

Oct 29, 2024

Three Take-Aways

1) US equities and UST yields climb higher as fading oil price concerns collide with implications of higher federal spending ahead of US elections.

2) China manufacturing activity likely to have stayed soft in October.

3) Thailand inflation range to remain resolute with central bank independence on the line.

MACRO THEME: Anticipation and Uncertainty

- The thrill of most events/games often from the anticipation right before the revelation of the result itself.

- Ahead of US elections next week, thrill seeking US equities continue to scale lofty heights ahead of major corporate earnings this week such as Alphabet, Amazon, Apple, Meta and Microsoft.

- Brent Crude prices took a large step down from US\$76 to US\$72/barrel as Israel avoid attacking Iran's oil facilities and Iran responding in a rather measured manner.

- Nonetheless, even as concerns over oil supply disruptions is alleviated, geo-political tensions continue to appear troubling over in the Ukraine Russia front as North Korean soldiers on the front lines aiding Russia complicated the dynamic.

- The sight of lower oil prices and uncertain conflict dynamics though did not fend off UST bears as yields rose broadly. With betting markets showing a Trump lead over Harris, a dose of higher federal spending and tariff fears mixing with risk euphoria appear to have aided UST bears.

Yields (2Y: +3.3bps; 10Y: +4.2bps; 30Y: +3.0bps)

- Admittedly, soft demand at auctions last night also supported the climb in UST yields.

Equities (Nasdaq: +0.3%; S&P: +0.3%; Dow: +0.7%)

- Across sub-sectors in the S&P500, the energy sector was the notable decline dropping 0.7% as oil prices weakened. With the dissipation of drag from oil prices, the industrial focus Dow led gains.

FX (DXY: +0.1%)

- The USD held its ground against most peers. The EUR managed to rise slightly to hover above 1.08.

- The USD/JPY was buoyed above 153 as higher UST yields and political uncertainty after LDP lost lower house majority weighed on the JPY. The AUD remains pressured below 66 cents with CPI print tomorrow likely to soften.

- In EM-Asia, USD/SGD remain buoyed above 1.32.

- KRW gained as Finance Minister Choi promised to reduce excessive KRW volatility following BoK Governor's warning last Friday that the weaker KRW is now a factor in rate decisions.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Dallas Fed Mfg Activity (Oct)	-3.0	-9.2	-9.0
Today			
(SG) Unemployment rate SA (Sep)		1.9%	2.0%
(JP) Jobless Rate (Sep)		2.5%	2.5%
(JP) Job-to-Applicant Ratio (Sep)		1.2	1.2
(US) JOLTS Job Openings (Sep)		7935k	8040k
(US) Advance Goods Trade Balance (Sep)		-\$95.9b	-\$94.3b
(US) Conf Board Consumer Confidence (Oct)		99.3	98.7
(US) Wholesale Inventories MoM (Sep P)		0.0%	0.1%

China: Subdued

- Despite the announcement of a series of easing measures since late September, high-frequency indicators show that the improvement in China's industrial activity has been limited in October.

- On the one hand, construction activity picked up moderately amid accelerated local government bond issuance, which buoyed demand for steel and cement.

- On the other hand, demand for thermal coal, mainly used for electricity generation, remained subdued in the past few weeks. Additionally, shipping prices for Chinese exports continued to decline in October, hinting at fading export-related industrial activity.

- All things considered, we anticipate a slightly weaker reading for China's official Manufacturing PMI in October, at 49.6, compared to September's 49.8.

Thailand: Inflation Target Setting

- While it has been unofficially reported that the finance ministry would be **discussing the BoT's inflation target today** with a proposed 0.5%-pt increase from 1.0%-3.0% to 1.5%-3.5%, the BoT remains unlikely to be receptive to such a change with the **lower bound being held constant for the past decade**.

- The upper bound is largely elusive given that they were not breached **from 2015** until the pandemic.

- Furthermore, BoT Governor has consistently warned of the **risks from unanchored inflation expectations should the inflation target range be lifted**.

- That said, political pressures cannot be underestimated in this regard as **cabinet approval is required**.

