

**MARKET SUMMARY**

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.38	150.95	▼0.73	+0.72
EUR	1.0563	1.0570	▼0.0005	+0.0004
AUD	0.6335	0.6393	+0.0056	+0.0084
SGD	1.3703	1.3681	▼0.0016	▼0.0026
CNY	7.3194	7.3160	▼0.0004	▼0.0012
INR	83.28	83.29	+0.03	+0.10
IDR	15948	15935	+50	+65
MYR	4.7701	4.7717	+0.0085	▼0.0083
PHP	56.82	56.73	+0.00	▼0.13
THB	36.28	36.23	+0.29	+0.04

\*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.734%	▼19.7 bp	▼22.1 bp
JPY (10YR)	0.961%	+1.4 bp	+10.2 bp
EUR* (10YR)	2.764%	▼4.2 bp	▼12.5 bp
AUD (5YR)	4.546%	+0.7 bp	+17.2 bp
SGD (5YR)	3.303%	+1.9 bp	+2.5 bp
CNY (5YR)	2.539%	+0.1 bp	▼1.6 bp
INR (5YR)	7.353%	+0.8 bp	+1.9 bp
IDR (5YR)	7.000%	▼4.5 bp	▼12.6 bp
MYR (5YR)	3.849%	▼0.5 bp	+0.4 bp
PHP (5YR)	6.646%	+0.0 bp	+6.0 bp
THB (5YR)	2.894%	+0.5 bp	▼7.8 bp

\* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	33,274.58	+0.67%	+0.72%
N225 (JP)	31,601.65	+2.41%	+1.06%
STOXX 50 (EU)	4,091.71	+0.75%	+0.45%
ASX (AU)	3,967.55	+0.33%	▼0.58%
STI (SG)	3,076.77	+0.29%	▼0.07%
SHCOMP (CN)	3,023.08	+0.14%	+1.65%
SENSEX (IN)	63,591.33	▼0.44%	▼0.71%
JSE (ID)	6,642.42	▼1.63%	▼2.81%
KLSE (MY)	1,435.33	▼0.47%	▼0.50%
PSE (PH)	5,973.78	+0.00%	▼1.33%
SET (TH)	1,379.96	▼0.14%	▼1.55%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	279.08	▲0.74%	▲1.42%
COPPER (LME)	8,030.00	+0.01%	+0.90%
IRON ORE (CN)	123.92	+4.21%	+4.65%
GOLD	1,982.53	▲0.07%	+0.14%
OIL (WTI)	80.44	▼0.72%	▼5.80%

**Three Take-aways:**

- 1) Display of less confidence about further Fed policy elevation sent UST yields lower.
- 2) Fed Chair Powell emphasize on persistence of tightened financial conditions rather than fleeting elevation.
- 3) BNM set to hold onto policy settings as underlying growth remains uneven at a tepid pace.

**FOMC: Higher? For Longer!**

- UST yields plunged and the OIS curve further diminished already marginal expectations of further hikes for December or January following the FOMC, suggesting a mildly less hawkish stance.

- But perhaps, to be fairer, it reflects the "higher for longer" assertion breaking down to "higher?", "for longer!". That is, less confidence about further elevation but conviction about maintaining restrictive settings. To be sure, by virtue of not yet considering the need for/possibility of rate cuts, Fed Chair Powell effectively conceded that the characterisation of a hawkish bias; albeit a mild one by virtue of having already come so far that the risks are more two way (on not hiking enough and hiking too much). In fact, he clearly outlined the Fed's stance and potential steps as two questions that the FOMC derives its decisions from. The first, "Is policy sufficiently restrictive?". The second, "If so, how long will restrictive setting be maintained".

- On the second question, the Fed appears to be much clearer that there is some way to go to concretely secure inflation descend trajectory to 2% and confidently anchor expectations.

