

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.17	148.51	▼0.81	▼1.35
EUR	1.0524	1.0567	▼0.0019	+0.0090
AUD	0.6355	0.6411	+0.0025	+0.0048
SGD	1.3702	1.3653	+0.0002	▼0.0077
CNY	7.2958	7.2926	▼0.0054	▼0.0054
INR	83.26	83.27	+0.02	+0.23
IDR	15697	15690	+80	+160
MYR	4.7331	4.7315	+0.0173	+0.0143
PHP	56.97	56.96	+0.34	+0.18
THB	37.12	37.11	+0.08	+0.17

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.801%	+0.0 bp	+12.2 bp
JPY (10YR)	0.805%	+0.0 bp	+2.8 bp
EUR* (10YR)	2.772%	▼11.2 bp	▼15.0 bp
AUD (5YR)	4.077%	▼3.7 bp	▼6.7 bp
SGD (5YR)	3.369%	▼1.7 bp	+3.4 bp
CNY (5YR)	2.529%	+0.4 bp	+0.4 bp
INR (5YR)	7.435%	+3.6 bp	+20.7 bp
IDR (5YR)	6.802%	+0.8 bp	+16.0 bp
MYR (5YR)	3.808%	▼0.9 bp	+7.9 bp
PHP (5YR)	6.250%	+2.5 bp	+6.6 bp
THB (5YR)	2.928%	+1.9 bp	+3.8 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,604.65	+0.59%	+0.51%
N225 (JP)	30,994.67	+0.00%	▼2.41%
STOXX 50 (EU)	4,112.57	▼0.77%	▼0.61%
ASX (AU)	4,049.14	▼0.16%	▼0.57%
STI (SG)	3,166.51	▼0.25%	▼1.32%
SHCOMP (CN)	3,096.92	▼0.44%	▼0.44%
SENSEX (IN)	65,512.39	▼0.73%	▼0.48%
JSE (ID)	6,891.46	+0.04%	▼1.01%
KLSE (MY)	1,417.26	+0.03%	▼0.11%
PSE (PH)	6,252.16	▼0.12%	▼0.83%
SET (TH)	1,431.72	▼0.47%	▼2.57%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	280.11	+1.16%	▲0.84%
COPPER (LME)	8,039.25	+0.85%	+0.77%
IRON ORE (CN)	116.14	▲1.21%	▲3.61%
GOLD	1,861.41	+1.55%	+1.83%
OIL (WTI)	86.38	+4.34%	▼2.75%

Three Take-aways:

- 1) Israel-Hamas geo-political risks have been dialled back as equities gains traction and USD slips.
- 2) But the calm is tentative amid evolving conflict. Especially as underlying geo-political risks evolve.
- 3) Oil's "Gaza Squeeze" spared a debilitating \$100-120 surge; so long as worst-case conflict is averted.

