

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.57	149.51	▼0.06	+1.00
EUR	1.0534	1.0560	+0.0050	▼0.0007
AUD	0.6327	0.6342	+0.0046	▼0.0069
SGD	1.3697	1.3676	▼0.0018	+0.0023
CNY	7.3114	7.3110	+0.0060	+0.0184
INR	83.27	83.28	+0.01	+0.01
IDR	15727	15720	+37	+30
MYR	4.7368	4.7380	+0.0097	+0.0065
PHP	56.80	56.79	▼0.02	▼0.17
THB	36.31	36.30	+0.12	▼0.81

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.706%	+9.4 bp	▼9.5 bp
JPY (10YR)	0.761%	+0.0 bp	▼4.4 bp
EUR* (10YR)	2.785%	+4.8 bp	+1.3 bp
AUD (5YR)	4.069%	+0.5 bp	▼0.8 bp
SGD (5YR)	3.281%	+1.4 bp	▼8.8 bp
CNY (5YR)	2.559%	▼0.7 bp	+3.0 bp
INR (5YR)	7.349%	+2.0 bp	▼8.6 bp
IDR (5YR)	6.634%	+2.0 bp	▼16.8 bp
MYR (5YR)	3.733%	+0.7 bp	▼7.5 bp
PHP (5YR)	6.255%	▼1.3 bp	+0.5 bp
THB (5YR)	2.924%	+2.6 bp	▼0.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,984.54	+0.93%	+1.13%
N225 (JP)	31,659.03	▼2.03%	+2.14%
STOXX 50 (EU)	4,149.86	+0.33%	+0.91%
ASX (AU)	4,111.24	+0.38%	+1.53%
STI (SG)	3,163.89	▼0.69%	▼0.08%
SHCOMP (CN)	3,073.81	▼0.46%	▼0.75%
SENSEX (IN)	66,166.93	▼0.17%	+1.00%
JSE (ID)	6,896.29	▼0.44%	+0.07%
KLSE (MY)	1,438.96	▼0.36%	+1.53%
PSE (PH)	6,198.83	▼1.08%	▼0.85%
SET (TH)	1,427.11	▼1.63%	▼0.32%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	282.37	▲0.56%	+0.81%
COPPER (LME)	7,915.50	+0.50%	▲1.54%
IRON ORE (CN)	119.10	+1.48%	+2.55%
GOLD	1,920.20	▲0.65%	+3.16%
OIL (WTI)	86.66	▼1.17%	+0.32%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	149.59	EUR/USD	1.0554
USD/SGD	1.3685	USD/THB	36.31
JPY/SGD	0.9149	USD/MYR	4.715

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	4	2
USD/JPY	4	2

Three Take-aways:

- 1) UST yields ease and equities rebound on diplomatic efforts to avert a spillover of Israel-Hamas war.
- 2) But geo-political risk premium is merely tempered, not terminated: as gold retains most gains.
- 3) UST yield volatility on haven-hawk tensions overstate geo-political risk displacement: unlike USD.

