

## MARKET SUMMARY

| FX  | CLOSE(Asia) | CLOSE(NY) | Daily Δ* | Wkly Δ  |
|-----|-------------|-----------|----------|---------|
| JPY | 149.48      | 149.91    | +0.20    | +0.10   |
| EUR | 1.0663      | 1.0590    | ▼0.0080  | +0.0013 |
| AUD | 0.6365      | 0.6355    | +0.0019  | ▼0.0010 |
| SGD | 1.3651      | 1.3685    | +0.0017  | +0.0002 |
| CNY | 7.3069      | 7.3111    | +0.0021  | ▼0.0046 |
| INR | 83.19       | 83.19     | +0.00    | ▼0.07   |
| IDR | 15849       | 15850     | ▼85      | +135    |
| MYR | 4.7838      | 4.7855    | ▼0.0088  | +0.0495 |
| PHP | 56.76       | 56.77     | ▼0.07    | +0.02   |
| THB | 36.16       | 36.17     | ▼0.35    | ▼0.23   |

\*compared with previous day CLOSE(NY)

| Yields      | CLOSE  | Daily Δ | Wkly Δ   |
|-------------|--------|---------|----------|
| USD (10YR)  | 4.823% | ▼2.7 bp | ▼1.1 bp  |
| JPY (10YR)  | 0.851% | ▼2.6 bp | +7.0 bp  |
| EUR* (10YR) | 2.828% | ▼4.6 bp | ▼5.4 bp  |
| AUD (5YR)   | 4.295% | ▼7.9 bp | +10.0 bp |
| SGD (5YR)   | 3.269% | ▼7.6 bp | ▼1.0 bp  |
| CNY (5YR)   | 2.600% | +0.7 bp | +2.0 bp  |
| INR (5YR)   | 7.371% | +0.0 bp | +3.3 bp  |
| IDR (5YR)   | 7.154% | ▼3.9 bp | +47.8 bp |
| MYR (5YR)   | 3.833% | +0.2 bp | +8.6 bp  |
| PHP (5YR)   | 6.431% | ▼0.9 bp | +16.8 bp |
| THB (5YR)   | 2.964% | ▼5.4 bp | +2.1 bp  |

\* German bunds

| Equity Indices | CLOSE     | Daily Δ | Wkly Δ |
|----------------|-----------|---------|--------|
| DJIA (US)      | 33,141.38 | ▼0.58%  | ▼2.52% |
| N225 (JP)      | 31,062.35 | ▼0.83%  | ▼3.05% |
| STOXX 50 (EU)  | 4,065.37  | +0.42%  | ▼2.09% |
| ASX (AU)       | 3,983.20  | ▼0.30%  | ▼3.72% |
| STI (SG)       | 3,083.88  | ▼0.76%  | ▼2.77% |
| SHCOMP (CN)    | 2,962.24  | ▼1.47%  | ▼3.93% |
| SENSEX (IN)    | 64,571.88 | ▼1.26%  | ▼2.79% |
| JSE (ID)       | 6,806.76  | ▼1.57%  | ▼1.91% |
| KLSE (MY)      | 1,435.65  | ▼0.20%  | ▼0.59% |
| PSE (PH)       | 6,039.72  | ▼0.89%  | ▼3.84% |
| SET (TH)       | 1,391.03  | +0.00%  | ▼2.96% |

| Commodity     | CLOSE    | Daily Δ | Wkly Δ |
|---------------|----------|---------|--------|
| CRB           | 281.85   | ▲0.55%  | ▲0.43% |
| COPPER (LME)  | 7,985.00 | +1.07%  | +1.04% |
| IRON ORE (CN) | 118.18   | +0.76%  | ▲0.86% |
| GOLD          | 1,970.97 | ▲0.10%  | +2.48% |
| OIL (WTI)     | 83.74    | ▼3.67%  | ▼1.35% |

### Three Take-aways:

- 1) UST yield curve flattened on encouraging economic data and caution amid war headlines.
- 2) Elevated inflation raises likelihood of a BSP off-cycle move; hike plausible tomorrow or post-FOMC.
- 3) Korea growth to remain weak; improvement could belie import compression.