- Nonetheless, the inflation target is for the year ahead and also for the **medium term** which implies that **even a shift in inflation target may not automatically imply a rate cut**.

- Furthermore, the consequence of missing the target is the issuance of an open letter to explain reasons for missing and actions to be taken. The BoT's concern over rising debt levels and the need for deleveraging could continue to be rather valid reasons.

- Admittedly, should the remote risks of a change in inflation target be actualised, **THB bulls would likely to be taken aback at first sight given the image of diminished central bank independence**.

- While THB bulls look towards the year-end tourism boost, they would still have to get over the US elections and ongoing NPL and debt fears.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	153.29	153.19	+0.64%	151.50	- 155.00
EURUSD	1.0812	1.0816	+0.15%	1.0740	- 1.0860
GBPUSD	1.2972	1.2973	+0.08%	1.2870	- 1.3020
AUDUSD	0.6583	0.6582	▼0.38%	0.6570	- 0.6660
DXY	104.3	--	+0.06%	103.8	- 104.8
USDCNY	7.1293	--	+0.11%	7.1100	- 7.1600
USDCNH	7.1449	7.1439	+0.15%	7.1200	- 7.1800
USDHKD	7.7716	7.7716	+0.02%	7.7600	- 7.7800
USDSGD	1.3227	1.3226	+0.11%	1.3150	- 1.3310
USDKRW	1385	1385	+0.00%	1375	- 1400
USDTHB	32.10	--	+0.07%	32.00	- 32.30
USDINR	84.08	--	▼0.01%	84.00	- 84.20
USDIDR	15725	--	+0.54%	15550	- 15750
USDMYR	4.362	4.362	+0.45%	4.330	- 4.371
USDPHP	58.24	--	▼0.16%	58.00	- 58.90
USDTHB	33.86	33.77	+0.20%	33.50	- 34.10
USDVND	25357	25353	▼0.07%	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)	4.141	4.283	3.4	4.2
JGB (JP)	0.454	0.972	0.9	2.5
Bunds (GE)	2.096	2.285	-1.6	-0.5
Gilts (UK)	4.203	4.253	4.2	2.1
AGB (AU)	4.004	4.481	6.7	6.9
SGS (SG)	2.742	2.858	5.1	3.4
CGB (CN)	1.489	2.157	-0.6	0.5
KGB (KR)	3.128	2.953	3.0	3.4
SDL (IN)	6.865	6.743	0.3	0.9

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	165.73	165.68	+0.79%
GBP/JPY	198.844	198.719	+0.73%
JPY/SGD (100yen)	0.8629	0.8635	▼0.51%
JPY/HKD (100yen)	5.0702	5.0733	▼0.62%
CNH/JPY	21.497	21.487	+0.58%
CNH/HKD	1.0901	1.0901	▼0.09%
EUR/GBP	0.83354	0.83376	+0.08%
AUD/NZD	1.1008	1.0996	▼0.37%
EUR/CNH	7.7251	7.7268	+0.31%
GBP/CNH	9.2687	9.2674	+0.20%

