

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	149.91	149.71	▼0.15	+0.20
EUR	1.0595	1.0670	+0.0076	+0.0110
AUD	0.6304	0.6336	+0.0022	▼0.0006
SGD	1.3726	1.3668	▼0.0057	▼0.0008
CNY	7.3178	7.3090	▼0.0061	▼0.0020
INR	83.17	83.19	+0.07	▼0.09
IDR	15935	15935	+60	+215
MYR	4.7813	4.7943	+0.0266	+0.0563
PHP	56.83	56.83	▼0.01	+0.04
THB	36.51	36.51	+0.00	+0.21

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.850%	▼6.4 bp	+14.4 bp
JPY (10YR)	0.877%	+3.5 bp	+11.6 bp
EUR* (10YR)	2.874%	▼1.5 bp	+8.9 bp
AUD (5YR)	4.374%	+1.8 bp	+30.5 bp
SGD (5YR)	3.345%	+1.3 bp	+6.4 bp
CNY (5YR)	2.593%	▼3.2 bp	+3.4 bp
INR (5YR)	7.371%	+1.1 bp	+2.2 bp
IDR (5YR)	7.193%	+17.6 bp	+55.9 bp
MYR (5YR)	3.831%	+2.9 bp	+9.8 bp
PHP (5YR)	6.440%	+4.4 bp	+18.5 bp
THB (5YR)	3.018%	+0.0 bp	+9.3 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	32,936.41	▼0.58%	▼3.08%
N225 (JP)	30,999.55	▼0.83%	▼2.08%
STOXX 50 (EU)	4,041.75	+0.42%	▼2.61%
ASX (AU)	3,978.44	▼0.30%	▼3.23%
STI (SG)	3,053.36	▼0.76%	▼3.49%
SHCOMP (CN)	2,939.29	▼1.47%	▼4.38%
SENSEX (IN)	64,571.88	▼1.26%	▼2.41%
JSE (ID)	6,741.96	▼1.57%	▼2.24%
KLSE (MY)	1,438.12	▼0.20%	▼0.06%
PSE (PH)	6,088.44	▼0.89%	▼1.78%
SET (TH)	1,399.35	+0.00%	▼1.95%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	283.40	▲0.91%	+0.37%
COPPER (LME)	7,900.76	+0.27%	▲0.19%
IRON ORE (CN)	117.29	▲0.03%	▲1.52%
GOLD	1,972.85	▲0.43%	+2.74%
OIL (WTI)	85.49	▼3.67%	▼1.35%

Three Take-aways:

- 1) Israel holding off on a ground invasion merely reins in haven reflex: USD pullback; Gold and Oil ease.
- 2) Wild swings in UST yields (easing after a surge) attributed to short covering. Volatility remains!
- 3) Rupiah stability focus by Bank Indonesia reveals growing headwinds from real rate spreads and ToT.

