

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.74	149.93	+0.12	+0.76
EUR	1.0579	1.0536	▼0.0041	▼0.0084
AUD	0.6382	0.6336	▼0.0029	▼0.0078
SGD	1.3685	1.3734	+0.0051	+0.0101
CNY	7.3110	7.3165	+0.0008	+0.0158
INR	83.26	83.27	+0.01	+0.08
IDR	15730	15730	+15	+37
MYR	4.7429	4.7470	+0.0110	+0.0307
PHP	56.70	56.71	▼0.03	▼0.07
THB	36.33	36.28	▼0.11	▼0.13

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.915%	+8.1 bp	+35.7 bp
JPY (10YR)	0.809%	+2.8 bp	+4.0 bp
EUR* (10YR)	2.924%	+4.2 bp	+20.6 bp
AUD (5YR)	4.288%	+9.3 bp	+23.9 bp
SGD (5YR)	3.316%	+3.7 bp	+1.1 bp
CNY (5YR)	2.593%	+1.3 bp	+0.4 bp
INR (5YR)	7.359%	+2.1 bp	+1.1 bp
IDR (5YR)	6.717%	+4.1 bp	+5.6 bp
MYR (5YR)	3.762%	+1.5 bp	+0.6 bp
PHP (5YR)	6.354%	+9.1 bp	+9.9 bp
THB (5YR)	3.000%	+5.7 bp	+10.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,665.08	+0.04%	▼0.41%
N225 (JP)	32,042.25	+1.20%	+0.33%
STOXX 50 (EU)	4,105.86	+0.06%	▼2.26%
ASX (AU)	4,088.24	+0.63%	▼0.73%
STI (SG)	3,136.62	+0.25%	▼1.76%
SHCOMP (CN)	3,058.71	+0.32%	▼0.66%
SENSEX (IN)	65,877.02	+0.39%	▼0.90%
JSE (ID)	6,927.91	+0.63%	▼0.06%
KLSE (MY)	1,446.54	+0.36%	+0.70%
PSE (PH)	6,268.27	+1.32%	+0.23%
SET (TH)	1,437.85	+0.44%	▼1.25%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	285.83	+0.97%	+3.04%
COPPER (LME)	7,901.50	▲0.02%	▲0.57%
IRON ORE (CN)	118.35	▲0.72%	+1.65%
GOLD	1,947.55	+1.27%	+3.90%
OIL (WTI)	88.32	+0.00%	+0.80%

Three Take-aways:

- 1) US equities crumbled and USD strengthened on risk-off as geo-political tensions escalate.
- 2) UST yield curve bear steepened on resilient US data and continued hawkish Fed.
- 3) Bank Indonesia to hold rates as IDR concerns overrides growth worries amid moderating inflation.