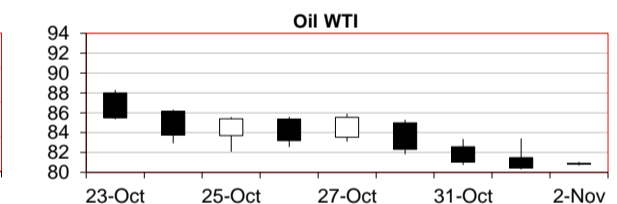
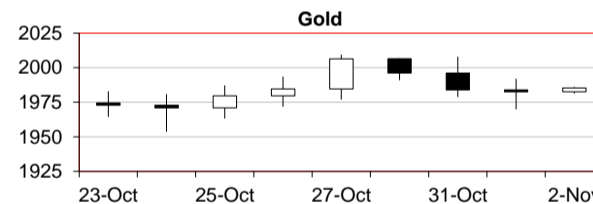
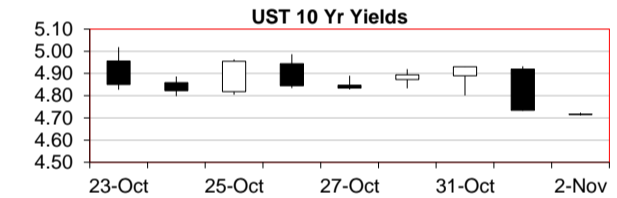
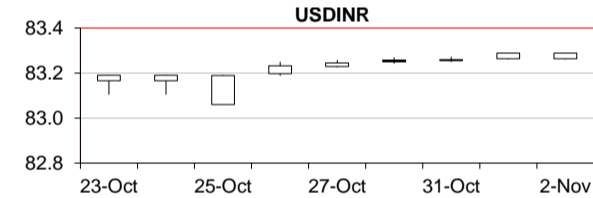
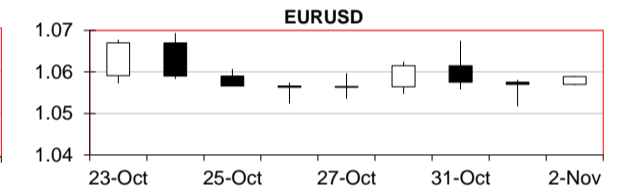
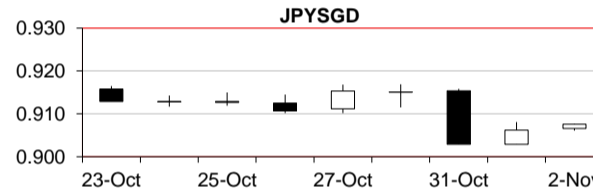
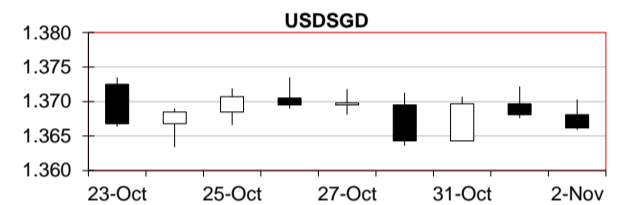
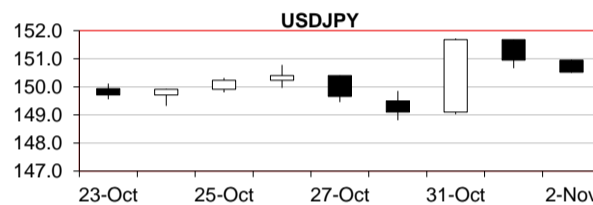
- But as to whether the rates are high enough the Fed is less certain; and understandably so given the two-way risks. Fed Chair Powell suggested that policy is definitely restrictive, helping to slow inflation, ameliorate the demand-supply labour imbalance and is already weighing on investments/durable goods and housing (as higher mortgage rates begin to bite).

- And although he left the door open to further hikes saying he is not yet confident that it is sufficiently restrictive to lower inflation to 2%, he reiterated the need to move carefully given the two way risks. Especially as financial conditions have tightened substantially (yields, USD, credit spreads etc). He however said that with financial conditions, persistence of tightness rather than mere upward volatility in movement, is what the Fed is gauging.

