

**MARKET SUMMARY**

| FX  | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ  |
|-----|-------------|-----------|----------|---------|
| JPY | 148.85      | 149.12    | +0.10    | ▼0.51   |
| EUR | 1.0484      | 1.0504    | +0.0037  | +0.0001 |
| AUD | 0.6319      | 0.6325    | +0.0023  | ▼0.0028 |
| SGD | 1.3729      | 1.3721    | ▼0.0010  | ▼0.0005 |
| CNY | 7.2983      | 7.2980    | +0.0000  | ▼0.0138 |
| INR | 83.24       | 83.24     | +0.03    | +0.01   |
| IDR | 15641       | 15632     | +52      | +112    |
| MYR | 4.7328      | 4.7300    | +0.0062  | +0.0213 |
| PHP | 56.71       | 56.71     | ▼0.09    | ▼0.23   |
| THB | 37.10       | 37.07     | +0.03    | +0.53   |

\*compared with previous day CLOSE(NY)

| Yields      | CLOSE  | Daily Δ  | Wkly Δ   |
|-------------|--------|----------|----------|
| USD (10YR)  | 4.733% | ▼6.3 bp  | +12.5 bp |
| JPY (10YR)  | 0.809% | +4.2 bp  | +6.8 bp  |
| EUR* (10YR) | 2.919% | ▼4.9 bp  | +7.6 bp  |
| AUD (5YR)   | 4.240% | +7.3 bp  | +15.4 bp |
| SGD (5YR)   | 3.430% | +9.0 bp  | +8.5 bp  |
| CNY (5YR)   | 2.525% | +0.0 bp  | ▼1.1 bp  |
| INR (5YR)   | 7.257% | +0.3 bp  | +8.0 bp  |
| IDR (5YR)   | 6.888% | +16.0 bp | +37.5 bp |
| MYR (5YR)   | 3.826% | +8.4 bp  | +10.5 bp |
| PHP (5YR)   | 6.200% | +1.7 bp  | +8.8 bp  |
| THB (5YR)   | 2.919% | +7.7 bp  | +5.0 bp  |

\* German bunds

| Equity Indices | CLOSE     | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US)      | 33,129.55 | +0.39%  | ▼1.25% |
| N225 (JP)      | 30,526.88 | ▼2.28%  | ▼5.70% |
| STOXX 50 (EU)  | 4,099.85  | +0.10%  | ▼0.77% |
| ASX (AU)       | 4,010.91  | ▼0.81%  | ▼2.61% |
| STI (SG)       | 3,147.39  | ▼1.41%  | ▼1.64% |
| SHCOMP (CN)    | 3,110.48  | +0.00%  | +0.10% |
| SENSEX (IN)    | 65,226.04 | ▼0.44%  | ▼1.35% |
| JSE (ID)       | 6,886.58  | ▼0.78%  | ▼0.74% |
| KLSE (MY)      | 1,415.84  | ▼0.29%  | ▼1.69% |
| PSE (PH)       | 6,298.20  | ▼0.12%  | ▼1.20% |
| SET (TH)       | 1,451.25  | +0.27%  | ▼3.07% |

| Commodity     | CLOSE    | Daily Δ | Wkly Δ  |
|---------------|----------|---------|---------|
| CRB           | 275.43   | ▲2.15%  | ▲4.18%  |
| COPPER (LME)  | 7,875.00 | ▲0.68%  | ▲2.25%  |
| IRON ORE (CN) | 118.05   | ▲0.81%  | ▲2.17%  |
| GOLD          | 1,821.36 | ▲0.09%  | ▲2.87%  |
| OIL (WTI)     | 84.22    | ▼5.61%  | ▼10.10% |

**Three Take-aways:**

- 1) Soft spots in ISM, ADP and slip in oil conspired to take some edge off surging UST yields.
- 2) But the decline in UST yields alongside USD pullback appear to be checked, not unbridled.
- 3) As hawkish Fed impetus may not be snubbed. Meanwhile, intervention risks may keep JPY twitchy.

**Excuse, Not Epiphany**

- The (partial) pullback in UST-led global yields that flipped a brutal bear steepener into a bull steepener, is arguably an **excuse to take profits on extended short UST positions, not an epiphany that conclusively reverses the bearish course in bonds.**

- It follows then that the attendant tailwinds for equities (S&P500: +0.8%; Nasdaq: +1.4%) that was derived from softening yields, could also be tentative; looking for more durable anchor.