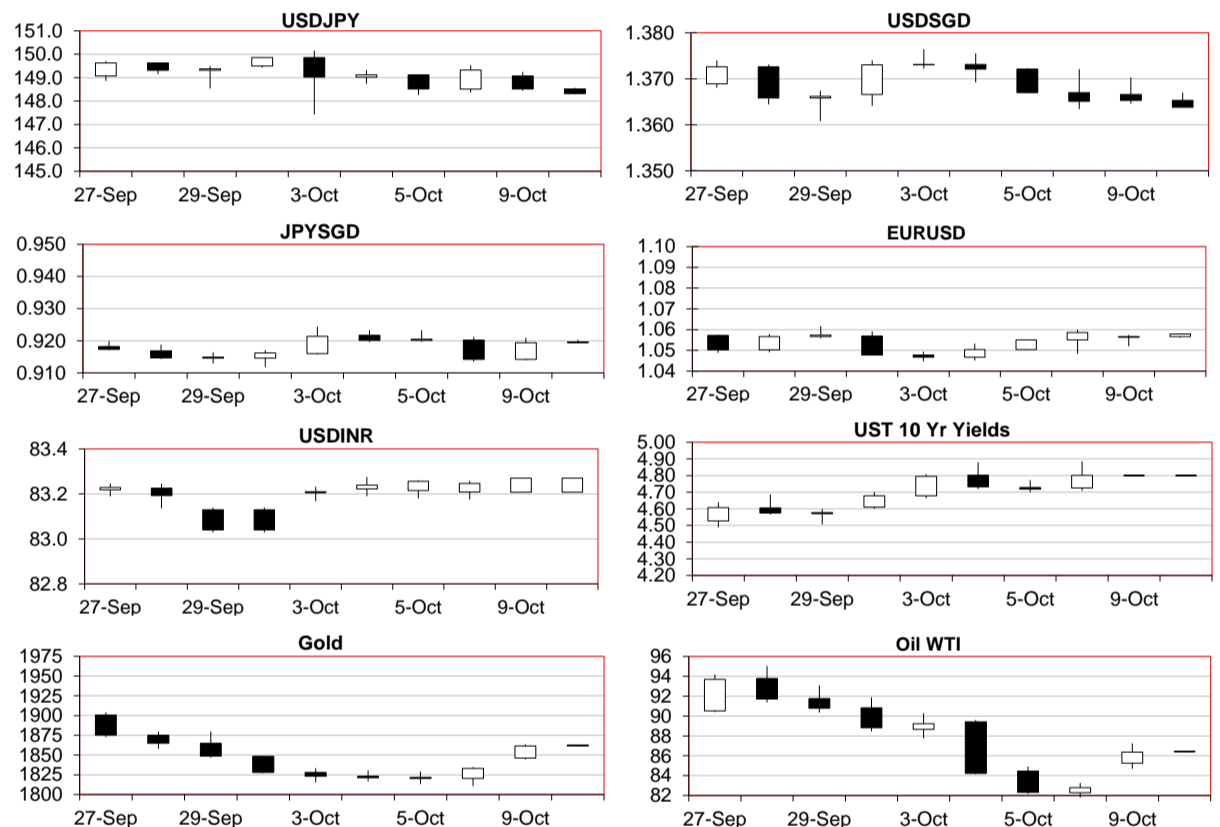
Conflict (& Conflicted)

- As **conflict dominates and distorts**, markets are not merely cautious, but arguably **conflicted**.
- From futures slumped in the red, **US equities have more than recouped opening losses** to finish in gains (S&P500: +0.6%). **USD too gave up measured haven gains** to edge back down.
- **Market Conflict**: But despite regaining some footing, the **conflict between precautionary "risk off" amid heightened uncertainty**, and **calmer nerves assuming ring-fenced geo-political spill-over** are yet to be durably resolved in favour of one or the other.
- In particular, **as a highly volatile Gaza situation**, means there is **no guarantee that ostensible calm** to await evidence of "smoking gun", **will not revert back to "jumping the gun" type of panic**.
- **Especially as a given the risk of a wider spill-over involving Iran** (and potentially wider Middle East) as blind-sided Israel is motivated to extract disproportionate payback.
- This **geo-political conflict is not without a wider economic and policy knock-on**.
- **Economic Conflict**: For one, the **evolving Israel-Hamas conflict simultaneously elevates uncertainty** and amplifies **susceptibility to cost shocks; resulting in stagflation-type pressures**.
- That's to say, **economic risks become polarized**; between significant cost shocks and sharp downside risks to growth. And to be sure, the latter is because, not despite, of cost shocks.
- **Policy Conflict**: And this "polarization of risks" inflicts the inevitable policy conflict; **between guarding against further first-order inflation shocks**, (entrenching in expectations) and **averting ultimately deflationary demand destruction** that advertently results.
- **Yield Conflict**: Between higher yields from potential cost shocks and monetary (if geo-political risks are contained) and sharp yield pullback on haven refuge (if conflict flares).
- **Conflict-Commodity Premium**: Gains in commodity FXAUD (+0.5%), CAD (+0.6%), NOK (1.3%) and Gold (1.7%) suggests calculated conflict premium rather than panic.
- Especially as Oil remains fairly elevated, nearer to \$90 (Brent), but without excessive surge.

