

## Three Take-Aways

1) **UST yields continued to edge higher on strength of US economy; Brent Crude volatility continues.**

2) **Continued assurance by Chinese authorities on size of impending stimulus may be insufficient to lift sentiments amid lower industrial profits; more details following NPC await.**

3) **Taiwan Q3 GDP to moderate on base effects, but would be a QoQ expansion on the back of resilient external demand, while domestic growth should be supportive overall.**

## MACRO THEME: Continuation

- US treasuries resumed a selloff last Friday as continued strength in the economy casts doubt on how much the Fed can cut rates. UoM survey suggested buoyant consumer sentiment while non-volatile goods orders surprised on the upside. The possibility of a higher-than-expected interest rate environment in future saw US equities closing mixed.

- Meanwhile, volatility in the oil space continued on geopolitical developments. Brent Crude rose ~2.2% on Friday on reports that US has signalled to Saudi Arabia it's readiness to help the kingdom against an attack by Iran or its proxies, as Gulf states grow increasingly wary of being embroiled in the standoff between Iran and Israel; but tumbled ~5% in early trading today following headlines over the weekend that Israeli strikes on Iran avoided oil facilities.

**Yields (2Y: +2.6bps; 10Y: +2.8bps; 30Y: +2.56bps)**

- UST yield curve moved higher.

**Equities (Nasdaq: +0.6%; S&P: -0.0%; Dow: -0.5%)**

- US equities traded mixed.

**FX (DXY: +0.2%)**

- USD gained against G10 currencies amid a confluence of higher yields and possible haven demand from geopolitics and Trump trade bets.

- EUR moved below 1.08 amid uncommittal comments by ECB officials. ECB Knot stressed the importance to keep all options open to hedge against the materialisation of risks in either direction to the growth and inflation outlook, while ECB Vasle said ECB would not pre-commit to anything, noting that EZ was approaching top of neutral-rate range. Even as ECB Nagel remarked that EZ might reach 2% inflation goal earlier than expected, he cautioned that the central bank shouldn't be "too hasty" in mulling next rate cuts.

- USD/JPY moved above 152, and further to mid-152 this morning after Japan's ruling coalition failed to win a majority in parliament at elections (for the first time since 2009) over the weekend. Voter discontent over a slush-fund scandal has saw support for Ishiba's Liberal Democratic Party plummet, and the political quagmire may cast an overhang doubts on fiscal trajectory and possible spillovers to monetary policy.

- Elsewhere, AUD tested 66 cents and USD/SGD returned back to above 1.32 levels.

## China: Still Awaiting Details

- Chinese Vice Finance Minister Liao Min remarked on Friday that this round of stimulus rollout would be of "quite large scale", echoing a sentiment previously expressed by Finance Minister Lan Fo'an. He further stated that the stimulus will be centered around lifting domestic demand and hitting the nation's annual growth goal. Nonetheless, he made clear that **any details of China's fiscal policy will only come after the conclusion of the National People's Congress Standing Committee meeting, which is reported to take place Nov 4-8.**

- But cautiousness may remain the central theme given room for disappointment on a smaller-than-expected stimulus package while profits at China's industrial firms in September declined 27.1% from a year earlier. Even as the data was affected by factors such as base effects, the poor performance may still dent optimism, given that industrial sector was a key engine driving growth amid tepid consumer sentiment and spending.

## Taiwan Q3 GDP: Buoyant Growth

- We expect **Taiwan's Q3 GDP print to slow from the 5.1% print in Q2 to 3.7%** which is **above consensus estimates**. Trade will continue to be supportive, albeit with some moderation while domestic growth engines remain firm though consumption growth is likely to soften.

- The slowdown in YoY terms is in part due to base effects as we still expect an accelerate in growth momentum to record around a faster expansion from Q2's 0.3% QoQ growth.

- External demand appears to have stayed resilient. Trade balance improved 37% QoQ in Q3 as the surge in exports revenue far outpaced the increase in import expenditure.

- Reflecting this healthy demand, industrial production growth is robust, still showing a 1.2% QoQ SA expansion over July and August even after several quarters of stellar growth with the electronics industry continuing to be the key driver.

- On the services front, the finance and insurance sector output is likely to stay buoyant amid healthy new business in insurance, strong turnover in bond and stock exchanges and real estate market remains hot.

- That said, weaker retail sales and food and beverage services point to more cautious consumer. Nonetheless, a tight labour market with **unemployment rates at record low** implies that the moderation in private consumption growth will be a mild one.

- In turn, this growth is likely to back the CBC in keeping rates unchanged as they tackle sticky inflation and soaring housing prices.