- Admittedly, **softer data, led by an unexpected ADP drop** (89K vs. 150K consensus) and underscored by **ISM Services pullback** (in contrast to ISM Mfg acceleration) **legitimately dampen the recent upswing in UST yields.** Especially as **ISM Services' jobs slip** and **New Orders decelerate sharply.**

- Moreover, **slumping crude oil prices** (Brent: down 5-6%+ to \$86/bbl), reportedly on demand concerns defying tight OPEC+ supply, **further underpin the case for yields to drop** in tandem.

- But a **compelling excuse is still not an epiphany.** For one, shades of US data optimism is not undone. ISM outlook still suggests demand resilience, while the vagaries of ADP don't conclusively lay to rest the Fed's concerns of discomforting tightness in jobs (despite being less overheated).

- What's more, while we fully concur that **eventual demand stumbles will be the undoing of unreasonably bullish oil, engineered supply tightness warn of remnant price squeeze risks.**

- Above all, **extended run-up in (UST) yields and oil prices** (the latter agitating bond bears further), the **bar for an excuse to partially reverse** and take profits is not high. But insofar that yields are Fed-driven, **neither data nor energy are in the vicinity of sparking policy epiphany.**

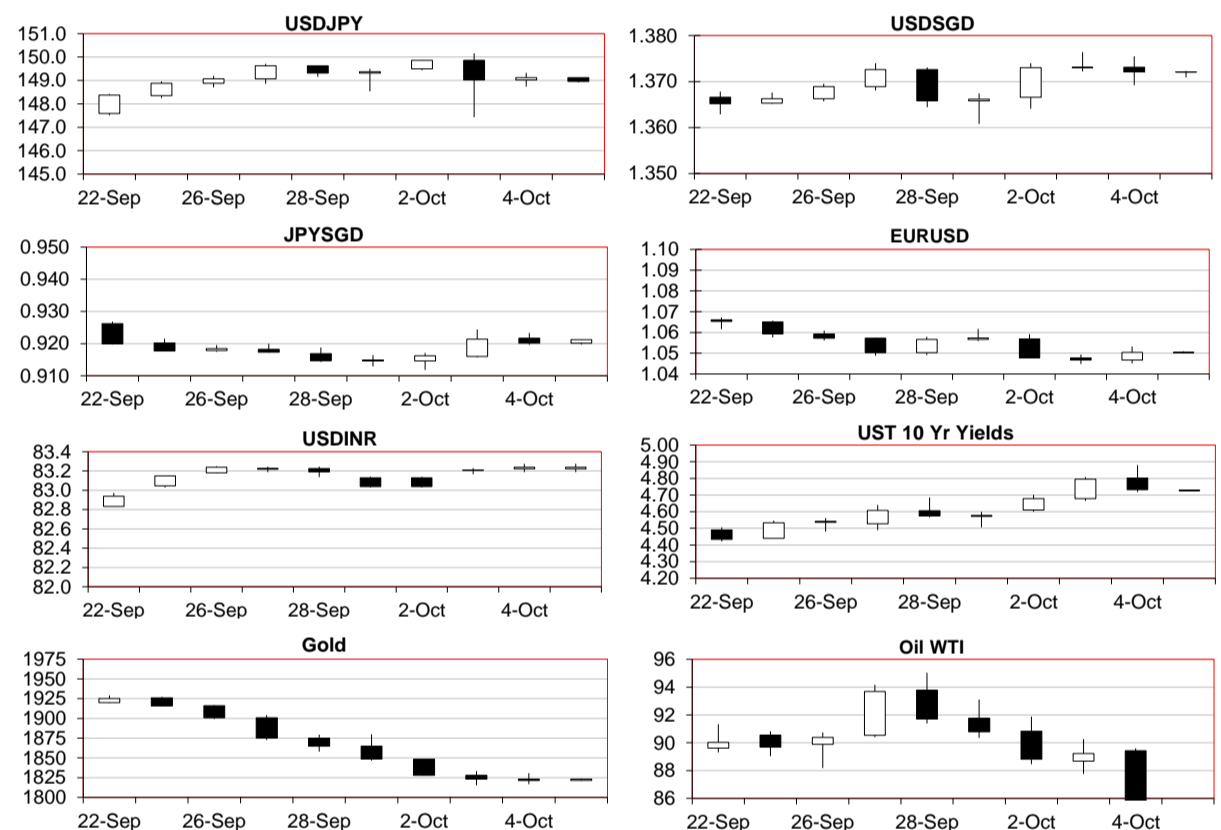
**USD Bulls: Tempered, Not Terminated**

- What this also means is that **USD bulls, leveraging off a hawkish Fed and higher UST yields** (both real and nominal) **may be tempered** for now, **but not conclusively terminated.**

**OVERNIGHT RESULTS**

(US) ISM Services/Prices Paid/Employment/New Orders (Sep): 53.6/58.9/53.4/51.8 (Aug: 54.5/58.9/54.7/57.5)

