

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.66	149.57	▼0.24	+0.25
EUR	1.0552	1.0510	▼0.0018	▼0.0076
AUD	0.6326	0.6296	▼0.0018	▼0.0090
SGD	1.3679	1.3694	▼0.0007	+0.0043
CNY	7.3070	7.3050	▼0.0010	+0.0070
INR	83.26	83.26	+0.02	+0.02
IDR	15682	15683	▼7	+73
MYR	4.7320	4.7283	+0.0165	+0.0141
PHP	56.81	56.81	+0.14	+0.19
THB	36.39	36.18	+0.00	▼0.84

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.612%	▼8.5 bp	▼18.9 bp
JPY (10YR)	0.761%	+0.3 bp	▼4.4 bp
EUR* (10YR)	2.737%	▼4.9 bp	▼14.7 bp
AUD (5YR)	4.064%	+5.4 bp	▼5.0 bp
SGD (5YR)	3.267%	+0.3 bp	▼11.9 bp
CNY (5YR)	2.566%	▼3.7 bp	+4.1 bp
INR (5YR)	7.329%	+0.9 bp	▼7.0 bp
IDR (5YR)	6.614%	▼2.0 bp	▼18.0 bp
MYR (5YR)	3.726%	+0.5 bp	▼9.1 bp
PHP (5YR)	6.268%	+2.4 bp	+4.3 bp
THB (5YR)	2.898%	+0.0 bp	▼1.1 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,670.29	+0.12%	+0.79%
N225 (JP)	32,315.99	▼0.55%	+4.26%
STOXX 50 (EU)	4,136.12	▼1.48%	▼0.20%
ASX (AU)	4,095.50	▼0.80%	+0.98%
STI (SG)	3,185.79	▼1.02%	+0.36%
SHCOMP (CN)	3,088.10	▼0.64%	▼0.72%
SENSEX (IN)	66,282.74	▼0.19%	+0.44%
JSE (ID)	6,926.78	▼0.12%	+0.56%
KLSE (MY)	1,444.14	+0.02%	+1.92%
PSE (PH)	6,266.34	+0.05%	+0.10%
SET (TH)	1,450.75	+0.00%	+0.86%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	283.97	+2.12%	+2.55%
COPPER (LME)	7,875.81	▲0.50%	▲1.20%
IRON ORE (CN)	117.36	▲0.31%	▲0.17%
GOLD	1,932.82	+3.42%	+5.45%
OIL (WTI)	87.69	+5.77%	+5.92%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	149.57	EUR/USD	1.0521
USD/SGD	1.3691	USD/THB	36.19
JPY/SGD	0.9154	USD/MYR	4.725

Forecast

USD/JPY	148.70 - 150.30
EUR/USD	1.0480 - 1.0610
AUD/USD	0.6260 - 0.6350
USD/SGD	1.3660 - 1.3750
JPY/SGD	0.9088 - 0.9247
USD/CNH	7.2900 - 7.3200
USD/INR	83.20 - 83.50
USD/IDR	15650 - 15760
USD/MYR	4.726 - 4.743
USD/PHP	56.70 - 57.00
USD/THB	36.10 - 36.50

Today's Direction

	Bull	Bear
USD/SGD	6	1
USD/JPY	5	2

Three Take-aways:

- 1) UST yields plunge as geo-political fears notches up and havens (CHF, Gold) gain ground.
- 2) US equities slip and risk off sentiments stay intact as USD also maintains traction.
- 3) BoK set to stand pat as inflation surge remains insufficient to hike amid growth uncertainties.