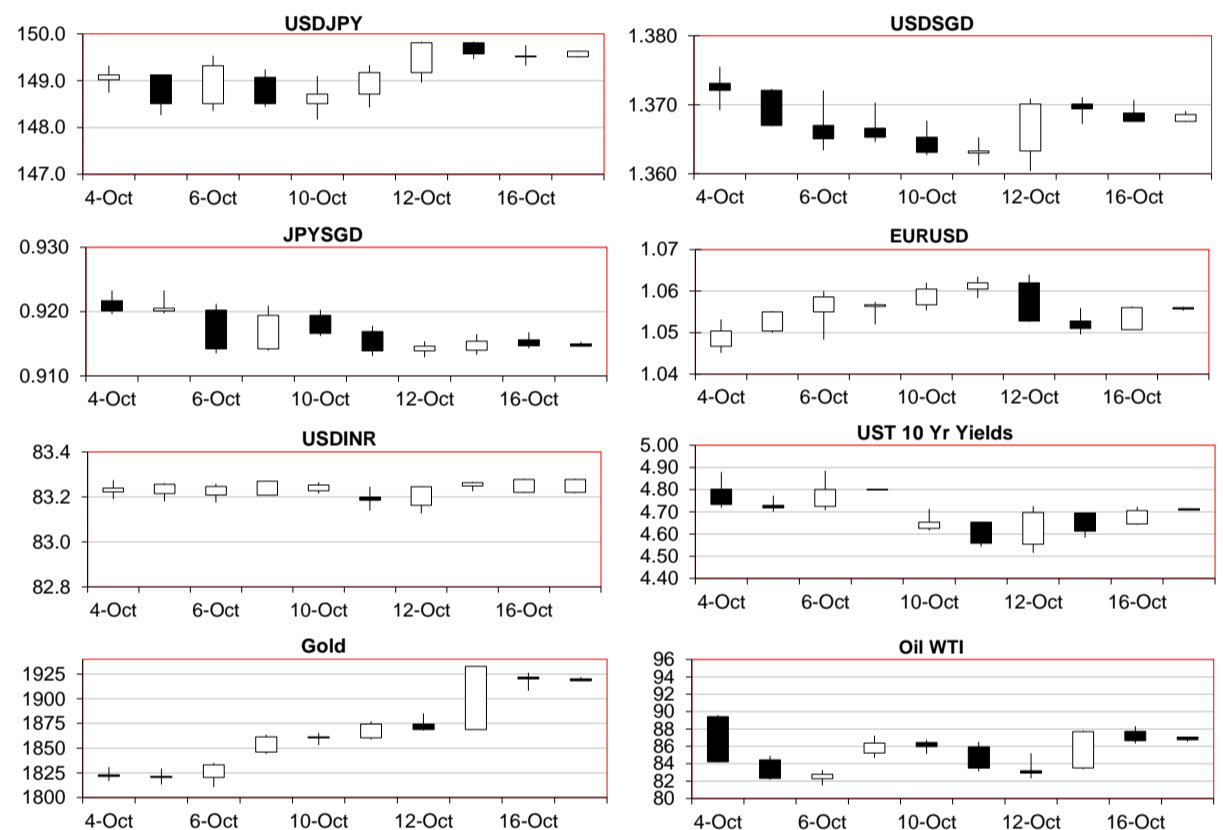
Disruption & Displacement

- **Flight to safety** (UST yields slumping, Gold soaring and USD surging) and **Oil squeeze pairing triggered by Israel-Hamas war disruption risk, partly reversed on diplomatic efforts** to avert worst case outcomes. Especially as active engagement to prevent a wider Middle East conflict is stepped up.
- The resultant relief is understandable, but risks being overdone. For it is *one thing to defuse acute geo-political threats and quite another to displace it with unbridled "risk on"*.
- And a closer look across asset classes reveals **underlying caution**; in spades. Fact is, the anguish of war's disruption and displacement impose significant uncertainty.
- **Gold**: For a start, **Gold has only eased fractionally** eased; from a 5.5% surge (to \$1933) in the wake of Hamas' attack on Israel to a measured 0.7% softer (at ~\$1920) on overnight relief.
- In turn suggesting that **geo-political uncertainty premium** remains predominantly intact; especially after accounting for higher UST yields, which otherwise ought to erode Gold's allure.
- **UST Yields**: Speaking of which, it is admittedly tempting to conflate the **sell-off in USTs (resulting in a rebound in yields)** witnessed with a sharp reversal for haven demand; and by extension, an enthused revival of risk appetite. But this is short on context.
- Fact is, the coincidence of a **hawkish Fed colliding with heightened geo-political risks heighten propensity for acute two-way volatility in UST yields**. Specifically, **diametrically opposed forces of sharp yield downside from haven demand and yield surge tendencies on a hawkish Fed**.
- In which case, *one* (hawkish triggers) **may continually disrupt** the other (haven dampeners), **without either durably displacing** the other. Not until clarity on the ability to contain the Israel-Hamas war containment is established. But for now, clarity eludes while volatility entrenches.
- Point being, it is hasty to characterise a rebound in yields as "risk on"; it is merely reversal.