Wrong-footed And Humbled

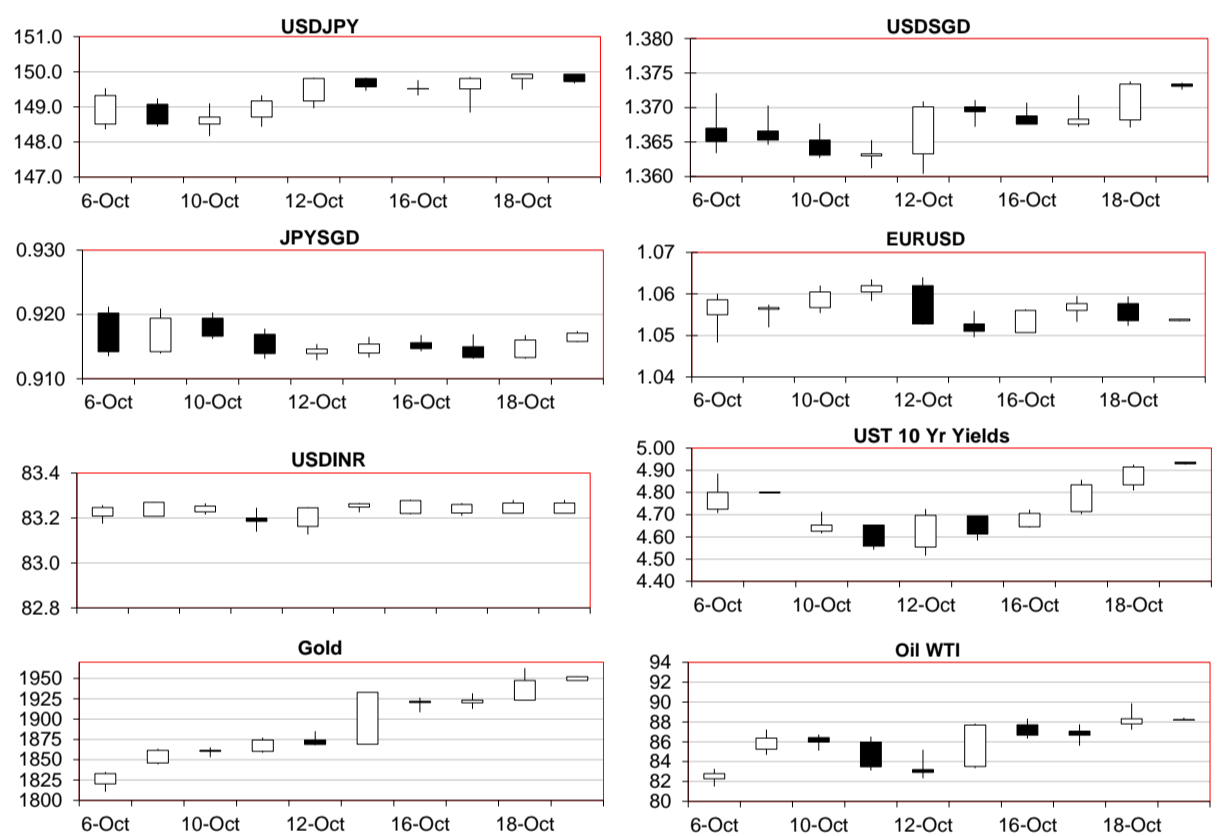
- US equities (S&P 500: -1.3%; Dow: -1.0%; NASDAQ: -1.6%) were humbled after getting caught wrong-footed on expectations that Biden's visit to Israel could lower geopolitical risks.
- Tensions escalated in the Israel-Hamas conflict as Iran called for an oil embargo against Israel over its air strikes on Gaza, raising fears of threats to oil supply disruptions.
- While Brent crude tested \$93/bbl, the subsequent slip back towards US\$91/bbl underscores the need for more identifiable, proximate threats. In a risk-off mood, gold jumped to \$1950
- In view of the already significant haven positioning in recent days, UST yield curve bear steepened, with 2Y USTs rising 1.3bps and 10Y USTs soaring 8.1bps as a confluence of continued resilience in US data, hawkish notes in Fed speak and higher longer term inflation expectations on upside risks to oil played out.
- New York Fed's Williams reiterated that interest rates have to stay restrictive levels and Governor Waller signalled the need to remain patient before deciding on a further hike.
- The USD gained against most G10 peers on higher UST yields and risk aversion. The CHF and JPY retained marginal haven advantages though the latter is further assisted by intervention risks.
- USD/JPY oscillated above mid-149 while EUR weakened below mid-1.05.
- Meanwhile, AUD fell towards the 63 cents as China GDP exceeding expectations was unable to backstop a weakening CNH. Similarly, the USD/SGD rallied towards mid-1.37 levels.
- EM-Asia FX looks set to remain pressured on higher UST yields and elevated oil prices.

Bank Indonesia: Balancing Act

- BI is likely to hold rates at 5.75% as it attempts a delicate balancing act.

