

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.96	148.71	+0.20	▼0.31
EUR	1.0571	1.0605	+0.0038	+0.0138
AUD	0.6397	0.6432	+0.0021	+0.0130
SGD	1.3666	1.3631	▼0.0022	▼0.0100
CNY	7.2953	7.2940	+0.0014	▼0.0040
INR	83.26	83.25	▼0.02	+0.05
IDR	15726	15735	+45	+155
MYR	4.7353	4.7280	▼0.0035	+0.0042
PHP	56.88	56.87	▼0.09	+0.07
THB	36.90	36.74	▼0.36	▼0.29

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.653%	▼14.8 bp	▼14.3 bp
JPY (10YR)	0.783%	▼2.2 bp	+1.6 bp
EUR* (10YR)	2.775%	+0.3 bp	▼19.3 bp
AUD (5YR)	4.041%	▼3.6 bp	▼12.6 bp
SGD (5YR)	3.339%	▼3.0 bp	▼0.1 bp
CNY (5YR)	2.552%	+2.3 bp	+2.7 bp
INR (5YR)	7.390%	▼4.5 bp	+13.6 bp
IDR (5YR)	6.755%	▼4.7 bp	+2.7 bp
MYR (5YR)	3.800%	▼0.8 bp	+5.8 bp
PHP (5YR)	6.261%	+1.1 bp	+7.8 bp
THB (5YR)	2.919%	▼0.9 bp	+7.7 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,739.30	+0.59%	+2.23%
N225 (JP)	31,746.53	+0.00%	+1.63%
STOXX 50 (EU)	4,205.23	▼0.77%	+2.68%
ASX (AU)	4,124.72	▼0.16%	+2.00%
STI (SG)	3,199.07	▼0.25%	+0.21%
SHCOMP (CN)	3,075.24	▼0.44%	▼1.13%
SENSEX (IN)	66,079.36	▼0.73%	+0.87%
JSE (ID)	6,922.19	+0.04%	▼0.27%
KLSE (MY)	1,435.17	+0.03%	+1.07%
PSE (PH)	6,264.07	▼0.12%	▼0.66%
SET (TH)	1,434.45	▼0.47%	▼0.89%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	279.87	▲0.09%	▲0.57%
COPPER (LME)	7,945.00	▲1.17%	+0.20%
IRON ORE (CN)	115.01	▲0.97%	▲3.37%
GOLD	1,860.40	▲0.05%	+2.05%
OIL (WTI)	85.97	+4.34%	▼2.75%

Three Take-aways:

- 1) UST yield plunged on a more cautious and less hawkish Fed. FOMC minutes likely to be dated.
- 2) Haven allure provide additional support to the Greenback amid falling UST yields.
- 3) Expect hawkish slant to MAS' hold on Friday to anchor inflation expectations amid uneven recovery.

Calm or Cover?

- 10Y UST yields fell 14.8bps in the trading session post-Columbus day holiday amid war headlines in Israel and recent FedSpeak converging on a reduced need to hike. The question is whether this is **calm from a more cautious Fed or cover from geopolitical conflicts?**

- Fed President Bostic (Atlanta, non-voter) reiterated that he doesn't think policymakers need to raise interest rates any further. This followed from earlier comments in recent days by Fed Vice Chair Phillip Jefferson who said that they could "proceed carefully" following the recent rise in Treasury yields, and Dallas Fed President Lorie Logan espousing that the surge in long-term rates may mean **less need for further tightening**. Afterall, the rise in long-term yields suggests **rising term premium** - one of the transmission mechanisms through which credit tightening occurs.

- Meanwhile, Fed President Kashkari (Minneapolis, hawk and voter) was open to the possibility of holding rates, but required further convincing on the drivers behind the yield surge. This is still a significant change in his stance given that he had in May 2023 said rates could go above 6%.

- Markets have appeared to be clearly directed by these Fed remarks in recent days. While the FOMC minutes tonight may reveal dispersion, reactions may be muted given its dated nature.