OVERNIGHT RESULTS

(JP) Industrial Pdtn MoM (Aug F): -0.7% (Prelim: 0.0%) | (ID) Trade Bal (Sep): -\$2.35b (Mkt: \$2.35b; Aug: \$3.12b)
(IN) Wholesale Prices YoY (Sep): -0.3% (Mkt: 0.4%; Aug: -0.5%) | (PH) Overseas Cash Remittances YoY (Aug): 2.7% (Jul: 2.6%)
(US) Empire Mfg (Oct): -4.6 (Mkt: -5.0; Sep: 1.9)

Past Two Weeks Movement



- **Risk Sentiments**: In that same vein, **extrapolating risk sentiments from yields may be fraught with contextual complexities**. Just as mechanically projecting softer yields as a trigger for "risk on" proved to be a fallacy in the face of **geo-political uncertainty** (on Friday), it is hasty to assume durably bullish, "risk on" mood from overnight rebound in equities amid rising yields.
- Instead, it may be of **opportunistic liquidity displacement**, out of one asset class (USTs) into another (equities), **in the absence of adverse geo-political spill-over** headlines; which **does not guarantee** that **liquidity will not be more permanently disrupted** should geo-political risks flare.
- **USD & FX**: Crucially, the fact that a **broadly bullish USD is not disrupted by UST yield swings** is instructive about the **continued dominance of geo-political risk premium**.
- Point being, slumping UST yields (on **flight to safety**) intermittently **displacing** rebound in UST yields (reflecting a **hawkish Fed**) **will not seriously disrupt USD backstop**. Not until there is a coincidence of dialed back geo-political risks and a dovish Fed pivot.
- **Oil**: Especially, as **supply disruption risks in oil linger**. Admittedly, Brent crude slipped back below \$90 on diplomatic overtures to prevent a wider regional escalation of Israel-Hamas war.
- But **tight global supplies**, and woefully low visibility on how the conflict may evolve warn that **dampened crude on risk calibration is not to be confused with displaced supply shock threat**.
- **War & Uncertainty Premium**: All said, **latent disruption risks** from the Israel-Hamas conflict **remain elevated**. And the tragic fallout from the Gaza tragedy will resonate beyond even if it is geographically confined for now. Crucially, **markets' instinct to draw relief** may be **misguided** insofar that it **merely displaces one risk (geo-politics) for another (policy)**.

FX Daily Outlook

- EUR/USD: Scant relief in averting sub-1.05 to regain mid-1.05 grounds; fade 1.06.
- USD/JPY: Higher yields and interventions risks conflict; as mid-149 consolidation reveals tensions.
- USD/SGD: Rallies to test 1.37 have abated; but USD/SGD unlikely to deflate back to 1.36.
- AUD/USD: Traction to mid-0.63 to be challenged by higher UST yields ahead of 0.64.

TODAY'S EVENTS

(SG) Non-oil Domestic Exports/Electronics YoY: -13.2%/-11.6% (Mkt: -15.0%/--; Aug: -22.5%/-21.1%)
(JP) Tertiary Industry Index MoM (Aug): (Mkt: 0.3%; Jul: 0.9%) | (GE) Zew Survey Expectations/Current (Oct): (Mkt: -9.5/-80.8; Sep: -11.4/-79.4) | (US) Retail Sales/Ex Auto & Gas MoM (Sep): (Mkt: 0.3%/0.1%; Aug: 0.6%/0.2%)
(US) Industrial Production MoM (Sep) (Mkt: 0.0%; Aug: 0.4%)
(Central Banks): ECB's Knot Speaks

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