

Nov 01, 2024

Three Take-Aways

- 1) While US job data is prominent on the radar, US elections is the game in town.
- 2) UST yields are set for buoyancy, although rich yields rein in excessive upside. USD firm too.
- 3) Even fiscal stimulus details from the critical NPC in China (4th-8th) may arguably hinge on US elections.

MACRO THEME: Top Job

- Outside of the tech earnings gloom in the likes of Microsoft, Meta and eBay prompting a Nasdaq-led sell-off US equities, markets appear to be side-lined by NFP.

- Admittedly, exceptionally low US jobless claims and a fairly low expectations bar for NFP admittedly set the stage for further out-run in US jobs. But NFP's impact might be exaggerated. Not just because of justifiable arguments about not over-reacting to a few data points not necessarily upending a trend. Rather, the US elections elephant in the room pits topping jobs (expectations) against the expectations attached to (who takes on) the top job.

- Point being, whether US jobs (NFP) will top estimates/expectations is arguably not as consequential as is the matter of who takes the top job at next week's elections.

- To be sure, NFP out-run, if sustained, could alter the expected course of US monetary policy course (Fed cuts), with significant impact on markets. Nonetheless, the imminent market reaction to an exceptionally polarized US election will easily trump (no pun intended) any US data point.

- Fact is, rightly or wrongly, profound and pervasive effects on global trade, geo-political conflicts, US fiscal deterioration are attached to this US election.

- So much so that China's stimulus measures are widely expected to be materially impacted by the need to respond to the inclinations to the occupant of the White House. And China is not the only one preparing for a policy response. It is the inevitable global necessity.

- So yes, markets are waiting. But it is for the outcome of the top job, not just any jobs (report), in the US.

Yields (2Y: -1.2bps; 10Y: -1.6bps; 30Y: -2.7bps)

Buoyant, But Already Rich

- Whilst UST yields have slipped modestly overnight, this is more cautious position adjustment than passionate views.

- Point being, both the propensity for a firm NFP read and US elections risks bias UST yields for buoyancy.

- Perhaps even ascendancy. But the bar is higher for further upside in yields given the front-running in in pre-elections surge, amplified by less dovish Fed expectations working through.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(AU) CPI/Trimmed Mean YoY (Sep)	2.1%/3.2%	2.9%/3.5%	2.7%/3.4%
(US) ADP Employment Change (Oct)	233k	111k	143k
(US) GDP Annualized QoQ (3Q A)	2.8%	2.9%	3.0%
(EZ) GDP SA YoY/QoQ (3Q A)	0.9%/0.4%	0.8%/0.2%	0.6%/0.2%
(CH) Mfg/Non-Mfg PMI (Oct)	50.1/50.2	50.0/50.5	49.5/50.0
(AU) Retail Sale MoM (Sep)	0.1%	0.2%	0.7%
(TW) GDP YoY (3Q A)	4.0%	3.4%	5.1%
(AU) Building Approvals MoM (Sep)	4.4%	2.1%	-6.1%
(US) Initial Jobless Claims	216k	230k	227k
(US) PCE/Core Deflator YoY (Sep)	2.1%/2.7%	2.1%/2.6%	2.2%/2.7%
(EZ) CPI Est./Core YoY (Oct)	2.0%/2.7%	1.9%/2.6%	1.7%/2.7%
(EZ) Unemployment Rate (Sep)	6.3%	6.4%	6.4%
(JP) BoJ Target Rate	0.25%	0.25%	0.25%
Today			
(CH) Caixin China PMI Mfg (Oct)		49.7	49.3
(ID) CPI/Core YoY (Oct)		1.7%/2.1%	1.8%/2.1%
(KR) Exports/Imports YoY (Oct)		6.3%/-0.9%	7.5%/2.2%
(US) Change in Nonfarm Payrolls (Oct)		110k	254k
(US) ISM Mfg/Prices Paid (Oct)		47.6/49.3	47.2/48.3
(US) Unemployment Rate (Oct)		4.1%	4.1%

Equities (Nasdaq: -2.8%; S&P: -1.9%; Dow: -0.9%)

- Nasdaq plunged 2.8% (with S&P500: 1.9%; Dow: -0.9%) as tech earnings presented a sore disappointment.

- Part of this is exaggerated by rich and stretched valuations that place increasingly ore pressures on earnings/expectations.

- But equally, positioning heading into US elections could also be inclined for caution rather than cavalier exuberance.

FX: Don't Doubt the USD (DXY: -0.0%)

- USD is a tad softer, but admittedly noticeably so given the sub-104 USD index. But a dip is not to be mistaken for a downtrend.

