

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.05	148.51	▼0.61	▼0.80
EUR	1.0510	1.0550	+0.0046	▼0.0016
AUD	0.6341	0.6370	+0.0045	▼0.0057
SGD	1.3717	1.3670	▼0.0051	+0.0012
CNY	7.2983	7.2980	+0.0000	+0.0000
INR	83.25	83.26	+0.02	+0.06
IDR	15616	15615	▼17	+95
MYR	4.7307	4.7277	▼0.0023	+0.0190
PHP	56.68	56.68	▼0.03	▼0.30
THB	37.01	36.92	▼0.14	+0.16

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.719%	▼1.4 bp	+14.4 bp
JPY (10YR)	0.812%	+0.3 bp	+5.1 bp
EUR* (10YR)	2.878%	▼4.1 bp	▼5.2 bp
AUD (5YR)	4.146%	▼9.4 bp	▼1.0 bp
SGD (5YR)	3.391%	▼3.9 bp	+0.4 bp
CNY (5YR)	2.525%	+0.0 bp	+0.0 bp
INR (5YR)	7.250%	▼0.7 bp	+0.1 bp
IDR (5YR)	6.854%	▼3.4 bp	+34.1 bp
MYR (5YR)	3.839%	+1.3 bp	+11.8 bp
PHP (5YR)	6.246%	+4.6 bp	+1.5 bp
THB (5YR)	2.897%	▼2.2 bp	▼1.0 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,119.57	▼0.03%	▼1.62%
N225 (JP)	31,075.36	+1.80%	▼2.50%
STOXX 50 (EU)	4,099.81	▼0.00%	▼1.48%
ASX (AU)	4,031.93	+0.52%	▼2.10%
STI (SG)	3,155.10	+0.24%	▼1.62%
SHCOMP (CN)	3,110.48	+0.00%	+0.00%
SENSEX (IN)	65,631.57	+0.62%	+0.19%
JSE (ID)	6,874.83	▼0.17%	▼0.91%
KLSE (MY)	1,415.60	▼0.02%	▼1.70%
PSE (PH)	6,178.60	▼1.90%	▼3.24%
SET (TH)	1,452.55	+0.09%	▼2.00%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	274.63	▲0.29%	▲4.33%
COPPER (LME)	7,823.75	▲0.65%	▲4.20%
IRON ORE (CN)	117.80	▲0.21%	▲2.46%
GOLD	1,820.30	▲0.06%	▲2.39%
OIL (WTI)	82.31	▼2.27%	▼10.25%

Three Take-aways:

- 1) Pre-NFP caution not to be mistaken for calm. Softer yields and USD contingent on mellow jobs print.
- 2) The RBI is poised for a hold; but amid mounting policy tensions. Rupee risks favour hawkish bias.
- 3) Philippines: Despite rice/food-driven inflation jump, peso stability risks may still may force a hike.

