

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.80	149.80	▼0.13	▼0.01
EUR	1.0538	1.0582	+0.0046	+0.0054
AUD	0.6298	0.6329	▼0.0007	+0.0015
SGD	1.3742	1.3728	▼0.0006	+0.0027
CNY	7.3169	7.3104	▼0.0061	+0.0044
INR	83.28	83.24	▼0.03	▼0.01
IDR	15820	15815	+85	+125
MYR	4.7684	4.7700	+0.0230	+0.0582
PHP	56.85	56.86	+0.15	+0.19
THB	36.47	36.47	+0.18	+0.29

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.990%	+7.5 bp	+29.3 bp
JPY (10YR)	0.840%	+3.1 bp	+8.2 bp
EUR* (10YR)	2.931%	+0.7 bp	+14.5 bp
AUD (5YR)	4.379%	+9.1 bp	+36.9 bp
SGD (5YR)	3.383%	+6.7 bp	+11.9 bp
CNY (5YR)	2.624%	+3.1 bp	+2.1 bp
INR (5YR)	7.379%	+2.0 bp	+5.9 bp
IDR (5YR)	6.879%	+16.2 bp	+24.5 bp
MYR (5YR)	3.795%	+3.3 bp	+7.4 bp
PHP (5YR)	6.338%	▼1.6 bp	+9.4 bp
THB (5YR)	3.012%	+1.2 bp	+11.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,414.17	▼0.75%	▼0.65%
N225 (JP)	31,430.62	▼1.91%	▼3.27%
STOXX 50 (EU)	4,090.33	▼0.38%	▼2.57%
ASX (AU)	4,041.45	▼1.14%	▼2.11%
STI (SG)	3,099.60	▼1.18%	▼3.70%
SHCOMP (CN)	3,005.39	▼1.74%	▼3.30%
SENSEX (IN)	65,629.24	▼0.38%	▼1.17%
JSE (ID)	6,846.43	▼1.18%	▼1.28%
KLSE (MY)	1,442.66	▼0.27%	▼0.08%
PSE (PH)	6,219.16	▼0.78%	▼0.70%
SET (TH)	1,423.04	▼1.03%	▼1.91%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	287.34	+0.53%	+3.33%
COPPER (LME)	7,928.00	+0.34%	+0.15%
IRON ORE (CN)	119.09	+0.63%	+1.16%
GOLD	1,974.46	+1.38%	+5.65%
OIL (WTI)	89.37	+1.19%	+7.79%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	149.81	EUR/USD	1.0585
USD/SGD	1.3727	USD/THB	36.41
JPY/SGD	0.9163	USD/MYR	4.770

Forecast

USD/JPY	149.30 - 150.40
EUR/USD	1.0500 - 1.0630
AUD/USD	0.6280 - 0.6800
USD/SGD	1.3680 - 1.3760
JPY/SGD	0.9096 - 0.9216
USD/CNH	7.3230 - 7.3480
USD/INR	83.15 - 83.50
USD/IDR	15740 - 15870
USD/MYR	4.760 - 4.788
USD/PHP	56.70 - 56.98
USD/THB	36.35 - 36.60

Today's Direction

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

Three Take-aways:

- 1) Volatile yields as patience-vigilance tensions in the Fed's hawkish bias collided with geo-politics.
- 2) Acute geo-political risks warn of even greater volatility; abrupt yield pullback and USD surge.
- 3) Bank Indonesia unexpected hiked by 25bp to 6.00%, citing rupiah stability motivations.

