

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.18	149.81	+0.64	+1.30
EUR	1.0621	1.0528	▼0.0092	▼0.0022
AUD	0.6410	0.6314	▼0.0100	▼0.0056
SGD	1.3624	1.3701	+0.0068	+0.0031
CNY	7.2990	7.3060	+0.0053	+0.0080
INR	83.18	83.25	+0.06	▼0.01
IDR	15699	15690	▼3	+75
MYR	4.7168	4.7118	▼0.0045	▼0.0159
PHP	56.67	56.67	▼0.11	▼0.01
THB	36.18	36.18	▼0.24	▼0.74

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.697%	+13.9 bp	▼2.2 bp
JPY (10YR)	0.758%	▼1.1 bp	▼5.4 bp
EUR* (10YR)	2.786%	+6.8 bp	▼9.2 bp
AUD (5YR)	4.010%	▼3.9 bp	▼13.6 bp
SGD (5YR)	3.264%	▼4.1 bp	▼12.7 bp
CNY (5YR)	2.603%	+1.4 bp	+7.8 bp
INR (5YR)	7.320%	▼2.8 bp	+7.0 bp
IDR (5YR)	6.634%	▼2.7 bp	▼22.0 bp
MYR (5YR)	3.721%	▼3.5 bp	▼11.8 bp
PHP (5YR)	6.244%	▼1.1 bp	▼0.2 bp
THB (5YR)	2.898%	+0.2 bp	+0.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,631.14	▼0.51%	+1.54%
N225 (JP)	32,494.66	+1.75%	+4.57%
STOXX 50 (EU)	4,198.23	▼0.06%	+2.40%
ASX (AU)	4,128.49	+0.25%	+2.39%
STI (SG)	3,218.69	+0.81%	+2.02%
SHCOMP (CN)	3,107.90	+0.94%	▼0.08%
SENSEX (IN)	66,408.39	▼0.10%	+1.18%
JSE (ID)	6,935.15	+0.05%	+0.88%
KLSE (MY)	1,443.82	+0.51%	+1.99%
PSE (PH)	6,263.06	+0.15%	+1.37%
SET (TH)	1,450.75	▼0.36%	▼0.12%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	278.08	+0.25%	+1.26%
COPPER (LME)	7,915.75	▲0.39%	+1.18%
IRON ORE (CN)	117.73	+1.12%	▲0.06%
GOLD	1,868.90	▲0.29%	+2.67%
OIL (WTI)	82.91	▼0.69%	+0.73%

Three Take-aways:

- MAS stays on hold as expected, with a SGD devoid of expression. MAS doubles to quarterly meets.
- Overnight USD strength on UST yields surge post-CPI remained the main FX market cue.
- The fractional upside in GDP is hollow relief, not resounding cheer given lingering uncertainty.

MAS: Doubling Down

- Admittedly the title is misleading, bordering on mischievous. After all, the **MAS did nothing** (as expected); keeping *all three S\$NEER parameters (mid-point, slope, band-width) unchanged*.

- The **SGD** was marked by a **conspicuous absence of expression one way or another**; stuck at a more elevated sub-1.37 that was derived from overnight USD squeeze triggered by US CPI.

- But in a vacuum of policy action, the **MAS announced a shift to quarterly policy meetings** (from bi-annual); with current Apr and Oct schedule to be supplemented with Jan and Jul meetings.

- So, in a sense (and in the title's defence), the **MAS did (a double) double down**; both on the *current policy stance* as well as the *number of policy meetings*.

- Accompanied by upside surprise in GDP, MAS' *statement was sufficiently hawkish between the lines*, to avert knee-jerk slip in SGD (above 1.37). Especially in its allusion to *"thus far resilient" economy despite "global economic activity (that) has moderated"* and *"risk of a sharp global downturn, precipitated by financial vulnerabilities, (that) has receded"*.

- Yet, **policy positioning on inflation distinctly less hawkish**, concluding a **broad dis-inflationary trend in core inflation intact** despite *"both upside and downside risks to inflation"*.