OVERNIGHT RESULTS

(CH) GDP YoY (3Q): 4.9% (Mkt: 4.5%; 2Q: 6.3%) | Industrial Production YoY (Sep): 4.5% (Mkt: 4.4%; Aug: 4.5%)
 (CH) Retail Sales YoY (Sep): 5.5% (Mkt: 4.9%; Aug: 4.6%) | (CH) FAI/Property Inv. YTD Yoy (Sep): 3.1%/-9.1% (Mkt: 3.2%/-8.9%; Aug: 3.2%/-8.8%) | (EZ) CPI/Core (Sep F): 4.3%/4.5% (Mkt: 4.3%/4.5%; Prelim: 4.3%/4.5%)
 (US) Housing Starts/Building Permits (Sep): 1358k/1473k (Mkt: 1390k/1450k; Aug: 1283k/1541k)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.78	EUR/USD	1.0538
USD/SGD	1.3735	USD/THB	36.38
JPY/SGD	0.9170	USD/MYR	4.760

Forecast

USD/JPY	148.90 - 150.20
EUR/USD	1.0500 - 1.0600
AUD/USD	0.6290 - 0.6380
USD/SGD	1.3670 - 1.3760
JPY/SGD	0.9101 - 0.9241
USD/CNH	7.3080 - 7.3450
USD/INR	83.15 - 83.50
USD/IDR	15670 - 15790
USD/MYR	4.740 - 4.775
USD/PHP	56.60 - 56.95
USD/THB	36.25 - 36.55

Today's Direction

	Bull	Bear
USD/SGD	6	2
USD/JPY	5	3

- While a weaker external sector, reduced consumer sentiment and manageable inflation could make a case for a cut, narrowing rate differentials against the USTs risks puts immense pressure on the IDR which has been a key priority of BI.
- External demand remains weak with downside risks to commodity prices on slowing global demand and a likely protracted Chinese recovery from the property sector meltdown.
- Notably, given that the increase in export revenue seen in 2022 can be largely attributed to a spike in prices instead of a sustained increase in volume of exports.
- Whereas fading price tailwinds start to emerge as a key concern for cashflows going forward.
- Especially given that some of the price correction may reveal weakening aggregate demand; and supply-side shocks supporting price ultimately turn negative on a larger adverse demand impact.
- What's more, weaker consumer sentiments do not bode well for outperformance in domestic spending, which has been the key driver of growth in the past 7 quarters.
- All of these arguably create the necessary conditions for BI to cut. Especially as inflation appears relatively well anchored; and set to remain in BI's target range through 2024.
- But, these "necessary conditions" are simply not sufficient. In particular, rupiah stability risks entailed in a cut (from narrowing rate differential vs. USTs).
- And this is a serious threat given IDR is the worst performing currency in EM-Asia against the greenback (-2.0%) since the Sep FOMC.
- As such, BI may opt for other liquidity tools (reserve requirements) to support credit growth for key sectors; complemented by higher onshore USD deposit rates for stability.

FX Daily Outlook

- EUR/USD: Remain buoyed above 1.05 levels amid haven demand.
- USD/JPY: Breaking 150 unlikely amid risk-off mood despite higher UST yields.
- USD/SGD: Consolidation above 1.37 levels hading into Powell's remarks tonight.
- AUD/USD: Some volatility on jobs data, but possible to weaken to 0.63.

TODAY'S EVENTS

(JP) Trade Balance (Sep): ¥62.4b (Mkt: -¥451.5b; Aug: -¥937.8b)
 (AU) Emp. Chg / Unemployment Rate (Sep): 6.7k/3.6% (Mkt: 20.0k/3.7%; Aug: 64.9k/3.7%)
 (MY) Trade Balance MYR (Sep): (Mkt: 21.7b; Aug: 17.3b) | (PH) BoP Overall (Sep): (Mkt: -; Aug: -\$57m)
 (EZ) ECB Current Account SA (Aug): (Mkt: -; Jul: 20.9b)
 (US) Leading Index (Sep): (Mkt: -0.4%; -0.4%) | Philadelphia Fed Businss Outlook (Oct): (Mkt: -7.0; Sep: -13.5)
 Central Banks: Fed's Powell, Jefferson, Goolsbee, Bostic & Logan speak | Bank Indonesia and BOK monetary position

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