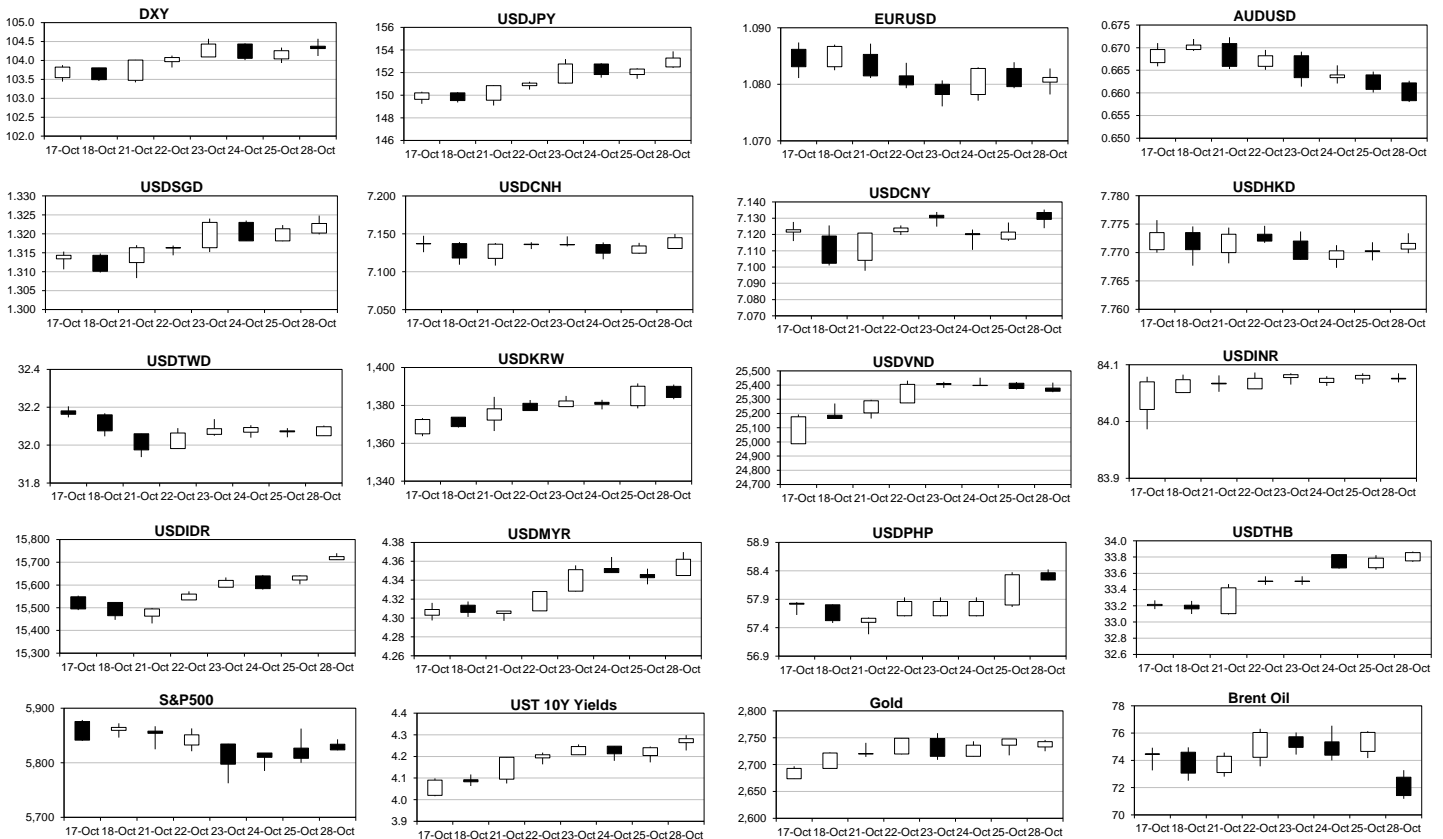
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5823.52	15.40	+0.27%
Nasdaq (US)	18567.19	48.58	+0.26%
DJIA (US)	42387.57	273.17	+0.65%
N225 (JP)	38605.53	691.61	+1.82%
STOXX50 (EU)	4969.83	26.74	+0.54%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4526.6	17.23	+0.38%
STI (SG)	3584.08	-9.33	▼0.26%
SHCOMP (CN)	3322.198	22.50	+0.68%
SZCOMP (CN)	2002.581	27.93	+1.41%
HSI (HK)	20599.36	9.21	+0.04%
SENSEX (IN)	80005.04	602.75	+0.76%
JSE (ID)	7634.631	-60.03	▼0.78%
KLSE (MY)	1610.47	-7.83	▼0.48%
PSE (PH)	7343.24	29.01	+0.40%
SET (TH)	1453.03	-10.39	▼0.71%
VNINDEX (VN)	1254.77	0.00	+0.16%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,396.98	-72.42	▼0.76%
IRON ORE (CN)	104.10	-0.11	+0.34%
GOLD	2,742.46	-5.10	▼0.19%
SILVER	33.67	-0.25	▼0.80%
OIL (BRENT)	71.42	-4.63	▼6.09%
OIL (WTI)	67.38	-4.40	▼6.13%
NATURAL GAS	2.31	-0.05	▼0.14%

CHARTS



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