- That said, the firm growth may not translate into tangible TWD rallies as elevated UST yields weigh and China stimulus gains are dampened by cross straits tensions.

## DATA/EVENTS

Overnight	Actual	Exp.	Prior
(SG) Industrial Production YoY (Sep)	9.8%	3.6%	22.0%
(US) UoM Sentiment/Expect. (Oct F)	70.5/74.1	69.0/73.0	68.9/72.9
(US) UoM 1Y/5-10Y Inflation (Oct F)	2.7%/3.0%	2.9%/3.0%	2.9%/3.0%
(US) Durable Goods Orders (Sep P)	-1.0%	-1.0%	-0.8%
(US) Durable Goods Nondef Ex Air (Sep P)	0.5%	0.1%	0.3%
(US) Kansas City Fed Services Acty (Oct)	5	--	-2
(JP) Coincident Index (Aug F)	114.0	--	113.5
(JP) Leading Index CI (Aug F)	106.9	--	106.7
(JP) PPI Services YoY (Sep)	2.6%	2.7%	2.8%
(GE) IFO Business Climate (Oct)	86.5	85.6	85.4
(GE) IFO Business Expectations (Oct)	87.3	86.9	86.4
(CH) 1Y Medium-term Loan Facility	2.00%	2.00%	2.00%
(CH) Industrial Profits YoY (Sep)	-27.1%	--	-17.8%
<b>Today</b>			
(US) Dallas Fed Mfg Activity (Oct)		-9.2	-9.0

## FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	152.31	152.97	+0.32%	151.50 - 155.00
EURUSD	1.0796	1.0796	▼0.30%	1.0740 - 1.0860
GBPUSD	1.2962	1.2958	▼0.10%	1.2870 - 1.3020
AUDUSD	0.6608	0.6603	▼0.48%	0.6570 - 0.6660
DXY	104.3	--	+0.19%	103.8 - 104.8
USDCNY	7.1215	--	+0.02%	7.1100 - 7.1600
USDCNH	7.1341	7.1458	+0.14%	7.1200 - 7.1800
USDHKD	7.7702	7.7710	▼0.00%	7.7600 - 7.7800
USDSGD	1.3213	1.3234	+0.24%	1.3150 - 1.3310
USDKRW	1389	1393	+0.00%	1380 - 1400
USDTWD	32.08	--	▼0.05%	32.00 - 32.30
USDINR	84.08	--	+0.01%	84.00 - 84.20
USDIDR	15640	--	+0.36%	15550 - 15750
USDMYR	4.343	4.345	▼0.13%	4.330 - 4.371
USDPHP	58.33	--	+0.82%	58.00 - 58.90
USDTHB	33.79	33.77	+0.36%	33.50 - 34.10
USDVND	25376	25371	▼0.09%	25300 - 25550

\*Open is as at 8am HKT/SGT.

## MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.107	4.241	2.6	2.8
JGB (JP)	0.445	0.947	0.0	-0.7
Bunds (GE)	2.112	2.290	4.0	2.5
Gilts (UK)	4.161	4.232	2.1	-0.4
AGB (AU)	3.937	4.412	-2.9	-4.0
SGS (SG)	2.691	2.824	0.5	-0.8
CGB (CN)	1.495	2.152	-2.6	-0.5
KGB (KR)	3.056	2.889	2.5	2.6
SDL (IN)	6.850	6.700	0.0	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	164.43	165.14	+0.02%
GBP/JPY	197.397	198.204	+0.20%
JPY/SGD (100yen)	0.8673	0.8652	▼0.10%
JPY/HKD (100yen)	5.1016	5.0802	▼0.32%
CNH/JPY	21.374	21.48	+0.25%
CNH/HKD	1.0911	1.0912	▼0.02%
EUR/GBP	0.83288	0.83319	▼0.19%
AUD/NZD	1.1049	1.1044	+0.10%
EUR/CNH	7.7015	7.7146	▼0.16%
GBP/CNH	9.2498	9.2592	+0.05%