- All said, December and January are "live" with a conditional hawkish bias. But nothing too dramatic from here on given restrictive policy already doing its job.

**OVERNIGHT RESULTS**

(CH) Caixin Mfg PMI (Oct): 49.5 (Mkt: 50.8; Nov: 50.6) (ID) CPI/Core YoY (Oct):(Mkt: 2.6%/2.0%; Sep: 2.3%/2.0%) | (US) JOLTS Job Openings (Sep): 9553k (Mkt: 9400k; Aug: 9610k) | (US) ISM Manufacturing / Prices Paid (Oct): 46.7/45.1 (Mkt: 49.0/45.0; Sep: 49.0/43.8)

**\* Past Two Weeks Movement \***

**TODAY'S COMMENTS & FORECAST**
**Open**

USD/JPY	150.59	EUR/USD	1.0586
USD/SGD	1.3665	USD/THB	36.06
JPY/SGD	0.9073	USD/MYR	4.760

**Forecast**

USD/JPY	149.60 - 151.20
EUR/USD	1.0500 - 1.0620
AUD/USD	0.6350 - 0.6470
USD/SGD	1.3640 - 1.3720
JPY/SGD	0.9021 - 0.9171
USD/CNH	7.3200 - 7.3600
USD/INR	83.20 - 83.31
USD/IDR	15800 - 15950
USD/MYR	4.750 - 4.780
USD/PHP	56.60 - 56.80
USD/THB	35.80 - 36.25

**Today's Direction**

	Bull	Bear
USD/SGD	1	4
USD/JPY	2	3

- The big swing factor for now may be geo-politics that has high significance and extremely low visibility.

**BNM: Holding (Out)**

- Our base case is for the BNM to continue holding (out) and keep the OPR at 3.00% today.

- With MYR weakness alongside wider rate gap with regional peers, the risks of a hike to support the ringgit has become more material. While advanced estimates of Q3 growth stood at 3.3% YoY, growth engines remain skewed and in need of firmer recovery signs.

- The manufacturing sector is in doldrums as growth continues to be supported mainly by household spending, but moderating retail sales suggest that room for outperformance is limited.

- Furthermore, higher oil and food prices, alongside subsidy rationalisation plans risks a resurgence in price pressures, which has moderated in recent months. Higher inflation would also be unfavourable for real rate differentials, further pressuring MYR.

- Notwithstanding this, we expect that BNM to remain slightly tilted towards growth.

- Concerns over weak growth appear to have dialled up, as the characterisation of the monetary policy stance as "slightly accommodative" in May and July, was conspicuously absent in the latest September monetary policy statement.

- In addition, BNM had previously stated that growth would provide "more enduring support for the ringgit", as opposed to "short-term measures of monetary policy decisions".

- On balance, facing risks of hurting an already weak growth momentum, the BNM will marginally lean towards a hold alongside possibility of hawkish signals in allusion to inflation pressures.

**FX Daily Outlook**

- EUR/USD: Despite sharply lower UST yields, EUR's inability to surmount 1.06 reveals growth concerns.

- USD/JPY: Lower UST yields may assert to assist approach towards 150.

- USD/SGD: Slippage below mid 1.36 may evade especially as China growth concerns re-ignite.

- AUD/USD: Consolidation around 64 cents as odds of RBA hike rises.

**TODAY'S EVENTS**

(KR) CPI YoY (Oct): 3.8% (Mkt: 3.6%; Sep: 3.7%) | (AU) Trade Balance (Sep): (Mkt: A\$9500m; Aug: A\$9640m) |

(SG) PMI/Elect. Sector Index (Oct): (Nov: 50.1/49.8) | (EZ) Mfg PMI (Oct F): (Mkt: 43.0; Prelim: 43.0)

(US) Initial Jobless Claims (Oct): (Mkt: 210k; Sep: 210k)

Central Banks: BNM Monetary Policy Decision

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