

Nov 04, 2024

Three Take-Aways

1) Dismal NFP print in October affected by hurricanes and strike though downward revision for prior months cautions against turning from disappoint to outright optimism.

2) Opec delay of output increase and raised Middle East tensions to backstop oil prices for early part of week.

3) RBA to look through distorted headline CPI and focus on underlying inflation backing prolong rate hold.

MACRO THEME: Jumpy

- Last Friday, **US NFP print was utterly dismal** with only 12k of jobs added for the month of October. That said, the initial sharp plunge (12 bps on the 2Y) in UST yields was faded by markets as UST yield curve bear steepened. Admittedly, some elements of the report justified some of the reversal as hiring was affected by two hurricanes as well as the Boeing strike.

- Nonetheless, a **downward revision of 112k for the prior two months** ought to also signal caution. Still dire ISM manufacturing survey also affirms weakness reflected in the NFP report.

- Amid the noisy data, the **upshot remains that the Fed is still on course for a 25bp cut this week.**

- The weekend had more installed for markets with **OPEC+ agreeing a pushback of their planned output increase** by one month from December 2024 to January 2025.

- Iran's Supreme leader vowing a crushing response on Israel on Saturday also raised geo-political tension after their previous "measured" rhetoric.

- Markets are likely to remain jumpy as aftermath of US NFP report is pondered alongside US elections and FOMC decision as well as China's NPC.

Yields (2Y: +3.7bps; 10Y: +10.0bps; 30Y: +10.4bps)

- Bear steepener ahead of US elections this week not too surprising given that outcomes have become increasingly harder to call.

Equities (Nasdaq: +0.8%; S&P: +0.4%; Dow: +0.7%)

- The robust rise in US equities belies a **much narrower support base** with only half of the sub-sectors in the S&P 500 gaining and the key driver of gains stemming from Amazon's outperformance on earnings.

FX (DXY: +0.3%)

- USD strengthened last Friday amid the rise in UST yields. That said, the Greenback has lost of ground this morning amid reports of a too close to call election.

- USD/JPY closed above 153 last Friday but has slipped below mid-152 this morning.

- Similarly, the AUD jumped to hover around 66 cents and EUR also jumped to trade in the upper half of mid-1.08 from languishing below mid-1.08 last Friday.

- In EM-Asia, the USD/SGD also dived back towards 1.32 this morning despite ascending above mid-1.32 last Friday. EM-Asia FX remain under threat from higher oil prices, UST yields and prospects of Trump 2.0.

China: Cautious Start

- An improvement in the Caixin manufacturing index to step into expansionary territory. Given that the survey focus on smaller and export-oriented ones compared to the official polls, the relief for smaller enterprises is warranted though its external facing nature also imply that it is unable to reflect more concerning domestic consumption conditions.

- Meanwhile, on the housing front, residential property sales showed the first YoY increase in October amid the ramp up in stimulus. That said, the recovery is likely to remain skewed in favour of big cities and state owned companies.

RBA: Policy Distortions, FX Deference

- Without a doubt, the RBA's upcoming meeting tomorrow will be an expected rate hold. This is in line with our call for a hold until Q2 2025.

- Q3 headline inflation declining to 2.8% from 3.8% to fall within the RBA's target range will be dismissed given the substantial distortion by government measures.

- Reflecting so, the trimmed mean Q3 CPI inflation is at a much higher 3.5% YoY with a much smaller dis-inflation from Q2's 4.0%.

- Furthermore, the distortions from administrative measures are all expectedly bias to the downside to lower cost of living and can be observed across many components.

Aside from the well-noted electricity rebates, rent inflation was also and will continue to be restrained by Commonwealth Rent Assistance.

- Even the likes of transportation cost was distorted by introduction of free fare travel period in some cities on transition of new ticketing systems.

- While dis-inflation on a trimmed mean basis is a welcomed sight, a sticky services inflation at 4.6% in Q3, edging higher from the 4.5% in Q2 is a clear impediment to reach the RBA's target.

- Furthermore, labour markets remain very robust with September's 64k gains higher than the 42.6k in August and driven by full time jobs.

- Given the widely expected nature of the upcoming decision, AUD will defer towards US election outcomes, FOMC decision and China's NPC which starts today.

