

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.89	149.32	+0.81	▼0.05
EUR	1.0550	1.0586	+0.0036	+0.0013
AUD	0.6367	0.6386	+0.0016	▼0.0049
SGD	1.3669	1.3651	▼0.0019	▼0.0011
CNY	7.2983	7.2980	+0.0000	+0.0000
INR	83.24	83.25	▼0.01	+0.21
IDR	15613	15610	▼5	+155
MYR	4.7151	4.7142	▼0.0135	+0.0189
PHP	56.63	56.63	▼0.05	+0.03
THB	36.98	37.02	+0.10	+0.61

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.801%	+8.2 bp	+23.0 bp
JPY (10YR)	0.805%	▼0.7 bp	+4.0 bp
EUR* (10YR)	2.884%	+0.6 bp	+4.5 bp
AUD (5YR)	4.114%	▼3.2 bp	▼3.0 bp
SGD (5YR)	3.386%	▼0.5 bp	+4.7 bp
CNY (5YR)	2.525%	+0.0 bp	+0.0 bp
INR (5YR)	7.399%	+14.9 bp	+17.1 bp
IDR (5YR)	6.794%	▼6.0 bp	+22.6 bp
MYR (5YR)	3.817%	▼2.2 bp	+9.4 bp
PHP (5YR)	6.225%	▼2.1 bp	+4.5 bp
THB (5YR)	2.909%	+1.2 bp	+1.9 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,407.58	+0.87%	▼0.30%
N225 (JP)	30,994.67	▼0.26%	▼2.71%
STOXX 50 (EU)	4,144.43	+1.09%	▼0.72%
ASX (AU)	4,055.73	+0.59%	▼1.73%
STI (SG)	3,174.39	+0.61%	▼1.34%
SHCOMP (CN)	3,110.48	+0.00%	+0.00%
SENSEX (IN)	65,995.63	+0.55%	+0.25%
JSE (ID)	6,888.52	+0.20%	▼0.74%
KLSE (MY)	1,416.88	+0.09%	▼0.51%
PSE (PH)	6,259.95	+1.32%	▼0.97%
SET (TH)	1,438.45	▼0.97%	▼2.24%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	276.90	+0.83%	▲2.68%
COPPER (LME)	7,971.25	+1.89%	▲2.94%
IRON ORE (CN)	117.56	▲0.20%	▲2.67%
GOLD	1,833.01	+0.70%	▲0.84%
OIL (WTI)	82.79	+0.58%	▼8.81%

Three Take-aways:

- Upside from US non-farm payrolls sent UST yields soaring amid US political-fiscal issues.
- Fed speak increasingly narrows into inflation prints as policymakers probe peak rates.
- Knee jerk reactions on Israel-Hamas war from oil and haven demand set to raise EM-FX volatility.