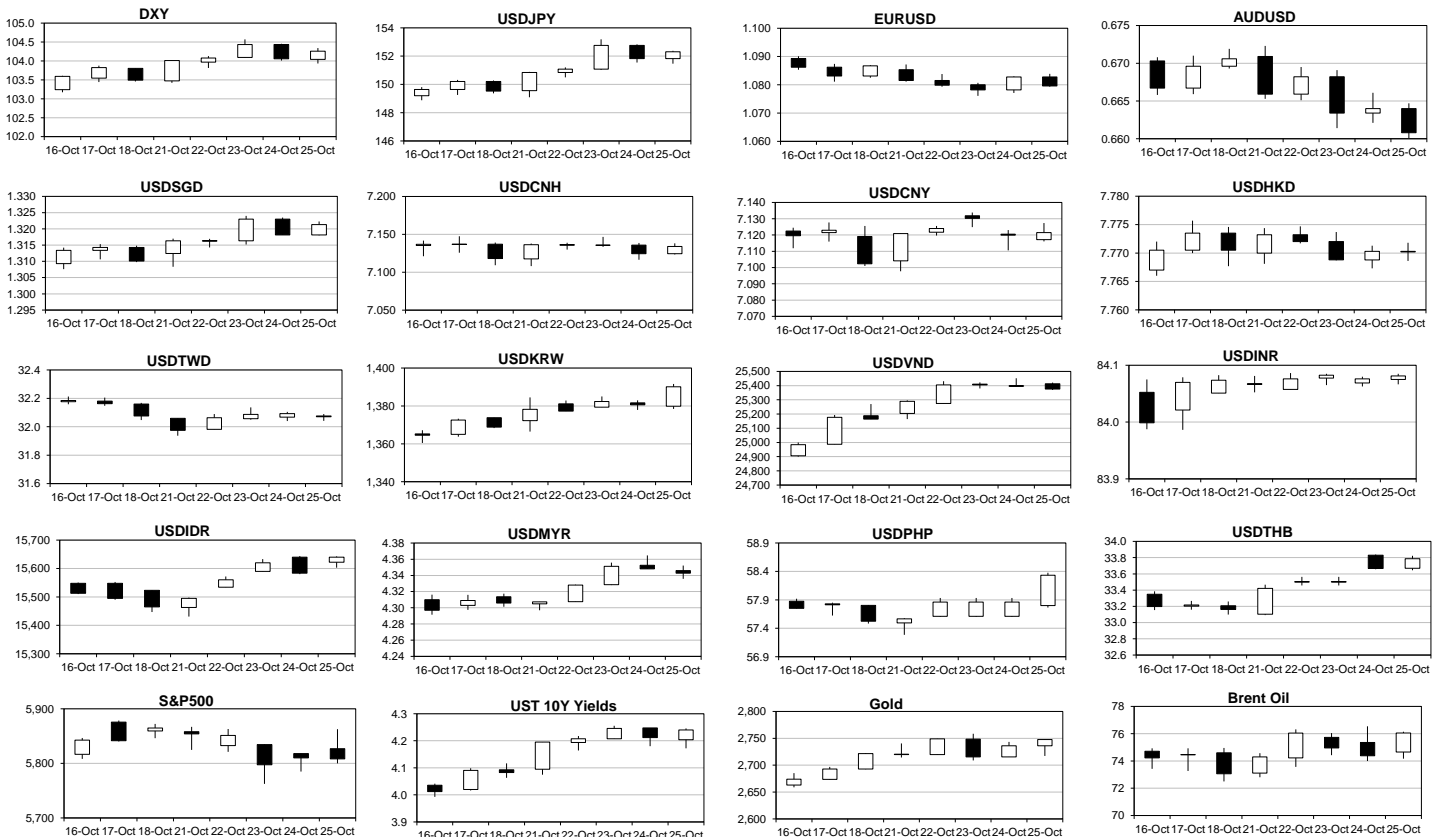
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G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5808.12	-1.74	▼0.03%
Nasdaq (US)	18518.61	103.12	+0.56%
DJIA (US)	42114.4	-259.96	▼0.61%
N225 (JP)	37913.92	-229.37	▼0.60%
STOXX50 (EU)	4943.09	7.64	+0.15%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4509.37	-8.60	▼0.19%
STI (SG)	3593.41	-11.54	▼0.32%
SHCOMP (CN)	3299.7	19.44	+0.59%
SZCOMP (CN)	1974.655	35.84	+1.85%
HSI (HK)	20590.15	100.53	+0.49%
SENSEX (IN)	79402.29	-662.87	▼0.83%
JSE (ID)	7694.66	-21.89	▼0.28%
KLSE (MY)	1618.3	-13.93	▼0.85%
PSE (PH)	7314.23	30.44	+0.42%
SET (TH)	1463.42	2.78	+0.19%
VNINDEX (VN)	1252.72	0.00	▼0.37%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,469.40	101.98	+1.09%
IRON ORE (CN)	103.75	-0.45	+0.34%
GOLD	2,747.56	11.39	+0.42%
SILVER	33.72	0.04	+1.51%
OIL (BRENT)	76.05	1.67	+2.25%
OIL (WTI)	71.78	1.59	+2.27%
NATURAL GAS	2.56	0.04	+0.11%

## CHARTS



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