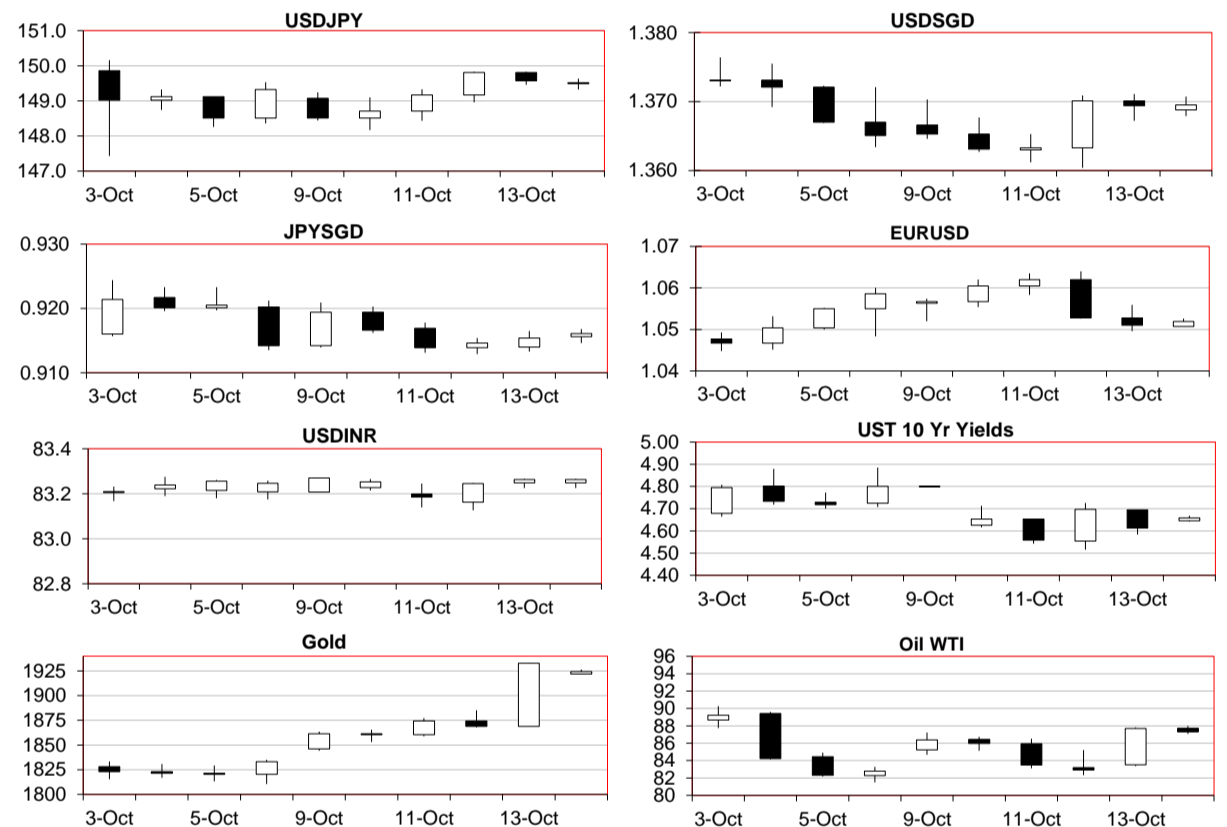
Sheltering

- As fears of a wider conflict notches up, Brent crude prices are now back above US\$90/barrel.
- With investors seek more haven cover, the likes of the CHF was the outperformer among G10 peers last Friday, followed by commodity currencies of the NOK and CAD.
- The USD/JPY also slipped towards mid-148.
- That said, USD has not certainly not lost its haven allure as the Greenback gained against the EUR and AUD despite lower UST yields.
- The AUD continue to languish around 63 cents while the EUR hovers just above 1.05.
- The UST yield curve bull flattening (2Y: -1.5bp; 10Y: -8.5bp) also resembles another bout of a flight to safety. While geo-political risks are a key factor, the downbeat sentiments of US consumers was also a consideration. Notably, it appears that significantly higher inflation expectations from the survey failed to override haven demand. Given that these preliminary figure is subject to revisions, market sensitives may be somewhat tempered.
- Lower UST yields also aided haven metal gold's more than 3% rise to above \$1920/ounce.
- US equities were also far from safe as the threat of US-China tensions over semiconductors continue to cast a shadow over the Nasdaq which declined 1.2%. S&P 500 dropping 0.5 % and the Dow's marginal edge up of 0.1% speaks to the risk off sentiments.
- In EM-Asia, while the sight of US granting waivers for leading Korean and Taiwan conglomerates to export equipment into their China operations provide relief, the on-going uncertainty hurt sentiments, restraining investments and add further supply chain complications to the region.
- Elsewhere, USD/SGD continued sideways around 1.37 as it looks China data release. Geo-political conflicts will weigh on EM-Asia FX this week and may even differentiate relative havens.

OVERNIGHT RESULTS

(CH) CPI/PPI YoY (Sep): 0.0%/-2.5% (Mkt: 0.2%/-2.4%; Aug: 0.1%/-3.0%) | (CH) Trade Balance (Sep): \$77.7b (Mkt: \$70.6b; Aug: \$68.2b) | (IN) Trade Balance (Sep): -\$19.4b (Mkt: -\$23.1b; Aug: -\$24.1b) | (EZ) Ind Pdn SA MoM (Aug): 0.6% (Mkt: 0.2%; Jul: -1.1%) | (US) UoM Sentiments (Oct P): 63.0 (Mkt: 67.0; Sep: 68.1) | (US) UoM Inflation Exp 1Y/5-10Y: 3.8%/3.0% (Mkt: 3.2%/2.8%; Sep: 3.2%/2.8%)

Past Two Weeks Movement



BoK: Of Peaks and Bottoms

- The BoK will be expected to stand pat at their next meeting (19th Oct). On one end, a resurgent headline inflation is insufficient for another hike while a bottoming semiconductor cycle implies that this will not be the right time for a rate cut which comes with associated lags of growth support. As such, a rate hold remains the optimal decision at this juncture.
- Headline inflation soaring to 3.7% YoY in September was being largely driven by higher oil prices, utilities charges and food prices as core inflation (Sept) remained at 3.3% YoY similar to that in August. Announced this morning, fuel tax cuts on gasoline and diesel which are due to expire at the end of October have been extended to the end of the year.
- As such, while food inflation and escalating cost of eating out is concerning, it is insufficient ground for further tightening as consumer inflation expectations stayed anchored at a palatable 3.3%. On the other hand, while growth in Q3 is likely to remain weak, the semiconductor cycle may be attempting to find a bottom as exports have improved in recent months alongside higher industrial production levels.
- Considering that a rate cut will also act with associated lags, both the depth and timing of growth concerns do not align with monetary easing especially amid unabated concerns on potential second round effects.
- All in, the BoK will be expected to display more forward looking guidance on growth recovery prospects but yet defer on giving policy direction by retaining optionality on peak rates.

FX Daily Outlook

- EUR/USD: Consolidation around mid-1.05 at best without fading of conflict escalation fears.
- USD/JPY: Haven nature takes a backseat as pair remains backstopped above 149.
- USD/SGD: Quasi-haven nature may assist for 1.37 consolidation as USD allure notches up.
- AUD/USD: Sub-63 cent slippage on higher UST yields if policy focus re-asserts.

TODAY'S EVENTS

(JP) Industrial Production YoY (Aug F): (Prelim: -3.8%) | (ID) Trade Balance (Sep): (Mkt:\$ 2146m; Aug: \$3120)
(IN) Wholesale Prices YoY (Sep): (Mkt: 0.3%; Aug: -0.5%) | (PH) Overseas Cash Remittances Yoy (Aug): (Jul:2.6%)
(US) Empire Mfg (Oct): (Mkt: -5.0; Sep: 1.9)
(Central Banks): Fed's Harker Speaks

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