### Resilience, Resumption, and Retracement

- The **UST yield curve flattened**, with 2Y yields rising 6.4bps while 10Y fell 2.7bps. The **front end was motivated by hawkish implications of a still-resilient US economy**. Upside surprise to preliminary PMI data which showed both manufacturing and services in expansionary territory, defying expectations of a contraction and improving from September. Similarly, US equities recovered ground.

- Meanwhile, lower **long end yields point to caution surrounding a resumption of ground invasion**.

- In contrast, likely continued misplaced relief in diplomatic efforts saw Brent crude falling below \$88/bbl. However, this could be at risk of a resurgence as stockpiles declined.

- On higher front-end yields and haven demand, **DXY retraced most of its losses in Monday's volatile session**. EUR fell below 1.06 as disappointing PMIs dialled back the risk of an ECB hike. USD/JPY remains below the 150 handle.

- Meanwhile, AUD bucked the trend among G10 peers to head above mid-63 cents on expectations of further stimulus from China's budget boost and hawkish tones from RBA Governor Bullock. Elsewhere, USD/SGD oscillated around mid-1.36 levels.

### BSP: The Price of Time

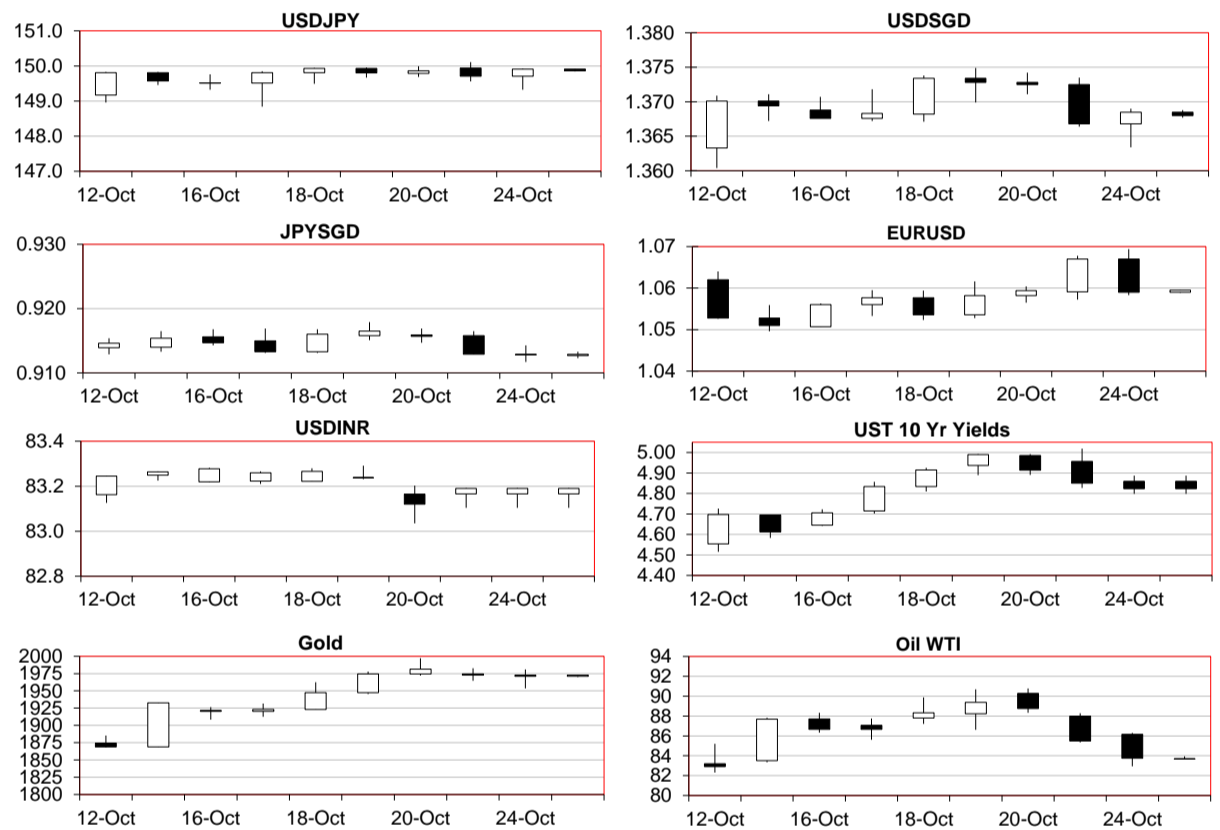
- BSP's Governor Remolona signal of a possible off-cycle move as early as Thursday may come across as awkward given the absence of new headline domestic data and relative peso-stability at this juncture.

