

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	148.75	149.17	+0.46	+0.05
EUR	1.0600	1.0620	+0.0015	+0.0116
AUD	0.6419	0.6414	▼0.0018	+0.0089
SGD	1.3632	1.3633	+0.0002	▼0.0088
CNY	7.2988	7.3007	+0.0067	+0.0027
INR	83.19	83.19	▼0.07	▼0.05
IDR	15704	15693	▼42	+61
MYR	4.7258	4.7163	▼0.0117	▼0.0137
PHP	56.76	56.79	▼0.08	+0.07
THB	36.43	36.42	▼0.33	▼0.65

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.558%	▼9.5 bp	▼17.5 bp
JPY (10YR)	0.769%	▼1.4 bp	▼4.0 bp
EUR* (10YR)	2.718%	▼5.7 bp	▼20.1 bp
AUD (5YR)	4.049%	+0.8 bp	▼19.1 bp
SGD (5YR)	3.305%	▼3.4 bp	▼12.5 bp
CNY (5YR)	2.589%	+3.7 bp	+6.4 bp
INR (5YR)	7.348%	▼4.2 bp	+9.1 bp
IDR (5YR)	6.661%	▼9.4 bp	▼22.7 bp
MYR (5YR)	3.756%	▼4.4 bp	▼7.0 bp
PHP (5YR)	6.255%	▼0.6 bp	+5.5 bp
THB (5YR)	2.896%	▼2.3 bp	▼2.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,804.87	+0.19%	+2.04%
N225 (JP)	31,936.51	+0.60%	+4.62%
STOXX 50 (EU)	4,200.80	▼0.11%	+2.46%
ASX (AU)	4,118.20	▼0.16%	+2.67%
STI (SG)	3,192.87	▼0.19%	+1.45%
SHCOMP (CN)	3,078.96	+0.12%	▼1.01%
SENSEX (IN)	66,473.05	+0.60%	+1.91%
JSE (ID)	6,931.75	+0.14%	+0.66%
KLSE (MY)	1,436.49	+0.09%	+1.46%
PSE (PH)	6,253.96	▼0.16%	▼0.70%
SET (TH)	1,455.99	+1.50%	+0.33%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	277.38	▲0.89%	+0.71%
COPPER (LME)	7,946.50	+0.02%	+0.91%
IRON ORE (CN)	116.43	+1.23%	▲1.37%
GOLD	1,874.36	+0.75%	+2.91%
OIL (WTI)	83.49	▼2.88%	▼0.87%

Three Take-aways:

- 1) FOMC minutes re-iterated the case of a restrained Fed being cautious of two way risk.
- 2) Ahead of US CPI, sentiments are far from risk-on as USD retains allure and UST haven demand persist.
- 3) Food led dis-inflation is welcomed relief but far from a catalyst for the RBI to back down.

Restrained, Not Risk On

- FOMC minutes revealed shifting of risks to becoming more two-sided in their attempts to achieve their inflation mandate and was aligned to Fed Chair Powell's allusion to being careful at this stage of the tightening cycle. While market reactions might not have been outsized, the response is more of a balanced one rather than being muted.

- First, 2Y UST yields ended up a mild 1.3bp higher from an initial surge on the back of a stronger than expected PPI print which was tempered by a 4bp decline after the minutes' release. In a similar vein, 10Y yields also dropped 6bp (after the minutes release) to close 9.5bp lower.

- Given that recovery in US equities remain restrained, sentiments are also far from being risk on considering the persistence of USD haven allure despite softer UST yields.

- Admittedly, lower oil prices played a part as commodities weakened against the Greenback.

- The EUR managed to hover above 1.06 on narrower yield differentials. In contrast, AUD slipped back toward 64 cents and USD/JPY was buoyed above 149.

Latent Oil Risks

- The latent risk of a geo-political flare-up in Oil is revealed in steady crude (Brent: -\$85) despite projections for record US output (Q4: 13.2MBpD). Why? Because complacency is not an option.