- Looking ahead, the MAS expects growth to be at the lower half of 0.5-1.5% for 2023 and close to 2-3% potential for 2024. MAS core inflation is expected to ease to 2.5%-3.5% in 2024 from 4.0%.

Fractional Relief

- Admittedly, Singapore's Q3 GDP flash presented an upside surprise; as 1.0% QoQ/0.7% YoY beat expectations (of +0.6%QoQ/+0.4%YoY). But this is **fractional cheer at best**.

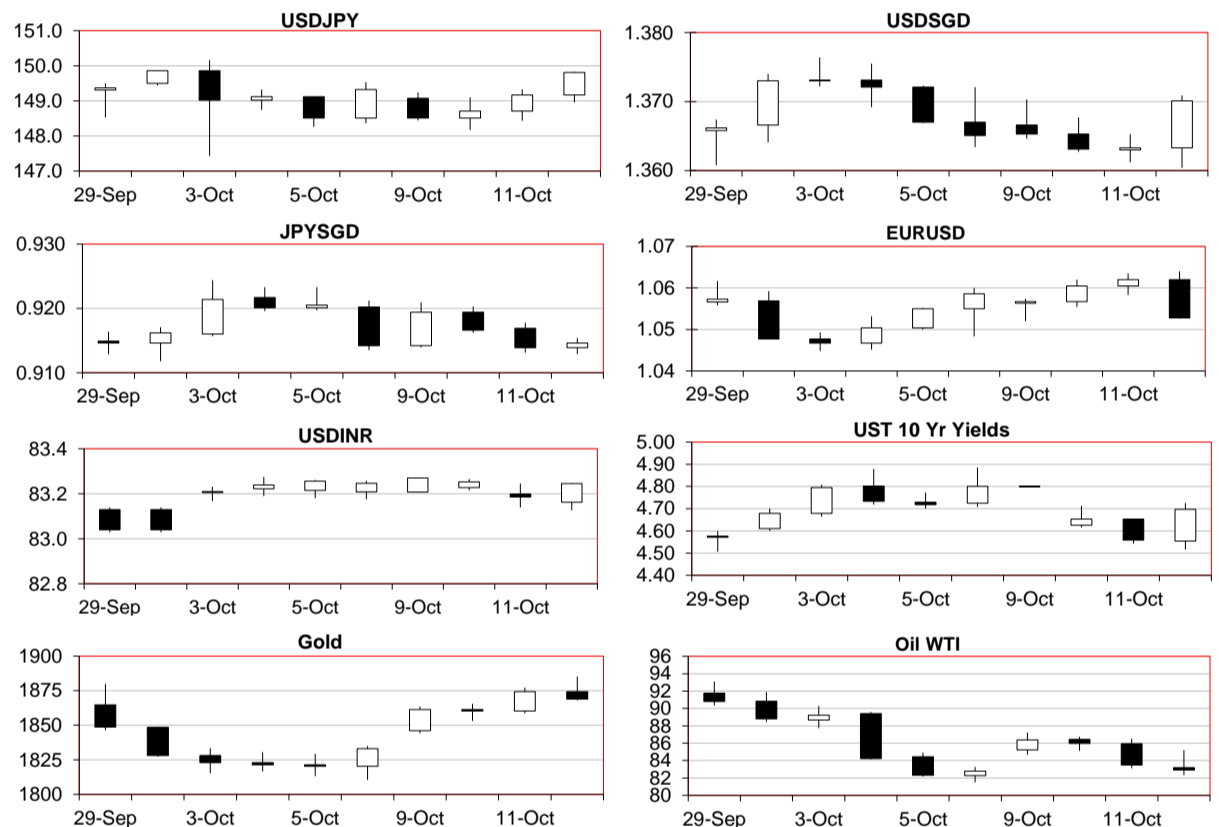
- More likely, it is **tentative relief** of some pick-up (after averting a technical recession in Q2).