Calibration, Not Renunciation

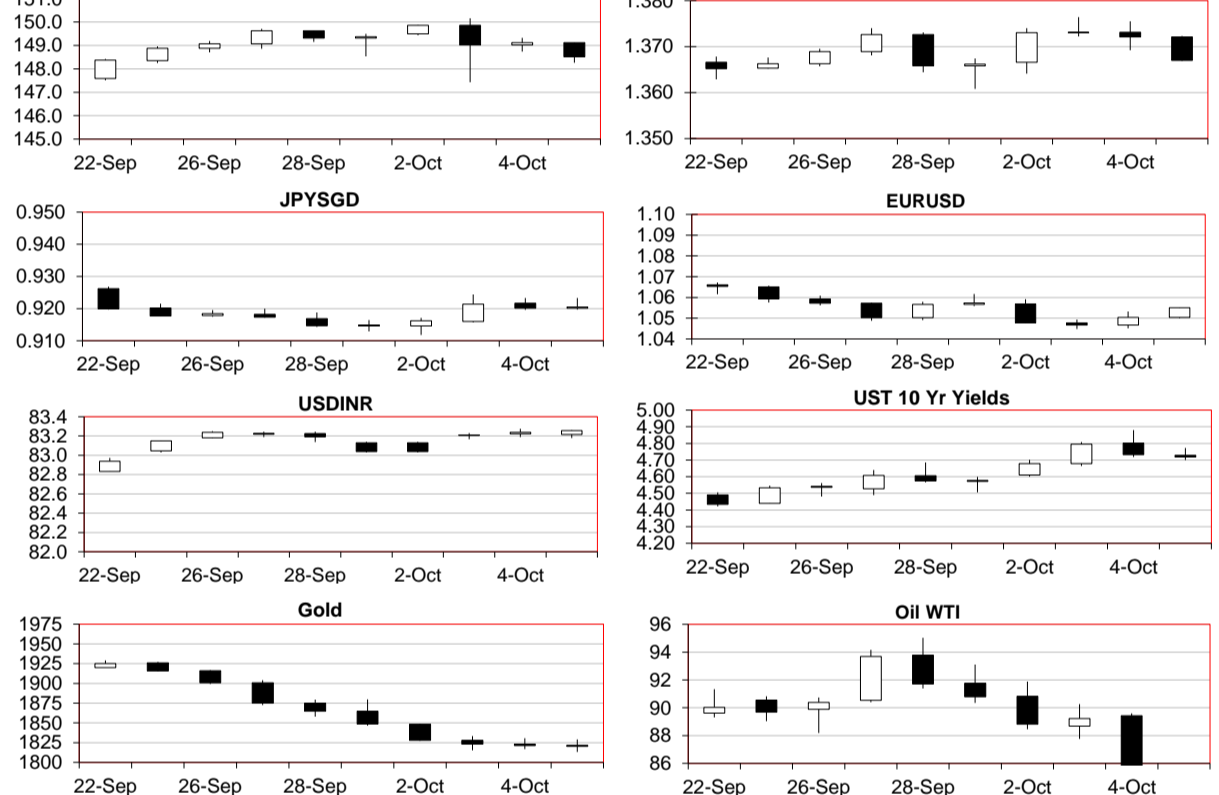
- Further softening in UST yields and a mellow USD are but *intervening calibration of extended "higher for longer" Fed bets* (ahead of NFP), **not renunciation of hawkish Fed risks**.
- Admittedly, if NFP pulls back in sympathy with the shortfall in ADP private jobs report, a case could be made for retaining or reinforcing UST yield decline and reeling in the USD.
- Oil languishing after the EIA report flagging demand risks arguably also reflects **more optimal risk-reward alignment**; amid (ADP-like) NFP shortfall risks collide with earlier squeeze in crude.
- *But* to be sure, **ADP is an unreliable predictor of NFP**. So, in the absence of a mellow enough NFP brace for two-way volatility. And if NFP snubs ADP with a strong print, *expect UST yields and USD to rebound*; risking a slip back to sub-1.05, for EUR, 0.63-test for AUD and 1.37+ USD/SGD.

RBI - Fraught Hold

- The unanimous consensus for the RBI to hold masks a growing policy conundrum. In other words, a **fraught hold with growing tensions between hawkish and dovish impetus**.
- Narrow-window, rear-view inflation-watchers had **earlier** prompted **premature suggestions that the RBI may be primed for easing** sooner rather than later. But this is a **misguided view** on account of *both inflation and stability* risks. For one, **resurgent inflation, even if it argued to be led by transitory food price shocks, underscores problematic stickiness in price pressures**.
- Fact is, **inflation moderation is at best nascent, or worse, volatile**.
- Tellingly, headline inflation has re-accelerated to average above 7% (Jul-Aug) and core inflation is still at the upper half of the RBI's 4+/-2%-pt inflation target.
- Furthermore, **cautioning against dismissing transitory, "volatile" components of inflation** is;
- the **unknown price pressure transmissions** from the interaction between higher and elevated food prices colliding with renewed surge in global energy prices.