- Especially given that reassurances of the Israel-Hamas war not impacting oil supply are highly conditional on the conflict not spilling over. And there is just simply no guarantee of this.

- Attacks widening out to Hezbollah in Lebanon is a case in point that this war remains fluid.

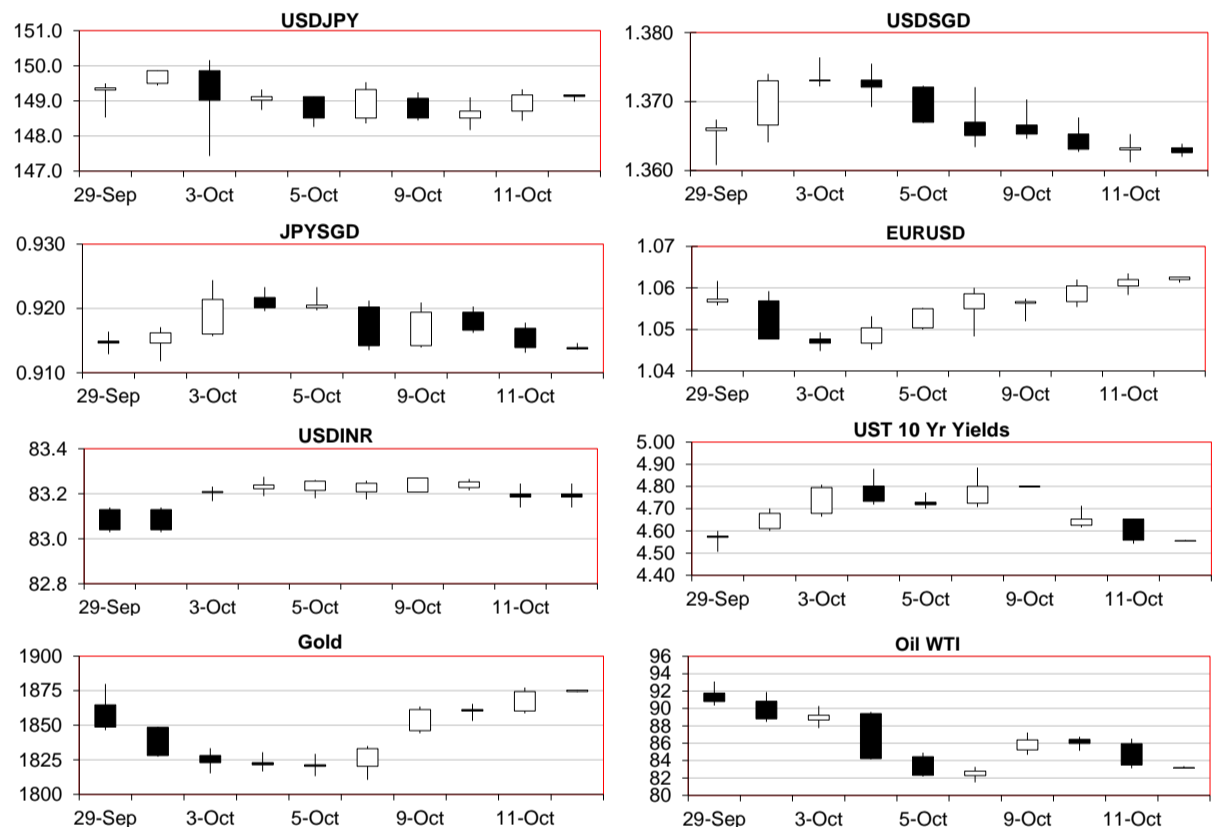
- What's more, with Israel increasingly alluding to not just the complicity, but overt culpability, of Iran, two-fold threats to Oil supply emerge. First, that of tighter Iranian sanctions denting supply. The other, is more serious disruptions to crude's passage through the Straits of Hormuz.