OVERNIGHT RESULTS

(IN) CPI YoY (Sep): 5.0% (Mkt: 5.4%; Aug: 6.8%) | (IN) Ind Pdn (Aug): 10.1% (Mkt: 9.1%; Jul: 6.0%)

(MY) Ind Pdn YoY (Aug): -0.3% (Mkt: -2.0%; Jul: 0.7%) | (US) Initial Jobless Claim: 209K (Mkt: 210K; Prev: 209K)

(US) CPI/Core YoY (Sep): 3.7%/4.1% (Mkt: 3.6%/4.1%; Aug: 3.7%/4.3%)

*** Past Two Weeks Movement ***

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.79	EUR/USD	1.0537
USD/SGD	1.3696	USD/THB	36.42
JPY/SGD	0.9144	USD/MYR	4.731

Forecast

USD/JPY	148.70 - 150.30
EUR/USD	1.0480 - 1.0610
AUD/USD	0.6280 - 0.6380
USD/SGD	1.3650 - 1.3720
JPY/SGD	0.9082 - 0.9227
USD/CNH	7.2900 - 7.3200
USD/INR	83.20 - 83.50
USD/IDR	15680 - 15760
USD/MYR	4.726 - 4.743
USD/PHP	56.70 - 57.00
USD/THB	36.45 - 36.70

Today's Direction

	Bull	Bear
USD/SGD	4	1
USD/JPY	2	3

- Fact is, **growth is woefully fractional. Barely averaging 0.2% QoQ four quarters running** and bumping along *0.2-0.3% QoQ for six quarters straight*. Hardly the stuff of exuberance!

- More so considering that **Q3 pick-up was courtesy of a trade-off**. Specifically, *less abysmal manufacturing activity*, which barely recovered 0.2% QoQ after contracting nearly 6% in H1, *more than offset a moderation in services*, where growth eased to 0.7% QoQ from 1.0% in Q2.

- Considering **persistent uncertainty** imposed by *elevated geo-political risks* that simultaneously pose risks of cost shocks and activity disruption conspiring with *waning post-pandemic "deprivation demand"*, **"fat tail" (risks) concerns cannot be offset by fractional relief**.

CP-Yike!

- **Sharper than expected sequential pick-up** (+0.4% MoM vs. 0.3% consensus) in **US CPI has squeezed UST yields in a bear steepener** (10Y+14bp to 4.70%; 2Y+8-9bp to 5.07%); with *corresponding jump in USD* (+0.8% to mid-106 USD Index). Question is, *why the fuss over the fractional?*

- After all, the "delta" was a mere 0.1%-pt on the month and on the year (3.7% YoY vs. 3.6% consensus), with the mellowing (to 4.1% YoY from 4.3%) in core inflation in line with expectations.

- For one, the **devilish details** suggested **far stickier inner workings** of inflation, which is not particularly comforting in the wake of hotter PPI amid potential global cost shocks from war.

- **Pointedly**, the **"inner-most" core** of inflation consisting of ex-housing core services, which the Fed pays close attention to, has also remained **far too elevated and sticky**.

- As a consequence of which, **markets are now pricing materially higher probability of another 25bp hike by year-end** (upped from 30% to 40% post-CPI).

FX Daily Outlook

- EUR/USD: Post CPI USD domination setting back 1.06 aspirations.
- USD/JPY: Surging UST yields and USD putting 150, and attendant interventions risks, back on table.
- USD/SGD: MAS hold fully priced means that USD/SGD is likely stuck in sub-1.37; USD cues rule.
- AUD/USD: Deferring to the Greenback and hardened UST yields; 63 cents test a risk.