Powell, Patience & Projectiles

- **Acute volatility in UST yields**, amid a cacophony of signals in whipped markets; eventually knocking back *equities in a sea of red* (despite pockets of relief) and *buoying the USD* (despite easing off the highs from earlier rallies) against a backdrop of *geo-politically boosted Oil*.
 - The culprits behind yield volatility were **Powell**, (his brand of) **patience** and **projectiles** (of war).
 - Specifically, a "careful" Powell initially dampened front-end yields; as the key message on "proceeding carefully" was justifiably decoded as holding back on a Nov hike. **More so**, backed by allusion to **surging yields diminishing the need for the Fed to further tighten**.
 - **Nonetheless**, the **inferred Fed "patience"** was clarified to be **conditional**. Specifically, Powell not only suggested that he was unconvinced rates were sufficiently tight, but also suggested willingness to engage in non-interventionist spectator spot of watching where yields went.
 - Alongside **geo-politically charged up Oil prices**, (Brent up 3-4% to \$93) fuelling inflationary blowback concerns from war, and lingering concerns of US debt issuances, long-end yields surged.
 - Tensions between patience, hawkish caveats, US debt concerns and war's haven premium invoked conflicting yield moves; 2Y UST yields easing (6-7bp) to 5.16% and 10Y surging (7-8bp) to 4.99%.
 - Meanwhile, **missiles from Yemen** (purportedly heading for Israel) **intercepted by the US highlight acute threats of wider Middle Eastern spill-over of Israel-Hamas conflict**.
 - So, the **real danger is that explosive projectiles will further elevate volatility**; as a steadying USD is misleadingly sanguine about highly unstable dynamics from grave geo-political risks.

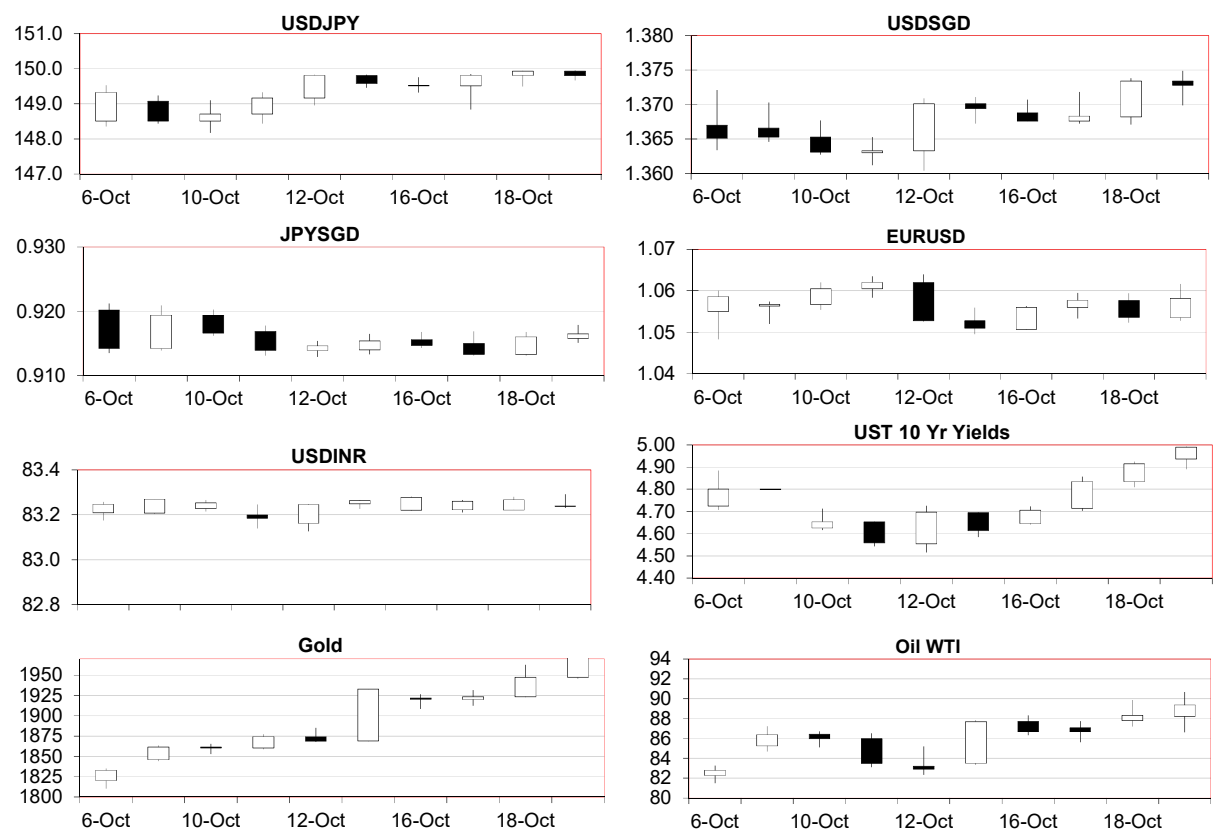
Bank Indonesia: Timing, Not Trigger ... Nor Terminal