- Given that the next meeting is on 16 Nov, **what drives this urgency to act now? Inflation is likely the main consideration**. Petrol and rice prices are reported to have risen in recent days. And these may be sufficient for the BSP to gauge the magnitude of price increases (even before the official number due 7 Nov), thereby motivating the BSP to move faster to rein in price pressures. After all, monetary policy takes time to pass through especially if data suggests that headline inflation reaching the BSP's 2-4% inflation target range by year-end would be a tall order.

### OVERNIGHT RESULTS

(KR) PPI YoY (Sep) : 1.3% (Aug: 1.0%) | (JP) Mfg/Svcs PMI (Oct P) : 48.5/51.1 (Sep: 48.5/53.8) | (EZ) Mfg/Svcs PMI(Oct P) : 43.0/47.8 (Mkt: 43.7/48.6; Sep: 43.4/48.7) | (US) Richmond Fed Mfg Index (Oct): 3 (Mkt: 3; Aug: 5)

### \* 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 | 4.793  |

### Forecast

|         |                 |
|---------|-----------------|
| USD/JPY | 149.20 - 150.40 |
| EUR/USD | 1.0520 - 1.0670 |
| AUD/USD | 0.6300 - 0.6420 |
| USD/SGD | 1.3610 - 1.3720 |
| JPY/SGD | 0.9049 - 0.9196 |
| USD/CNH | 7.2980 - 7.3260 |
| USD/INR | 82.80 - 83.30   |
| USD/IDR | 15750 - 15960   |
| USD/MYR | 4.766 - 4.820   |
| USD/PHP | 56.65 - 56.90   |
| USD/THB | 35.90 - 36.50   |

### Today's Direction

|         | Bull | Bear |
|---------|------|------|
| USD/SGD | 4    | 4    |
| USD/JPY | 4    | 4    |

- Should a hike not happen this week, another plausible window is post-FOMC, especially if the PHP come under pressure. This would be reminiscent of BSP's off-cycle move in July 2022.

### Korea GDP: Extended Bottoms?

- **Korea's Q3 GDP might be at risk of disappointment despite incipient signs of recovery**.

- While our expectations are for Q3 GDP YoY growth to maintain at 0.9% YoY which is similar to that in Q2, it still represents a **slowdown in sequential momentum**.

- Weak retail sales over July and August point to **eroding support from private consumption**.

- Furthermore, given that their current account surplus was in part driven by **import compression**, the modest exports recovery may not impart significant growth multipliers. After all, industrial production remain relatively flat on average over July and August relative to Q2. At this juncture, semiconductor recovery has yet to broaden into the wider manufacturing sector.

- The lacklustre external demand also appears to spillover and constrained investment spending as **expenditure on equipment investments contracted amid dour business sentiments**.

- Admittedly, services is a bright spot given a 17% surge in average monthly arrivals over Jul-Aug relative to Q2. That said, **tourism revenues falling short of arrivals dampens optimism**.

- On balance, subdued **growth momentum is likely to have extended into Q3**. While an upside GDP surprise may arise from subdued import demand (from lower corporate and household demand), it is a position of weakness and not strength.

### FX Daily Outlook

- EUR/USD: Weak PMI yesterday dominates on quiet calendar; ECB's likely hold caps rally to mid-1.06.

- USD/JPY: Falling 10Y yields provide some reprieve; hover below 150 on intervention risks

- USD/SGD: Range-bound at mid-1.36 levels on contained risk-off sentiment.

- AUD/USD: China budget boost buoys above 0.63 cents; pressure on weaker CPI print.

### TODAY'S EVENTS

(AU) CPI YoY (Sep): (Mkt: 5.3%; Aug: 5.2%)

(KR) Retail Sales YoY (Sep) : (Mkt: -; Aug: 3.3%)

(US) New Home Sales (Sep): (Mkt: 682k; Aug: 675k)

(JP) Coincident Index / Leading Index CI (Aug F): (Mkt: -; prev: 114.3/109.5)

(GE) IFO Business Climate / Expectations (Oct): (Mkt: 86.0 / 83.5; Sep: 85.7 / 82.9)

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