

MARKET SUMMARY

FX	CLOSE(Asia)	CLOSE(NY)	Daily Δ*	Wkly Δ
JPY	151.75	151.72	+0.20	+1.65
EUR	1.0693	1.0698	+0.0012	▼0.0020
AUD	0.6373	0.6377	+0.0016	▼0.0112
SGD	1.3597	1.3590	▼0.0015	+0.0084
CNY	7.2953	7.2891	+0.0036	+0.0189
INR	83.33	83.33	▼0.01	+0.12
IDR	15711	15700	+5	+162
MYR	4.7092	4.7087	+0.0000	+0.0657
PHP	56.05	56.06	+0.11	+0.15
THB	36.05	36.01	+0.12	+0.51

*compared with previous day CLOSE(NY)

Yields	CLOSE	Daily Δ	Wkly Δ
USD (10YR)	4.640%	▼1.2 bp	▼0.3 bp
JPY (10YR)	0.871%	+2.1 bp	▼1.2 bp
EUR* (10YR)	2.713%	▼0.4 bp	▼2.6 bp
AUD (5YR)	4.356%	+5.2 bp	▼1.1 bp
SGD (5YR)	3.094%	+0.0 bp	▼2.7 bp
CNY (5YR)	2.504%	▼1.6 bp	▼2.4 bp
INR (5YR)	7.251%	▼1.8 bp	▼3.0 bp
IDR (5YR)	6.907%	+3.7 bp	+20.9 bp
MYR (5YR)	3.688%	+0.0 bp	▼4.1 bp
PHP (5YR)	6.365%	▼3.4 bp	▼20.6 bp
THB (5YR)	2.744%	+0.0 bp	▼9.4 bp

* German bunds

Equity Indices	CLOSE	Daily Δ	Wkly Δ
DJIA (US)	34,337.87	+0.16%	+0.71%
N225 (JP)	32,585.11	+0.05%	▼0.38%
STOXX 50 (EU)	4,232.19	+0.83%	+1.77%
ASX (AU)	4,029.83	+0.81%	+0.23%
STI (SG)	3,106.68	+0.00%	▼2.32%
SHCOMP (CN)	3,046.53	+0.25%	▼0.39%
SENSEX (IN)	64,933.87	+0.04%	▼0.04%
JSE (ID)	6,838.31	+0.43%	▼0.59%
KLSE (MY)	1,445.18	+0.00%	▼1.33%
PSE (PH)	6,116.14	▼0.74%	+0.63%
SET (TH)	1,387.13	▼0.18%	▼2.12%

Commodity	CLOSE	Daily Δ	Wkly Δ
CRB	277.63	+1.56%	▲1.51%
COPPER (LME)	8,081.25	+1.59%	▲0.94%
IRON ORE (CN)	129.24	+0.72%	+2.51%
GOLD	1,946.92	+0.35%	▲1.58%
OIL (WTI)	78.26	+1.41%	▼3.17%

TODAY'S COMMENTS & FORECAST

Open

USD/JPY	151.65	EUR/USD	1.0701
USD/SGD	1.3590	USD/THB	36.00
JPY/SGD	0.8961	USD/MYR	4.701

Forecast

USD/JPY	151.00 - 152.00
EUR/USD	1.0600 - 1.0710
AUD/USD	0.6320 - 0.6420
USD/SGD	1.3570 - 1.3650
JPY/SGD	0.8928 - 0.9040
USD/CNH	7.2900 - 7.3200
USD/INR	83.30 - 83.40
USD/IDR	15620 - 15740
USD/MYR	4.690 - 4.740
USD/PHP	56.00 - 56.40
USD/THB	35.80 - 36.20

Today's Direction

	Bull	Bear
USD/SGD	3	3
USD/JPY	3	3

Three Take-aways:

- 1) US CPI being in a better shape does not preclude higher inflation expectations after prolonged inflation.
- 2) US fiscal issues on near term shutdown risk and long term sustainability back in focus.
- 3) China's confidence-deflation loop is far harder to address through just expected RRR cuts.