- The **surprise in Bank Indonesia's 25bp hike** (to 6.00%) was about **timing, not the trigger**.
 - Regular readers of our column know that we had early on warned, and subsequently continued to caution, that **earlier declarations of peak rate by BI were premature amid a hawkish Fed**.

OVERNIGHT RESULTS

(AU) Emp. Chg / Unemployment Rate (Sep): 6.7k/3.6% (Mkt: 20.0k/3.7%; Aug: 63.3k/3.7%)
 (MY) Trade Bal MYR (Sep): 24.5b (Mkt: 21.7b; Aug: 17.3b) | (PH) BoP Overall (Sep): -\$414m (Mkt: -; Aug: -\$57m)
 (US) Leading Index (Sep): 0.7% (Mkt: -0.4%; -0.5%) | Philly Fed Businss Outlook (Oct): -9.0 (Mkt: -7.0; Sep: -13.5)

Past Two Weeks Movement



- **Precisely because of the risks posed top macro- and rupiah stability**.
 - And so, what was delivered was **arguably some good, old-fashioned central bank element of surprise**, with no hints from BI on the imminent **timing** of the move.
 - Whereas, **rupiah wobbles** being the **trigger** was not just **unsurprising**, but has been the elephant in the global policy/FX room for a while now; with the (obvious-on-hindsight!) **smoking gun of rupiah's 5.5% sell-off since late-July**; with **half of those losses (2.3%) in October alone!**
 - The most pertinent questions we are left with are: **Will this be enough? Is Bank Indonesia done?**
 - **On sufficiency**, the answer is unclear, but **leaning towards "no"**. To be more nuanced, the hike was probably a **pre-condition to quell, not panacea to kill, rupiah pressures**.
 - Fact is, **Fed hawks** that are **somewhat more patient, but far from placated**, may inadvertently pose **extended bouts of rupiah pressures amid surging US real yields**.
 - Moreover, it is not just that BI's **250bp of hikes still lags the Fed's 525bp**; but crucially, **real rate spreads* for IDR flipped from a 500-550bp advantage** in Q1 2022 (pre-Fed hikes) **to a 250-300bp disadvantage** in Q3 this year. And an additional 25bp inevitably falls short on that measure.
 - But **on policy sensitivity**, **Bank Indonesia may not resort to further significant key rate hikes**.
 - Instead, given sharpening trade-off on growth (as household balance sheets and cash-flows) and fairly well-contained inflation, **BI may opt to deploy a suite of reserve requirement, deposit and other FX markets tools more flexibly** to dynamically buffer against sharp USD moves ahead.
 - Upshot being, Bank Indonesia's **timing** might have been a **surprise**, but the **trigger was not**.
 - And it is **premature to declare terminal tightening**; even as two-way risks have grown.

FX Daily Outlook

- EUR/USD: Buying on slip towards 1.05 quickly dissipates above mid-1.05 on caution.
- USD/JPY: Temptation to test 150 clear on UST yields, appetite for burnt fingers holding back.
- USD/SGD: Buoyant on USD upside biao amid geo-political risk off and softer CNH.
- AUD/USD: High beta, higher UST yields, gloomy China after-thoughts all limit 0.63+ traction.

TODAY'S EVENTS

(CH) 1-Year/5-Year Loan Prime Rate: (Mkt: 3.45%/4.20%; prev: 3.45%/4.20%)
 (MY) CPI YoY (Sep): (Mkt: 2.1%; Aug: 2.0%)
 (JP) Natl CPI/Ex Fresh Food, Energy YoY (Sep): (Mkt: 3.0%/4.1%; Aug: 3.2%/4.3%)
Central Banks: Fed's Mester speak
 * real rate spreads in this case is measured by backing inflation out of policy rate

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