(US) ADP Employment Chg (Sep): 89K (Mkt: 150K; Aug: 180K) | (US) Durable Goods Orders/Non-def Ex Air (Aug F): 0.1%/0.9% (Mkt: 0.2%/0.9%; Prelim: 0.2%/0.9%) | (EZ) Retail Sales MoM/YoY (Aug): -1.2%/-2.1% (Mkt: -0.5%/-1.0%; Jul: -0.1%/-1.0%)

**Past Two Weeks Movement**

**TODAY'S COMMENTS & FORECAST**
**Open**

|         |        |         |        |
|---------|--------|---------|--------|
| USD/JPY | 148.97 | EUR/USD | 1.0507 |
| USD/SGD | 1.3719 | USD/THB | 36.96  |
| JPY/SGD | 0.9209 | USD/MYR | 4.723  |

**Forecast**

|         |                 |
|---------|-----------------|
| USD/JPY | 148.00 - 150.00 |
| EUR/USD | 1.0450 - 1.0600 |
| AUD/USD | 0.6290 - 0.6380 |
| USD/SGD | 1.3650 - 1.3750 |
| JPY/SGD | 0.9100 - 0.9291 |
| USD/CNH | 7.3080 - 7.3350 |
| USD/INR | 83.00 - 83.45   |
| USD/IDR | 15580 - 15660   |
| USD/MYR | 4.716 - 4.738   |
| USD/PHP | 56.55 - 56.98   |
| USD/THB | 36.70 - 37.10   |

**Today's Direction**

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

- Tellingly, the dip in USD Index (from 107+ to test mid-1.06) has been fairly shallow, regaining traction towards 1.07 again. And that is revealed in fizzling EUR traction (above 1.05).

- With **dismal Euro-zone retail sales** that fell harder than anticipated, the **threat of more acute stagflation-type risks confronting the ECB**; which is **to the impediment of EUR.**

- The hawkish/open hold by the RBA also appears to lack the **mojo to meaningfully revive AUD**, which has merely deflected a drop below 0.63, but is not convincingly climbing to test 0.64.

- Both AUD and SGD weakness (1.37+) suggest fears that **CNH tarnish is not wiped off by Golden Week cheer**; as China's economic woes are not resolved to the satisfaction of commodity bulls.

**The 3 'T's of JPY**

- But while we warn of USD bulls not being put to bed so easily, it is also important to take note of the three 'T's of the JPY that warn against cavalier challenges to test fresh lows.

- **Tease: Whether the BoJ and/or MoF will intervene** at distinct levels (perceived lines in the sand) **will continue to be a tease**, contingent on broader FX markets and momentum. **FX traders may tease out thresholds; but** should be warned to do so **only cautiously.**

- (Don't) **Try:** Because the unmistakable **warning is to not try the resolve** of the authorities to contain excessive volatility and weakness in the JPY. Fact is, for all the argument about structural policy/yield dynamics pressuring JPY, the MoF and the BoJ have the means to inflict pain for now.

- **Twitchy:** Finally, as a result of the **severe tensions between policy-driven yield divergence and MoF/BoJ intervention risks**, the **JPY moves could be rendered twitchy.**

**FX Daily Outlook**

- EUR/USD: Weak retail sales diminish traction towards 1.06.

- USD/JPY: Intervention risks suggest nerves around re-testing 150; especially on softer UST yields.

- USD/SGD: Some traction above 1.37 retained; unless EUR or CNH manage a big upswing.

- AUD/USD: Sub-0.63 averted on UST yield slip; but AUD bullish bets not revived convincingly either.

**TODAY'S EVENTS**

(KR) CPI / Core YoY (Sep): 3.7%/3.3% (Mkt: 3.5%/3.3%; Aug: 3.4%/3.3%) | (AU) Trade Bal (Aug): \$9.6b (Mkt: A\$8.7b; Jul: A\$7.3b)

(TH) CPI / Core YoY (Sep): (Mkt: 0.6%/0.7%; Aug: 0.9%/0.8%) | (PH) CPI YoY (Sep): (Mkt: 5.3%; Aug: 5.3%)

(TW) CPI / Core YoY (Sep): (Mkt: 2.5%/-%; Aug: 2.5%/2.6%)

(SG) Retail Sales / Ex Auto YoY (Aug): (Mkt: 0.9%/-; Jul 1.1%/0.4%) | (IN) PMI Services (Sep): (Mkt: -; Aug: 60.1)

(US) Trade Balance (Aug): (Mkt: -\$60.4b; Jul: -\$65.0b) | Initial Jobless Claims (Sep-30): (Mkt: 210k; prev: 204k)

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