot.
- The **USD continues to hold ground** as the month came to a close. The CAD was the worst G10 peerformer as it slipped on soft economic data. The EUR remains suppressed as it closed just above mid-1.05 on the back of a **lower than expected CPI print** which ought to back ECB officials such as Villeroy who views maintaining current rates as appropriate.
- The USD/JPY hovering around mid-149 is testament to the unrelenting pressures of the UST-JGB differentials. Down Under, the AUD retreated below mid-64 cents after testing 65 cents.
- For now, the US government will remain open till November 17 after a short term bill was passed.

Vietnam: Inflation Risks and Growth Stability

- Vietnam Q3 GDP growth exceeding expectations with a 5.3% YoY from Q2's downwardly revised 4.1% ought to be **viewed with quiet caution especially as inflation threatens.**
- The services sector made little headway despite the surge in tourist arrivals as real estate services remain feeble. Admittedly, a recovery in manufacturing sector to grow 5.6% YoY may be the initial signs of stabilisation in the troubled industrial sectors.

OVERNIGHT RESULTS

(VN) GDP YoY (3Q): 5.3% (Mkt: 5.0%; 2Q: 4.4%; revised: 4.1%) | (VN) CPI YoY (Sep): 3.7% (Mkt: 3.2%; Aug: 3.0%) | (TH) Current Account Balance (Aug): \$401m (Mkt: \$660m; Jul: -\$445m) | (EZ) CPI/Core YoY (Sep): 4.3%/4.5% (Mkt: 4.5%/4.8% Aug: 5.2%/5.3%) | (US) Uni of Mich. Sentiment/1-Yr/5-10Yr Inflation Expectations (Sep F): 68.1/3.2%/2.8% (Mkt: 67.7/3.2%/2.8%; Prev: 67.7/3.1%/2.7%) | (US) PCE Deflator/Core YoY (Aug): 3.5%/3.9% (Mkt: 3.5%/3.9%; 3.3%/4.2%) | (US) MNI Chicago PMI (Sep): 44.1 (Mkt: 47.6; Aug: 48.7)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.55	EUR/USD	1.0564
USD/SGD	1.3671	USD/THB	36.68
JPY/SGD	0.9142	USD/MYR	4.690

Forecast

USD/JPY	148.80 - 149.80
EUR/USD	1.0500 - 1.0600
AUD/USD	0.6350 - 0.6480
USD/SGD	1.3620 - 1.3720
JPY/SGD	0.9092 - 0.9220
USD/CNH	7.2850 - 7.3200
USD/INR	83.00 - 83.30
USD/IDR	15450 - 15600
USD/MYR	4.690 - 4.720
USD/PHP	56.85 - 57.35
USD/THB	36.40 - 36.80

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	3	2

- The inflation front depicts a stressful situation of broad based price pressures as headline inflation for September rose to 3.7% YoY. On top of 6% MoM increase in diesel prices, food inflation persist with a 3.2% MoM increase (following Aug: 3.2% MoM) and cost of eating out also rose. Even education fees had to be adjusted upwards in view of institutions' funding needs.

RBA - Concern, Not Action

- We had alluded to the importance of the August CPI print for the RBA's 3 Oct meeting. Our verdict is that **the CPI print is a concern but remains insufficient to trigger the RBA into another 25bp hike.**

- First, the bump up in headline inflation though higher fuel costs is uncomfortable in its ability to dislodge inflation expectation. Nonetheless, the magnitude of bump up may be tolerable for the RBA await evidence of second round effect pass through to raise rates.

- Second, **elevated services inflation** sticking to 5.6% for both July and August remains a challenge but a slower sequential momentum in recent months provide restrain.

- Third, **household savings ratio dropping to 15 year lows and a shaky labour market gains in August** driven by part time jobs will also dull tendencies for the RBA to hike further.

- While our base case is for a rate hold, these more 'outdated' data may have to give way to the recent surge in Brent Crude prices and trigger a calibrated 15bp hike in view of the upside risks.

- Should the need for such calibration prevail, it might be challenging for the RBA to communicate hawkish tendencies especially when viewed in the context of ECB's dovish hike in mid September.

FX Daily Outlook

- EUR/USD: Diminished ECB hike prospects to pressure EUR.
- USD/JPY: 150 will be closely watched alongside intervention risks.
- USD/SGD: CNH struggles may define support for mid-1.36 with 1.37 test options.
- AUD/USD: Softer UST yields spare test below mid-0.63; but traction challenged amid CNH risks.

TODAY'S EVENTS

(JP) Tankan Large Mfg Index/Outlook (3Q): 9/10 (Mkt: 6/6; 2Q: 5/9)
 (ID) CPI/Core YoY (Sep): (Mkt: 20.2%/2.1%; Aug: Aug: 3.3%/2.25%)
 (EZ) Unemployment Rate (Aug): (Mkt: 6.4%; Jul: 6.4%)
 (US) ISM Manufacturing/Prices paid (Sep): (Mkt: 47.9/49.0; Aug: 47.6/48.4)

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