Better Shape?

'I have been bent and broken, but - I hope - into a better shape'. - Great Expectations

- First and foremost, to be clear, markets were rather mild to warrant such an outsized quote but it is still relevant as we assessed the **movements in the broader scheme of what has transpired so far** as we heading into **US CPI print tonight**.

- On USTs, while yields dipped lower after the NY Fed inflation expectations print came in marginally lower than last month's, 2Y yields remaining buoyed above 5% is still reflective of caution surrounding a sticky inflation print especially after last Friday's U. of Mich. survey showing higher inflation expectations on both 1Y and longer term 5-10Y expectations.

- The UST yield curve remains **bent** with the 10Y-2Y inversion at -40bps, a far cry from the 15bps spread in late Oct.

- While reactions from **Moody's** placing US government debt on **negative outlook** was admittedly muted, **US fiscal issues** and government shutdown risks **are certainly not in a better shape**. A positive slope on the UST yield from a long end sell off is also **not the desired shape at this juncture**.

- Taking in the relief from softer UST yields, US equities ended mixed (Dow: +0.2%; S&P 500: -0.1%; Nasdaq: -0.2%) largely holding on to earlier gains but unable to advance much further.

- As for the **Greenback which weakened against most G10 peers last night**, it is **not in a bad shape** as the DXY above mid-105 is still very much a **position of strength** which is higher than most of this year. The EUR is hovering around 1.07 while the AUD's 0.3% climb still sees it suppressed below 64 cents.

- The JPY was certain not in a good shape with USD/JPY rising towards 152 raising intervention fears. In EM-Asia, the USD/SGD edged lower to go just below 1.36 alongside mild CNH recovery.

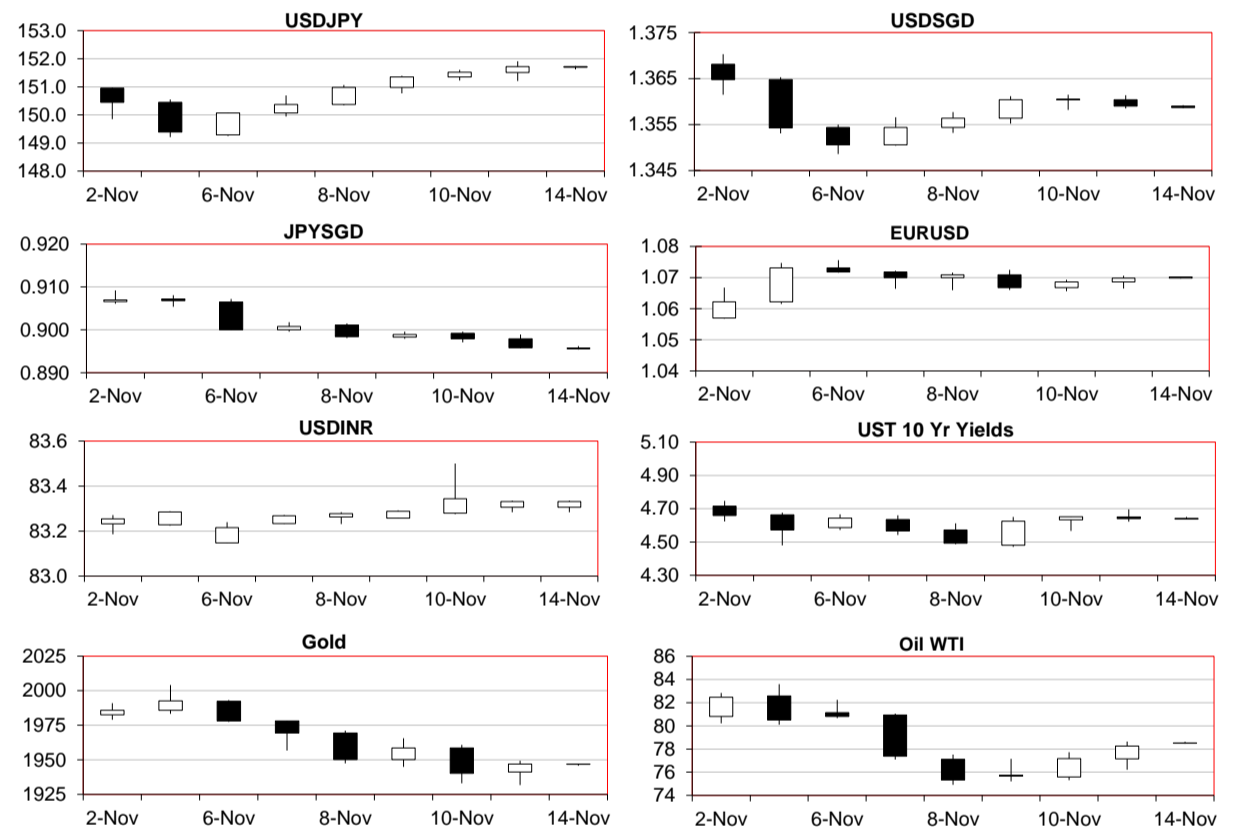
- Nonetheless, the Chinese economy is not in a great shape as **faltering loans point to still subdued conditions**. **Restoring bent and broken confidence is a tall order**.