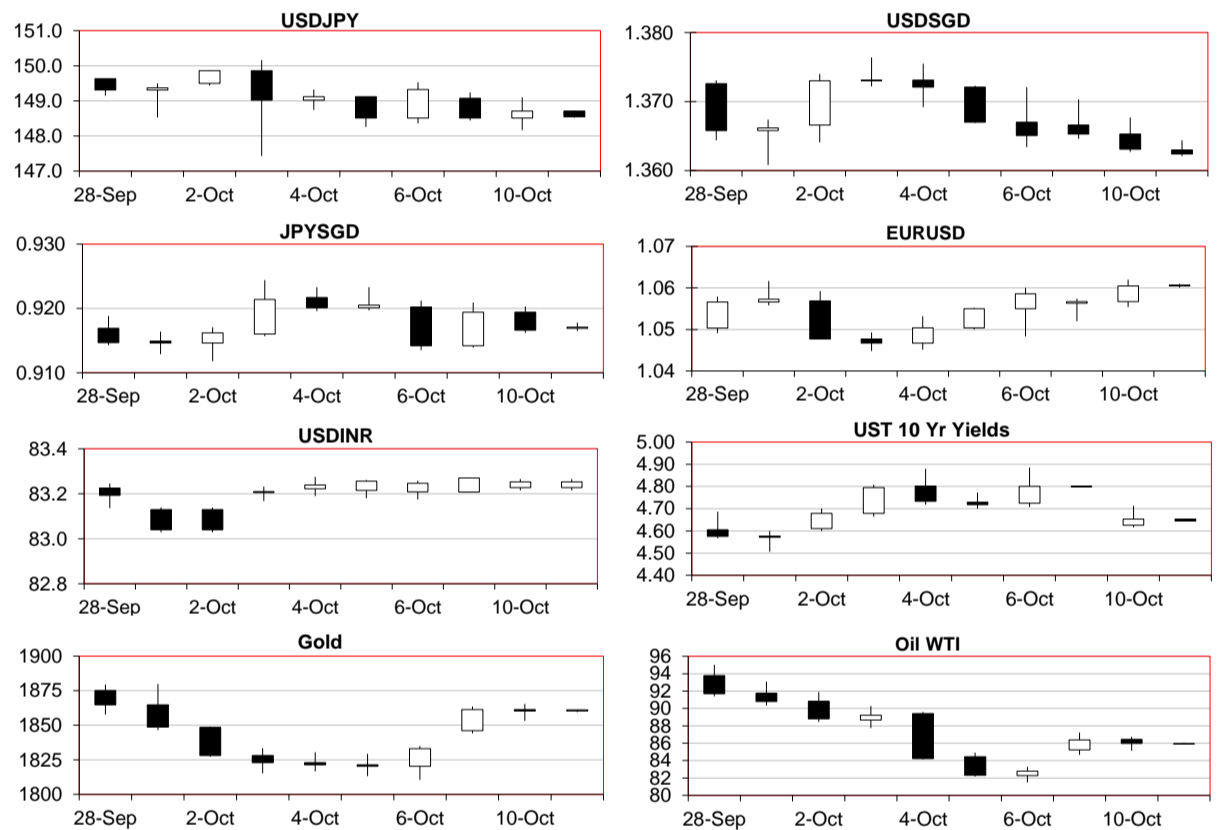
- **Tempered by the cover of haven allure, USD did not weaken much relative to the plunge in UST yields, and remains stronger relative to the mid-105 level post 21 Sep FOMC meeting.** With relative yields still favouring USD, the Greenback remains supported. **The narrative appears to be one of mostly calm, and a little bit of cover.**

- EUR oscillated with an appreciation bias to above 1.06. AUD rallied towards mid-0.64, supported by CNH's resilience even as the alarm sounded for Country Garden's first default suggesting that this was a widely expected conclusion with much of the risks being priced in.

- USD/SGD headed towards 1.36 levels. USD/JPY remains buoyed above mid-1.48 levels signalling preference for the haven Greenback.

OVERNIGHT RESULTS

(PH) Trade Balance (Aug): -\$4128m (Mkt: -\$4300m; Jul: -\$4199m) | (JP) Eco Watchers Survey Current / Outlook (Sep): 49.9/49.5(Mkt: 53.2/51.3; Aug: 53.6/51.4) | (US) Wholesale Inventories MoM (Aug F): -0.1% (Mkt: -0.1%; prev: -0.1%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	148.63	EUR/USD	1.0604
USD/SGD	1.3629	USD/THB	36.57
JPY/SGD	0.9170	USD/MYR	4.722

Forecast

USD/JPY	147.80 - 149.50
EUR/USD	1.0490 - 1.0640
AUD/USD	0.6330 - 0.6470
USD/SGD	1.3590 - 1.3710
JPY/SGD	0.9090 - 0.9276
USD/CNH	7.2600 - 7.3200
USD/INR	83.00 - 83.45
USD/IDR	15600 - 15750
USD/MYR	4.710 - 4.740
USD/PHP	56.60 - 57.00
USD/THB	36.65 - 37.10

Today's Direction

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

MAS Watch: Hard, Hawkish Hold

- The MAS is set to hold steady at bi-annual meeting (13th Oct). Specifically, a **hawkish hold** that *errs on the side of inflation anchor*.

- That's to say, a "hard" hold that underpins a **hard-line on inflation**, yet also concedes a "hard" decision; given **sharper trade-offs** involving **uneasy downside risks to growth**.

- In fact, **as underwhelming as economic growth may be**, underlying "tail risks" of a sharper downturn are **actually understated by a highly uneven recovery**.

- Especially as **otherwise worryingly extended manufacturing downturn** being offset by **service sector outrun** tempts **complacency**; inadvertently, **over-estimating resilience**.

- Whereas, **tourism recovery** and **wealth-driven inflows** amplifying asset market buoyancy and alongside onshore consumption (both first and second-round effects) exaggerate durable underlying demand recovery.

- **Nevertheless, mounting "tail risks"** will be a consideration, perhaps a concern, but certainly **not a catalyst for a shift in policy stance**.

- **Instead, "sticky" inflation** will continue to dominate the policy thrust, **requiring a hawkish hold**. In particular, to anchor inflation expectations amid pipeline cost pressures.

- Crucially, **extreme SGD under-performance vis-à-vis S\$NEER** amid exceptional USD, which temporarily diminishes S\$NEER inflation buffer capabilities (due to dominance of USD invoicing), **underscore the need for a hawkish slant to the hold**.

FX Daily Outlook

- EUR/USD: Range bound around 1.06 levels on quiet calendar.

- USD/JPY: Softer yields could help anchor below mid-148.

- USD/SGD: Could briefly test 1.36 levels on stronger CNH.

- AUD/USD: Softer oil and stronger CNH should see range trading under mid-0.64.

TODAY'S EVENTS

(KR) BoP Current Account Balance (Aug): \$4809.8m (Mkt: -; Jul: \$3737.0m)

(TW) Trade Balance (Sep): (Mkt: \$8.35b; Aug: \$8.59b)

(JP) Machine Tool Orders YoY (Sep P): (Mkt: -; prev: -17.6%)

(US) PPI / Ex Food and Energy YoY (Sep): (Mkt: 1.6%/2.3%; Aug: 1.6%/2.2%) | FOMC Meeting Minutes

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