Ground

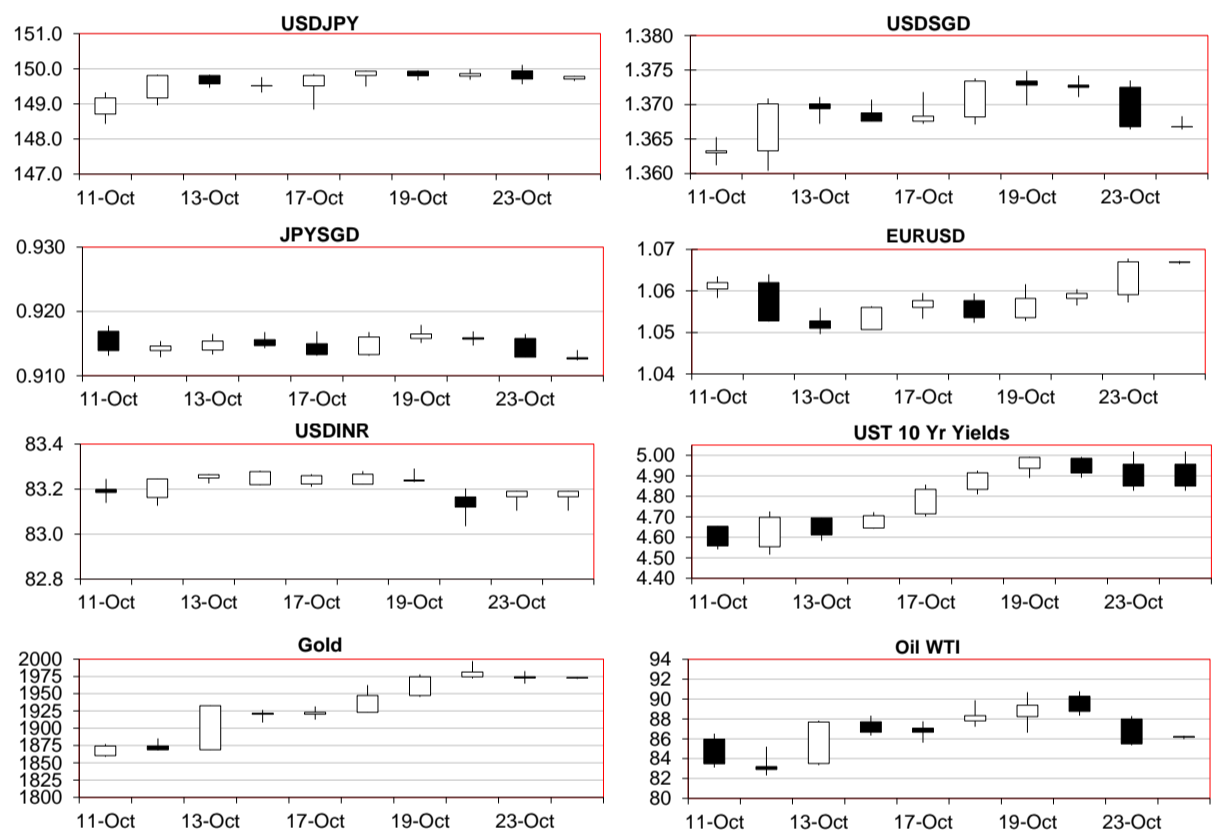
- To be sure, it is **not as if geo-political risks have genuinely receded**. After all, *Israel holding off on a ground invasion of the Gaza* may not be entirely deference to diplomatic efforts.
- Rather, it may be **grounded in military strategy** as Israel weighs off vulnerabilities to the North (Hezbollah) and its own casualties from a fraught ground invasion. Whereas air strikes continue.
- Accordingly, **mild reversal of haven reflex, not unbridled resumption of risk**, that resulted.
- **Oil fleetingly slipped** (Brent to \$90 from \$92); *but is already recouping ground*.
- **Gold is even sturdier**; merely holding back on a break above \$1980, *not actually losing ground*.
- Admittedly, the **Greenback's drop is more pronounced** (-0.5%), but uneven across G10 FX.
- Corresponding EUR lift (+0.7%) to above mid-1.06 is out-running compared to a more measured (0.3%) pick-up in AUD is still shy of mid-0.63 break. And JPY barely budged higher from sub-150.
- To some extent, a **more emphatic USD pullback** was from a *corresponding, sharp, drop in UST yields*, which buckled to close 4.85% from an earlier test above 5%.
- And yields, almost certainly were **not impressed by the hold off on the ground invasion**; as the *direction of travel was diametrically opposed to haven unwind trade* (that ought to lift yields).

The Bond Puzzle

- To be fair though, **bond moves have been puzzling through the Gaza conflict** in any case.
- *Beyond fleeting initial pullback*, 10Y UST yields assumed **emphatic upward trajectory** that **defied received wisdom about haven demand for USTs** (that ought to drag yields lower).
- We have proposed that this could be a *function of de-sensitization, Fed and US debt-fiscal woes*.
- Specifically, **until geo-political risks escalate to alarm, haven demand for UST yields are supplanted by sell-off on the calculus around increased bond issuances** to fund wars (Ukraine and Israel-Hamas). And a *hawkish Fed add to yield lift* as "higher for longer" resonates.
- Consequently, **binary risks, and associated latent volatility, in yields are intensified**. Buckle up!