OVERNIGHT RESULTS

(TH) CPI / Core YoY (Sep): 0.3%/ 0.6% (Mkt: 0.6%/0.7%; Aug: 0.9%/0.8%) | (PH) CPI YoY (Sep): 6.1% (Mkt: 5.3%; Aug: 5.3%)
 (TW) PPI / Core YoY (Sep): 2.5%/ 2.5% (Mkt: 2.5%/-%; Aug: 2.5%/2.6%) | (SG) Retail Sales / Ex Auto YoY (Aug): 4.0%/1.7% (Mkt: 0.9%/-; Jul 1.1%/0.4%) | (IN) PMI Svcs (Sep): 61.0 (Mkt: -; Aug: 60.1) | (US) Initial Jobless Claims (Sep-30): 207K (Mkt: 210k; prev: 205k)

Last Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.47	EUR/USD	1.0546
USD/SGD	1.3674	USD/THB	36.95
JPY/SGD	0.9210	USD/MYR	4.728

Forecast

USD/JPY	148.40	-	149.80
EUR/USD	1.0490	-	1.0600
AUD/USD	0.6320	-	0.6400
USD/SGD	1.3620	-	1.3730
JPY/SGD	0.9092	-	0.9252
USD/CNH	7.2960	-	7.3280
USD/INR	83.00	-	83.35
USD/IDR	15560	-	15640
USD/MYR	4.705	-	4.735
USD/PHP	56.40	-	56.80
USD/THB	36.75	-	37.15

Today's Direction

	Bull	:	Bear
USD/SGD	2	:	4
USD/JPY	1	:	5

- **More so, with the overshoot in Q2 GDP amid surge in personal credit growth**; both of which suggest policy settings retain rather than prematurely relinquish restrictive settings.
- Crucially, the **RBI's relatively restrictive settings may also be overstated** insofar that real rates are still considered to be in the RBI's wider "neutral range" of 0.5-1.5% real rates.
- Finally, and perhaps most significantly, a **hawkish Fed imposing potentially destabilizing rupee depreciation pressures** raises the bar on restraint, arguably requiring a hawkish hold.

BSP: (P)Rice Pressures!

- **Food for thought** (no pun intended): The **BSP is now facing real risks** that it will have to **deliver on the additional rate hike** that it **flagged at the Sep meeting**. This, *as headline CPI shoots up 1.1% on the month to 6.1% YoY* (from 5.3% in Sep) **amid a >18% surge in rice prices**.
- Which is to say, **rice alone has contributed to nearly 0.2%-pts of CPI** given rice alone accounts for some 8.9% of the CPI basket; with broader food (ex-rice) contributing another 3.3%-pts, while resurgent global energy prices threaten to further undermine efforts to anchor inflation.
- In this case, **academic arguments about looking past "volatile" components such as food and energy are tone deaf**; losing the context of the **day-to-day realities on the ground of inflation expectations profoundly influenced by the long reach and large impact of food and energy**.
- **At stake** for the BSP, apart from the growth-inflation trade off, **are peso- and macro-stability**.
- The **loss of which threaten far more pernicious effects from an adverse inflation-depreciation spiral**. Especially as a hawkish Fed instigates sharply higher yields and USD.

FX Daily Outlook

- EUR/USD: Caution ahead of US jobs data to restrain; range trades amid sub-1.05 to high-1.05.
- USD/JPY: Intervention risks and softer yields likely to consolidation around 149, not 150 challenge.
- USD/SGD: Sub-1.37 slip on softer USD and UST yields unlikely to gather momentum pre-NFP.
- AUD/USD: Gains at the expense of the USD likely to stall ahead of 0.64; as two-way risks resume.

TODAY'S EVENTS

(JP) Labour/ Real Cash Earning YoY (Aug): 1.1%/-2.5% (Mkt: 1.5%/-2.1%; Jul 1.1%/2.7%)
 (JP) Household Spending YoY (Aug): 2.5% (Mkt: -3.9%; Jul -5.0%)
 (PH) Unemployment Rate (Aug): (Jul: 4.8%)
 (US) Non-farm Payrolls (Sep): (Mkt: 170k; Aug: 187k) | (US) Unemployment Rate (Sep): (Mkt: 3.7%; Aug: 3.8%)
Central Banks: RBI Monetary Policy Decision

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