- Point being, a softer USD is mainly a passive by-product of EUR relief on data and post-BoJ bounce in (a battered) JPY.

- Whereas Sterling is indeed licking its (self-inflicted) wounds after the Budget. For now, US jobs data (risks to the upside) and US elections are likely to keep USD buoyed. Especially against AXJ given derivative downside risks from CNH.

China: Watching the Spectator

- The upcoming week will be a very critical NPC meeting in China (4-8 Nov), where details of stimulus will be awaited.

- What' unspoken is that markets are effectively watching Beijing, which is inevitably watching the US elections.

- Point being, whispers are that Beijing may have to augment the size and details of the fiscal stimulus depending on whether it is a Harris or Trump Presidency.

- And the sense is that Trump will invoke larger stimulus, with a greater propensity to buffer CNY/asset market volatility.

- The broad brush being, the assumed gradualism (in slower-burn tightening on Chinese tech) associated with Harris allow for more spaced out and coherent fiscal/industrial strategy.

- But the fear of Trump's more unpredictable barrage of "shoot-from-the-hip" and outsized trade attacks (albeit later amenable to transactional walk-back) will require fiscal buffers of a different nature.

- On the currency/monetary front too, Beijing will have to be braced for greater downside CNH volatility that may require more capital buffers alongside monetary caution.

- All said though, China stimulus may inadvertently still disappoint, as has been the case so far with what has been revealed on China stimulus so far. Partly due to Beijing's own policy conflicts (between socio-political and economic objectives) and constraints (stability-stimulus trade-offs). But possibly also to avoid the optics of over-reacting to US elections.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	152.03	151.92	▼0.91%	151.00	- 155.00
EURUSD	1.0884	1.0884	+0.26%	1.0740	- 1.0920
GBPUSD	1.2899	1.2897	▼0.49%	1.2870	- 1.3020
AUDUSD	0.6582	0.6578	+0.15%	0.6520	- 0.6620
DX	104.0	--	▼0.02%	103.8	- 104.8
USDCNY	7.1180	--	+0.03%	7.1100	- 7.1600
USDCNH	7.1216	7.1210	▼0.05%	7.1200	- 7.1800
USDHKD	7.7734	7.7740	+0.02%	7.7600	- 7.7800
USDSGD	1.3198	1.3196	▼0.19%	1.3150	- 1.3280
USDKRW	1377	1377	+0.00%	1350	- 1400
USDTWD	32.03	--	+0.00%	32.00	- 32.20
USDINR	84.08	--	▼0.00%	84.00	- 84.20
USDIDR	15697	--	▼0.02%	15550	- 15750
USDMYR	4.378	4.369	+0.00%	4.330	- 4.371
USDPHP	58.12	--	▼0.21%	57.90	- 58.40
USDTHB	33.74	33.83	+0.09%	33.50	- 34.10
USDVND	25280	25278	▼0.06%	25200	- 25415

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.172	4.285	-1.2	-1.6
JGB (JP)	0.443	0.942	0.1	-1.2
Bunds (GE)	2.277	2.387	2.2	0.0
Gilts (UK)	4.427	4.444	12.2	9.5
AGB (AU)	4.047	4.504	5.1	3.9
SGS (SG)	2.683	2.811	0.6	-0.1
CGB (CN)	1.466	2.147	-3.1	-0.6
KGB (KR)	3.107	2.972	-2.7	-1.2
SDL (IN)	6.847	6.712	-1.9	0.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	165.48	165.35	▼0.64%
GBP/JPY	196.116	195.917	▼1.38%
JPY/SGD (100yen)	0.868	0.8686	+0.66%
JPY/HKD (100yen)	5.1128	5.1172	+0.93%
CNH/JPY	21.362	21.344	▼0.80%
CNH/HKD	1.0924	1.0921	+0.02%
EUR/GBP	0.84372	0.84395	+0.74%
AUD/NZD	1.1013	1.1017	+0.10%
EUR/CNH	7.7507	7.7505	+0.20%
GBP/CNH	9.186	9.1836	▼0.54%