- To be sure, our base case is not for \$100-120 crude. But there is a real and present danger (significant) risk of this concealed under the illusion of a controlled war.

OVERNIGHT RESULTS

(TW) Trade Balance (Sep): \$10.32b (Mkt: \$8.35b; Aug: \$8.59b) | (JP) Machine Tool Orders YoY (Sep P): -11.2% (Aug: -17.6%)

(US) PPI / Ex Food and Energy YoY (Sep): 2.2%/2.7% (Mkt: 1.6%/2.3%; Aug: 1.6%/2.2%) |

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.04	EUR/USD	1.0624
USD/SGD	1.3627	USD/THB	36.43
JPY/SGD	0.9143	USD/MYR	4.718

Forecast

USD/JPY	147.80 - 149.50
EUR/USD	1.0560 - 1.0690
AUD/USD	0.6360 - 0.6470
USD/SGD	1.3590 - 1.3710
JPY/SGD	0.9090 - 0.9276
USD/CNH	7.2900 - 7.3200
USD/INR	83.15 - 83.45
USD/IDR	15650 - 15750
USD/MYR	4.710 - 4.740
USD/PHP	56.70 - 57.00
USD/THB	36.30 - 36.65

Today's Direction

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

India CPI: Easy Come, Easy Go... but No Easing!

- The bottom-line is that there will be no imminent compelling scope for easing from "easy come, easy go" inflation humps; which do not convey enduring dis-inflation to the 4% target.

- To be sure, in the headline, the step-down in CPI could look very encouraging, set to drop by over a whole percentage point to mid-5% (from 6.8% YoY for Aug). All else equal, this "delta" of rate of dis-inflation ought to be a compelling policy catalyst. And "ought" is the operative term, because in effect it is not. Here's the 3 T's of why the RBI will find relief, but little to delight in.

- **Threshold:** The first 'T' is threshold. Specifically, inflation remaining too elevated to trigger a shift in stance. Point being, even with a large step down to below 5.5%, inflation merely settles back into the upper half of the RBI's 4+/-2% inflation target, following a breach above.

- This merely provides comfort to hold, not cut; in all likelihood, retaining a mild hawkish bias.

- **Technicality:** The second 'T' is technicality in the "volatile" details of inflation's decline.

- In particular, dis-inflation from the spike in food prices being assuaged argues for symmetric policy restraint that looks past both spike and dip. Hence, not hastening to cut on the reversal.

- **Trigger:** Finally, and perhaps most importantly, the dangers of inflationary triggers amid potential for geo-political flare-up in oil. Especially in the context of pre-existing stickier core inflation conspiring with a hawkish Fed keeping downside rupee risks in play.

- All said, the "easy come, easy go" spurt of dis-inflation will not amount to leverage for easing; given the veiled threat if "easy come, easy go" relative rupee stability.

FX Daily Outlook

- EUR/USD: US dis-inflation may assist mid-1.05 backstop rather than trigger 1.07 rallies.

- USD/JPY: Risk aversion and US CPI imply limited slippage below mid-148.

- USD/SGD: Ahead of MAS, any attempts to test 1.37 will remain few and shallow.

- AUD/USD: Softer oil prices continue to impart consolidation around 64 cents.

TODAY'S EVENTS

(JP) PPI YoY (Sep) 2.0% (Mkt: 2.4%; Aug: 3.2%) | (JP) Core Machine Orders MoM (Aug): -0.5% (Mkt: 0.6%; Jul: -1.1%)

(IN) CPI YoY (Sep): (Mkt: 5.4%; Aug: 6.8%) | (IN) Industrial Production (Aug): (Mkt: 9.4%; Jul: 5.7%)

(MY) Industrial Production YoY (Aug): (Mkt: -2.0%; Jul: 0.7%)

(US) CPI/Core YoY (Sep): (Mkt: 3.6%/4.1%; Aug: 3.7%/4.3%) | (US) Initial Jobless Claim: (Mkt: 210k; Prev: 207K)

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