OVERNIGHT RESULTS

(EZ) Sentix Investor Confidence (Oct): -21.9 (Mkt: -24.0; Sep: -21.5)

* 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	4.731

Forecast

USD/JPY	147.80 - 149.50
EUR/USD	1.0470 - 1.0620
AUD/USD	0.6330 - 0.6460
USD/SGD	1.3620 - 1.3730
JPY/SGD	0.9110 - 0.9290
USD/CNH	7.2850 - 7.3280
USD/INR	83.00 - 83.45
USD/IDR	15580 - 15720
USD/MYR	4.712 - 4.738
USD/PHP	56.60 - 57.00
USD/THB	36.80 - 37.20

Today's Direction

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

Will Oil Suffer a "Gaza Spike"?

- To be sure, the shocking attack by Hamas that blind-sided Israel, **poses significant geo-political uncertainty** beyond the Middle East. Specifically, **energy markets** appear most vulnerable to a disruption from the **threat of a drawn out Israel-Hamas conflict that draws in more agitators**.
- **But while Oil is more prone to upside risks conditional on risks of likely supply disruption, an imminent spike in Oil past \$100-120 (Brent) is not unavoidable**.
- Reason being, markets **de-sensitized** by the Ukraine war are unlikely to panic unless threat of **supply disruption is identifiable and imminent**; perhaps quantifiable as well.
- What are the triggers to watch? **First, any military spill-over that results in actual disruption of supplies, or worse, conflict in the Straits of Hormuz**. This will entail the **most acute spike in Oil**.
- **Second, any assertions of Iran's culpability will amplify upside risks in Oil**.
- **A milder iteration** involves (re-)tightening of US sanctions that **set back Iran's output**, which has increased from -2.5MBpD to an estimated 3.1MBpD post-Ukraine. The **resultant tightening in supply (of 500-700KBpD)**, could **squeeze crude prices up 5-10%; consistent with \$90-98 Brent**.
- Whereas, a **more acute version will involve open conflict with Iran** that may entail a **double whammy of Iran's output impaired and retaliatory disruptions by Iran in the Straits of Hormuz**.
- Meanwhile, **Russia exploiting gaps from Iran may lift price caps**. Especially as **Saudi's Budget preference for \$100+ oil forestall OPEC supply response to pre-empt any shortfall from Iran**.
- **At least until \$100-120/bbl Oil price prompt a more shrill cry of diplomatic protests**.

FX Daily Outlook

- EUR/USD: Despite softening in yields and USD, traction may stall ahead of 1.06 .
- USD/JPY: Softer yields, underlying "risk off" help anchor below mid-148. But higher oil supports.
- USD/SGD: Firmer CNH and softer UST yields drag below mid-1.36; but sub-1.36 dips unlikely.
- AUD/USD: Oil and CNH boost above 0.64; but wary of caution and USD rebound above mid-0.64.

TODAY'S EVENTS

(JP) BoP Current Account/Trade (Aug): ¥2279.7b/-749.5b (Mkt: ¥2972.0b/-¥708.4; Jul: ¥2771.7b/¥68.2b)
 (AU) Westpac Consumer Confidence MoM SA (Oct): 2.9% (Sep: -1.5%) | (PH) Trade Balance (Aug): (Mkt: -\$4.35b; Jul: -\$4.20b)
 (JP) Eco Watchers Survey Current / Outlook (Sep): (Mkt: 53.2/51.3; Aug: 53.6/51.4)
 (US) Wholesale Inventories MoM (Aug F): (Mkt: -0.1%; prev: -0.1%)

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