OVERNIGHT RESULTS

(SG) CPI/Core YoY (Sep) : 4.1%/3.0% (Mkt: 4.0%/3.0%; Aug: 4.0/3.4%) | (US) Chicago Fed National Activity (Sep): 0.02 (Mkt: -0.14; Aug: -0.22) | (TW) Ind Pct YoY (Sep): 6.7% (Mkt: 8.0%; Aug: -10.8%) | (EZ) Consumer Conf. (Oct P): -17.9 (Mkt: -18.2; Sep: -17.8)

Past Two Weeks Movement

TODAY'S COMMENTS & FORECAST
Open

USD/JPY	149.78	EUR/USD	1.0669
USD/SGD	1.3668	USD/THB	36.31
JPY/SGD	0.9126	USD/MYR	4.783

Forecast

USD/JPY	149.20 - 150.40
EUR/USD	1.0570 - 1.0720
AUD/USD	0.6300 - 0.6400
USD/SGD	1.3640 - 1.3730
JPY/SGD	0.9069 - 0.9202
USD/CNH	7.2980 - 7.3260
USD/INR	83.00 - 83.30
USD/IDR	15850 - 15960
USD/MYR	4.766 - 4.795
USD/PHP	56.65 - 56.90
USD/THB	36.20 - 36.55

Today's Direction

	Bull	Bear
USD/SGD	4	4
USD/JPY	4	4

Rupiah: Of Rate Hikes & Real Stress

- **Bank Indonesia's surprise hike last week**, which *walked back declaration of being done and dusted with tightening* much earlier in Q3, speaks volumes of concerns about rupiah stability.
- In fact, it arguably harkens back to days of rupiah, rather than price stability, being the **unambiguous policy mandate** for the Indonesian central bank.
- *But a 25bp hike has simply not moved the rupiah needle*.
- Arguably, this has to do with a conspiracy of factors. For one, a **still hawkish Fed flexing away** means that **policy divergence is now a bit more awkward**.
- Add to that **US dis-inflation that is better buffered against Oil price risks** (given US crude production set to be at records over 13MBpd in Q4); *in contrast to stark fiscal, Current Account and inflation vulnerabilities for Indonesia*, the risks may be filtering into the rupiah.
- What's more, Indonesia's coal is arguably **not enjoying the same beta (as Oil) as a lukewarm China recovery dampens optimism priced into Indonesian coal**.
- More so, with competing Newcastle coal diminish Indonesia's coal hedge.
- And with **real rate advantage against the USD having diminished materially**, *rupiah is not just deferential to USD dominance, but far more vulnerable*.
- All said, as **pronounced geo-political risks**, which inevitably incite more acute Oil pressures cascading as **fiscal slippage risks converge on a dominant USD-high yield pairing**, *rupiah backstop may cost more in terms of policy trade-offs*.

FX Daily Outlook

- EUR/USD: EUR squeezed up above mid-1.06 is set to consolidate given uncertainty both ways.
- USD/JPY: Some reprieve on softer UST yields, but buyers on the way down hold sub-150.
- USD/SGD: Buoyancy retained as UST yield upside may begin to re-assert.
- AUD/USD: Thaw in relations with China may allow approaches towards mid-63 cents.

TODAY'S EVENTS

(KR) PPI YoY (Sep) : 1.3% (Aug: 1.0%)
 (JP) Mfg/Svcs PMI (Oct P): (Sep: 48.5/53.8)
 (EZ) Mfg/Svcs PMI (Oct P): (Mkt: 43.7/48.6; Sep: 43.4/48.7)
 (US) Richmond Fed Mfg Index (Oct): (Mkt: 2; Aug: 5)

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