OVERNIGHT RESULTS

(IN) CPI YoY (Oct): 4.9% (Mkt: 4.8%; Sep: 5.0%) |

(CH) Aggregate Financing/New Yuan Loans CNY (Oct): 1850b/738.4b (Mkt: 1950.0b/655.0b; Sep: 4122.7b/2311.8b)

* Past Two Weeks Movement *



China: Deflation Woes

- If there was one headline number to focus on, if not worry about, for China, it would be **inflation**. Or rather the **sore lack of**.

- Admittedly, the slew of weaker than expected total credit growth and soft exports are legitimate concerns about deficiencies in the underlying momentum despite the likelihood of surpassing 5% growth for 2024. But the **inability to snap out of deflation**, in sharp contrast to inflation that is more often than not inconveniently too elevated (albeit well below peaks), identifies a **stifling confidence deficit** in the economy.

- Specifically; i) flagging consumer optimism that has now thrown cold water of earlier hopes of "revenge spending"; ii) slump in industrial profits that will drag businesses, and; iii) dampened investment sentiments holding back invigoration in private sector demand.

- In all, the **deflation risk underscores suppressed growth multipliers that threaten to cast a long shadow on growth potential**.

- Which is why we gauge sub-4% to 4.5% as growth potential for the coming 3-5 years as China's binding challenge whereas cheer about 5% this year being a red herring.

- The silver lining is that **Beijing is acutely aware of the risks associated with adverse confidence-deflation loops**, and will likely roll out more stimulus and work on "traction".

- But the bar is high. **Far higher than simply cutting RRR rates (we expect by 25-50bp between now and Jan 2024), providing more liquidity to address credit shortfall**.

FX Daily Outlook

- EUR/USD: Volatile backdrop to test mid-1.07 but durability doubted.

- USD/JPY: Intervention fears build case for sideways trade below 152.

- USD/SGD: China woes unlikely to abate and backstops mid-1.36.

- AUD/USD: Case for consolidation below 64 cents as commodities recovery unable to excite.

TODAY'S EVENTS

(IN) Wholesale Prices YoY (Oct): (Mkt: -0.4%; Sep: -0.3%)

(GE) Zew Survey Expectations (Nov): (Mkt: 5.0; Oct: -1.1)

(EZ) GDP SA YoY (3Q P): (Mkt: 0.1%; Prev: 0.1%)

(US) CPI/Core YoY (Oct): (Mkt: 3.3%/4.1%; Sep: 3.7%/4.1%)

Central Banks: Fed's Williams, Jefferson, Barkin, Mester and Goolsbee Speaks

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