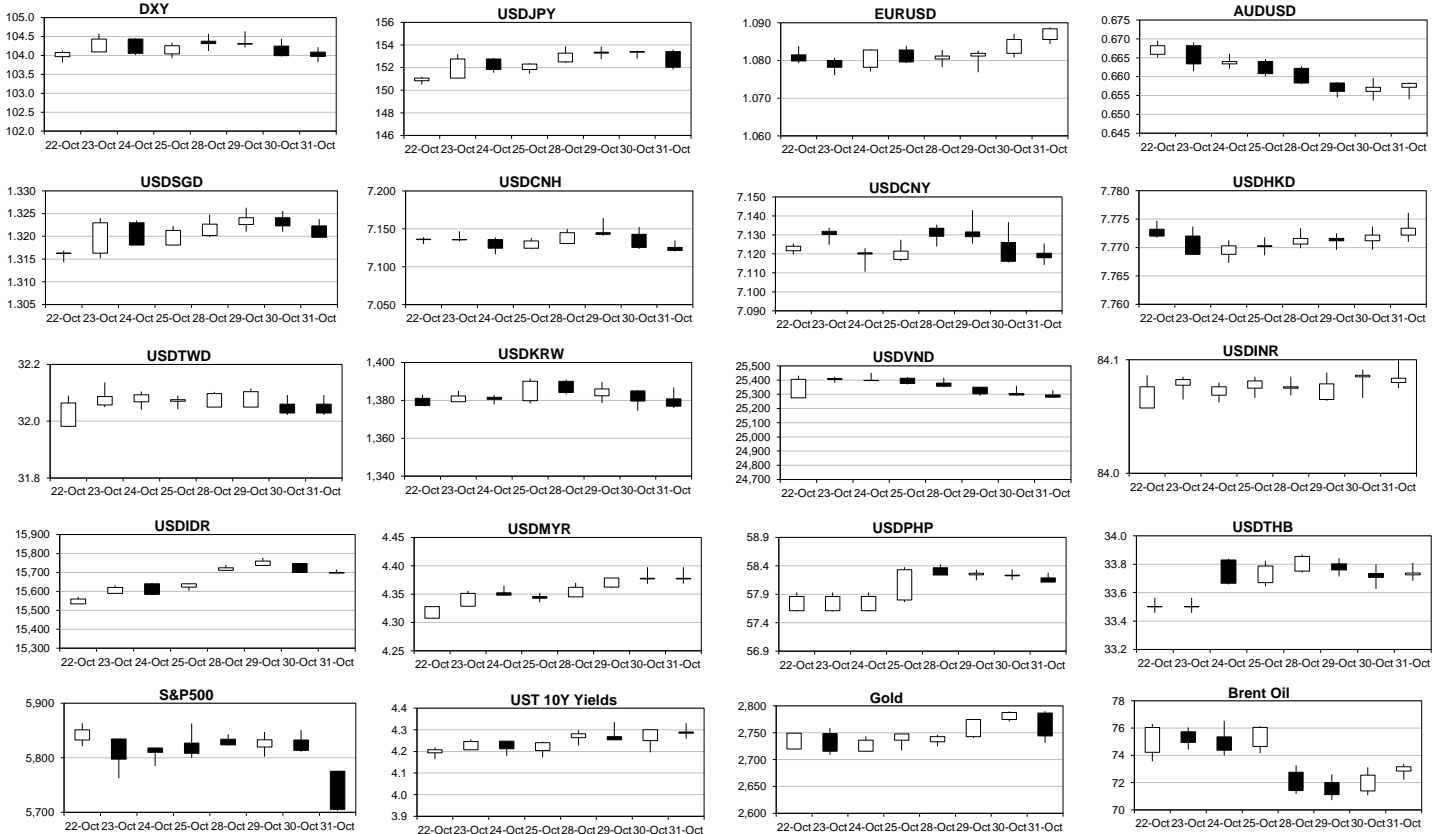
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	5705.45	-108.22	▼1.86%
Nasdaq (US)	18095.15	-512.78	▼2.76%
DJIA (US)	41763.46	-378.08	▼0.90%
N225 (JP)	39081.25	-196.14	▼0.50%
STOXX50 (EU)	4827.63	-58.12	▼1.19%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	4431.83	-32.36	▼0.72%
STI (SG)	3558.88	0.00	+0.00%
SHCOMP (CN)	3279.824	13.59	+0.42%
SZCOMP (CN)	1991.761	18.14	+0.92%
HSI (HK)	20317.33	-63.31	▼0.31%
SENSEX (IN)	79389.06	-553.12	▼0.69%
JSE (ID)	7574.019	4.17	+0.06%
KLSE (MY)	1601.88	0.00	+0.00%
PSE (PH)	7142.96	-137.28	▼1.89%
SET (TH)	1466.04	18.84	+1.30%
VNINDEX (VN)	1264.48	0.00	+0.46%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	9,373.55	-24.48	▼0.26%
IRON ORE (CN)	103.89	0.49	▼0.18%
GOLD	2,743.97	-43.64	▼1.57%
SILVER	32.66	-0.14	▼4.85%
OIL (BRENT)	73.16	0.61	+0.84%
OIL (WTI)	69.26	0.65	+0.95%
NATURAL GAS	2.71	-1.11	▼3.30%

CHARTS



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