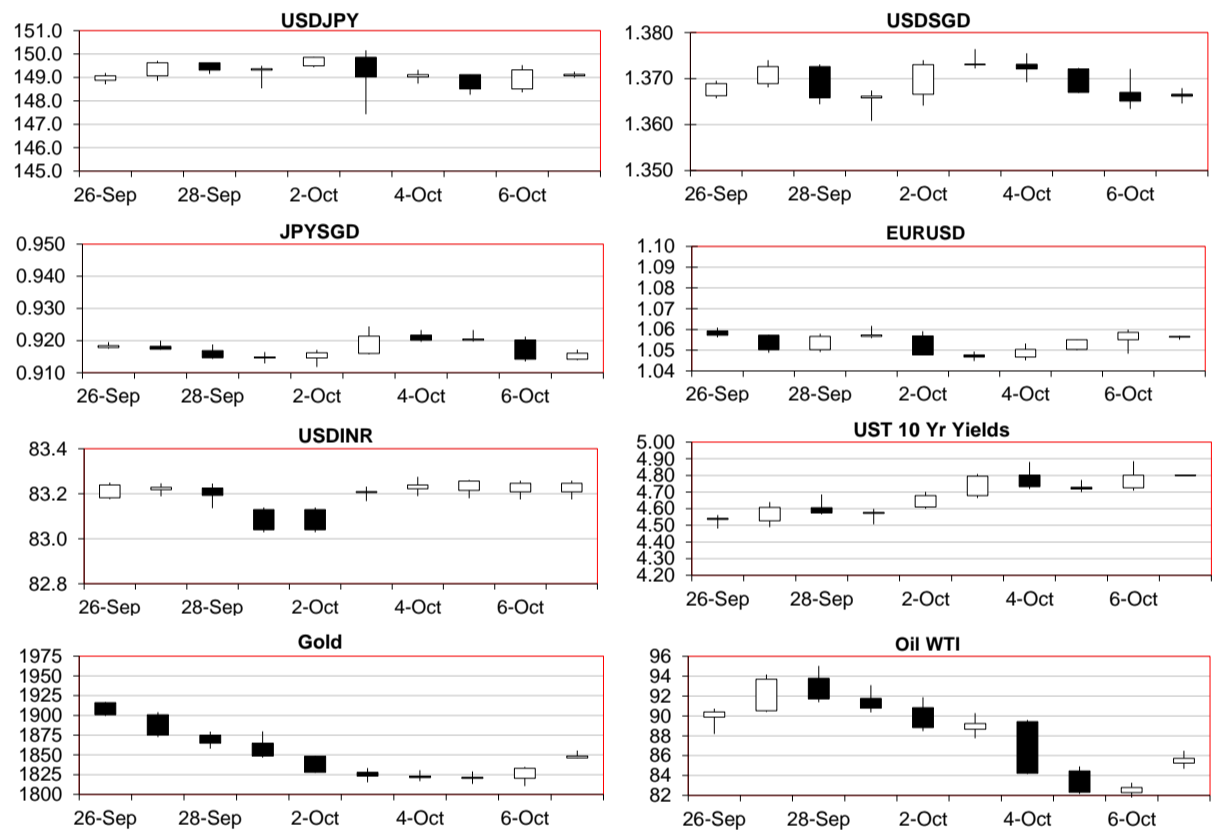
Taking Sides

- Last Friday, **US non-farm payrolls surprised on the upside** with 336k of additions in September as well as **upward revisions** of 119k over the previous two months.
- Hiring was led by the **leisure and hospitality sectors** which implies a stronger retention of workers given that the tendency for end of summer headcount reduction in September.
- Nonetheless, given the **need to restore workforce capacity** in the sector, the additions are really more of a normalising move. Start of school year effects also played a role in the stronger hiring in the education sector. Despite the resilient labour market, **Cleveland Fed President Mester has chosen to defer her conclusion until after the inflation reports.**
- Specifically and unsurprisingly at this stage of policy tightening, the **focus is narrowing to wages** (which saw a subdued 0.2% MoM increase in average hourly earnings) and its **transmission to end consumer prices.**
- After a harsh September, **US equities certainly chose to stick to the optimistic end of a soft landing** as the Nasdaq rose 1.6% followed by S&P 500 and Dow which gained 1.2% and 0.9% respectively.
- USTs though lean toward the need for higher** for longer rates with another bear steepener as 2Y yields rose 6.3 while 10Y yields soared 8.2bp. With **on-going US political-fiscal issues**, the dynamic swing between credit rating risks and haven needs will continue to collide (See more below)
- The **Greenback took middle ground** with a mixed performance. JPY being the obvious casualty from higher UST yields as the USD/JPY rose above 149. The EUR dipped back nearer to mid-1.05 after failing to test 1.06. In EM-Asia, the AUD hovered around mid-63 cents while USD/SGD floated above mid-1.36.
- Knee-jerk reactions on the Israel-Hamas War** from oil prices and haven demand are set to feature as we start this week.

OVERNIGHT RESULTS

(PH) Unemployment Rate (Aug): 4.4% (Jul: 4.8%) | (US) Non-farm Payrolls (Sep): 336k (Mkt: 170k; Aug: 187k) |

(US) Unemployment Rate (Sep): 3.8% (Mkt: 3.7%; Aug: 3.8%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.17	EUR/USD	1.0567
USD/SGD	1.3664	USD/THB	36.94
JPY/SGD	0.9160	USD/MYR	4.710

Forecast

USD/JPY	148.00 - 150.00
EUR/USD	1.0450 - 1.0600
AUD/USD	0.6290 - 0.6400
USD/SGD	1.3600 - 1.3750
JPY/SGD	0.9067 - 0.9291
USD/CNH	7.3000 - 7.3350
USD/INR	83.00 - 83.45
USD/IDR	15600 - 15700
USD/MYR	4.710 - 4.738
USD/PHP	56.55 - 56.98
USD/THB	36.80 - 37.20

Today's Direction

	Bull	:	Bear
USD/SGD	2	:	3
USD/JPY	2	:	3

US Credit, EM Problem?

"The dollar is our currency, but your problem" - John Connally, US Treasury Secretary, 1971

- US' **rolling fiscal/government debacles** in the US surely cannot be without consequence; beyond just headaches about the vacated Speaker's seat. And presumably, **consequences of an adverse nature** on **US credit**, and **perhaps even the currency (USD)**, as the repercussions of fiscal profligacy collides with political brinksmanship (and resultant dysfunction).
- But more nuanced point is that **US political-fiscal troubles could be a wider EM and/or financial market problem**; certainly to a greater extent than is generally appreciated. In a spin on **Nixon-era Treasury Sec Connally's take on USD, US credit may be everyone else's problem.**
- Admittedly, the **US will irrefutably be subject to its own credit ratings downgrade risk.** Specifically, unequivocally losing the coveted 'AAA' status, if Moody's join S&P and Fitch to cut it a notch (to 'AA+'). **But the consequences will be borne by everyone else!**
- For one, **regardless of 'AAA' status loss, UST yields will retain the status of "risk free" benchmark** (off which all other global credit, and wider risk, premium pricing is based). So, barring exceptional situations, it may raise the "risk free" rate "received" by everyone else.
- What's more, in casting a harsher glare in appropriate "risk premium", this may spark a sharper differentiation in credit quality, hitting "twin deficit", higher inflation EM harder.
- So **weaker US credit** may be a **problem elsewhere**; manifesting as **weaker asset prices, higher debt servicing burden** and **weaker currencies** for vulnerable EM and even less sure-footed DMs.

FX Daily Outlook

- EUR/USD: War concerns add another restrain for recovery back above 1.06.
- USD/JPY: Buoyed above mid-148 on UST yields but intervention caution remains strong.
- USD/SGD: Pair may remain buoyed above 1.36 as CNH pressure may resume.
- AUD/USD: Oil jumps again signal trouble rather than rallies as 64 cents eludes.

TODAY'S EVENTS

(EZ) Sentix Investor Confidence (Oct): (Sep: -21.5)

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