TODAY'S EVENTS

(SG) GDP YoY/QoQ sa (Q3 Flash): 0.7%/1.0% (Mkt: 0.4%/0.6%; Q2: 0.5%/0.1%)

(CH) CPI/PPI YoY (Sep): (Mkt: 5.4%; Aug: 6.8%) | (CH) Trade Balance (Sep): (Mkt: \$70.6b; Aug: \$68.2b)

(IN) Trade Balance (Sep): (Mkt: -\$23.1b; Aug: -\$24.1b) | (EZ) Ind Pdn MoM (Aug): (0.1%; Jul: -1.1%)

(US) UoM Sentiments (Oct P): (Mkt: 67.0; Sep: 68.1) | (US) UoM Inflation Exp 1Y/5-10Y: (Mkt: 3.2%/2.8%; Sep: 3.2%/2.8%)

(Central Banks): **MAS Policy** | ECB Lagarde on IMF Panel

Important Information

This publication has been prepared by Mizuho Bank, Ltd. ("Mizuho") and represents the views of the author. It has not been prepared by an independent research department and it has not been prepared in accordance with legal requirements in any country or jurisdiction designed to promote be complete. This publication has been prepared for information purposes only and is not intended by Mizuho or its affiliates to constitute investment, legal, accounting, tax or other advice of any kind and all recipients of this publication are advised to contact independent advisors in order to evaluate the publication, including, without limitation, the suitability of any security, commodity, futures contract or instrument or related derivative (hereinafter, a "financial instrument"), product or strategy herein described. This publication is not intended to be relied upon as advice to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. It is not intended for persons who are Retail Clients within the meaning of the United Kingdom's Financial Conduct Authority rules nor for persons who are restricted in accordance with US, Japanese, Singapore or any other applicable securities laws.

This publication has been prepared for information purposes only and is not intended by Mizuho to market any financial instrument, product or service or serve as a recommendation to take or refrain from taking any particular course of action or participate in any trading or other strategy. This publication is not an offer to buy or sell or a solicitation of any offer to buy or sell any security or any of the assets, businesses or undertakings described herein, or any other financial instrument, nor is it an offer to participate in any trading or other strategy, nor a disclosure document under applicable laws, rules, regulations or guidelines. Nothing contained herein is in any way intended by Mizuho or its affiliates to offer, solicit and/or market any financial instrument, product or service, or to act as any inducement to enter into any contract or commitment whatsoever. Neither the author, Mizuho nor any affiliate accepts any liability whatsoever with respect to the use of this publication or its contents or for any errors or omissions herein.

Mizuho and its affiliates, connected companies, employees or clients may take the other side of any order by you, enter into transactions contrary to any recommendations contained herein or have positions or make markets or act as principal or agent in transactions in any securities mentioned herein or derivative transactions relating thereto or perform or seek financial or advisory services for the issuers of those securities or financial instruments.

All of the information contained in this publication is subject to further modification without prior notice and any and all opinions, forecasts, projections or forward-looking statements contained herein shall not be relied upon as facts nor relied upon as any indication of future results. Opinions stated in this publication are subject to change without notice. Future results may materially vary from such opinions, forecasts, projections or forward-looking statements. The information contained in this publication may not be current due to, among other things, changes in the financial markets or economic environment. Mizuho has no obligation to update any information contained in this publication. Past performance is not indicative of future performance.

This is a strictly privileged and confidential publication. This publication contains information addressed only to a specific individual and is not intended for distribution to, or use by, any person other than the named addressee or any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Save with Mizuho's prior written consent, you may not disclose, divulge, reproduce or furnish any information contained herein to any other party. Please notify the sender immediately if you have mistakenly received this publication.

Singapore: Mizuho is licensed as a bank under the Banking Act (Chapter 19) of Singapore, and is regulated by the Monetary Authority of Singapore.

Japan: Mizuho is authorised and regulated by the Financial Services Agency of Japan.

United Kingdom / European Economic Area: In the UK, Mizuho is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of MHBK's regulation by the Prudential Regulation Authority are available upon request. This publication may also be distributed by Mizuho International plc ("MHI"). MHI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

United States: This publication is not a "research report" as defined in Commodity Futures Trading Commission ("CFTC") Regulations 1.71 and 23.605. The content of publications distributed by Mizuho Securities USA Inc. ("MSUSA") is the responsibility of MSUSA. The content of publications distributed directly to US customers by Mizuho is the responsibility of Mizuho. US investors must effect any order for a security that is the subject of this report through MSUSA.

© 2014 Mizuho Bank Ltd.