DATA/EVENTS

| Overnight | Actual | Exp. | Prior |
|---------------------------------------|-----------|------------|-----------|
| (CH) Caixin China PMI Mfg (Oct) | 50.3 | 49.7 | 49.3 |
| (ID) CPI/Core YoY (Oct) | 1.7%/2.2% | 1.7%/2.1% | 1.8%/2.1% |
| (KR) Exports/Imports YoY (Oct) | 4.6%/1.7% | 6.3%/-0.9% | 7.5%/2.2% |
| (US) Change in Nonfarm Payrolls (Oct) | 12k | 100k | 223k |
| (US) ISM Mfg/Prices Paid (Oct) | 46.5/54.8 | 47.6/49.3 | 47.2/48.3 |
| (US) Unemployment Rate (Oct) | 4.1% | 4.1% | 4.1% |
| Today | | | |
| (EZ) Mfg PMI (Oct F) | | 45.9 | 45.9 |
| (EZ) Sentix Investor Confidence (Nov) | | -12.6 | -13.8 |
| (US) Factory orders (Sep) | | -0.4% | -0.2% |
| (US) Durable Gds Orders (Sep F) | | -- | -0.8% |

FX OUTLOOK

| FX | Close (NY) | Open* | Daily %Δ | Forecast |
|--------|------------|--------|----------|-----------------|
| USDJPY | 153.01 | 152.30 | +0.64% | 150.00 - 154.00 |
| EURUSD | 1.0834 | 1.0874 | ▼0.46% | 1.0740 - 1.0920 |
| GBPUSD | 1.2924 | 1.2954 | +0.19% | 1.2870 - 1.3020 |
| AUDUSD | 0.6559 | 0.6592 | ▼0.35% | 0.6550 - 0.6640 |
| DXY | 104.3 | -- | +0.29% | 103.8 - 104.8 |
| USDCNY | 7.1290 | -- | +0.15% | 7.1100 - 7.1600 |
| USDCNH | 7.1354 | 7.1114 | +0.19% | 7.1000 - 7.1800 |
| USDHKD | 7.7772 | 7.7764 | +0.05% | 7.7600 - 7.7820 |
| USDSGD | 1.3261 | 1.3220 | +0.48% | 1.3150 - 1.3280 |
| USDKRW | 1375 | 1378 | +0.00% | 1350 - 1400 |
| USDTWD | 31.96 | -- | ▼0.20% | 31.90 - 32.20 |
| USDINR | 84.08 | -- | +0.00% | 84.00 - 84.20 |
| USDIDR | 15720 | -- | +0.15% | 15550 - 15890 |
| USDMYR | 4.381 | 4.378 | +0.06% | 4.330 - 4.398 |
| USDPHP | 58.12 | -- | +0.00% | 57.90 - 58.40 |
| USDTHB | 33.90 | 33.89 | +0.49% | 33.50 - 34.10 |
| USDVND | 25300 | 25293 | +0.08% | 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) | 4.209 | 4.385 | 3.7 | 10.0 |
| JGB (JP) | 0.455 | 0.941 | 1.2 | -0.1 |
| Bunds (GE) | 2.245 | 2.404 | -3.1 | 1.6 |
| Gilts (UK) | 4.421 | 4.443 | -0.6 | -0.1 |
| AGB (AU) | 4.063 | 4.538 | 1.6 | 3.4 |
| SGS (SG) | 2.734 | 2.850 | 5.6 | 3.8 |
| CGB (CN) | 1.439 | 2.138 | -2.7 | -0.9 |
| KGB (KR) | 3.091 | 2.999 | 10.4 | 3.7 |
| SDL (IN) | 6.847 | 6.712 | 0.4 | 1.2 |

| Cross FX | Close (NY) | Open* | Daily %Δ |
|------------------|------------|---------|----------|
| EUR/JPY | 165.77 | 165.61 | +0.18% |
| GBP/JPY | 197.68 | 197.275 | +0.80% |
| JPY/SGD (100yen) | 0.8668 | 0.8681 | ▼0.14% |
| JPY/HKD (100yen) | 5.0834 | 5.1061 | ▼0.58% |
| CNH/JPY | 21.461 | 21.366 | +0.46% |
| CNH/HKD | 1.0911 | 1.091 | ▼0.12% |
| EUR/GBP | 0.8386 | 0.83946 | ▼0.61% |
| AUD/NZD | 1.1 | 1.1011 | ▼0.12% |
| EUR/CNH | 7.7339 | 7.7329 | ▼0.22% |
| GBP/CNH | 9.2411 | 9.2118 | +0.60% |

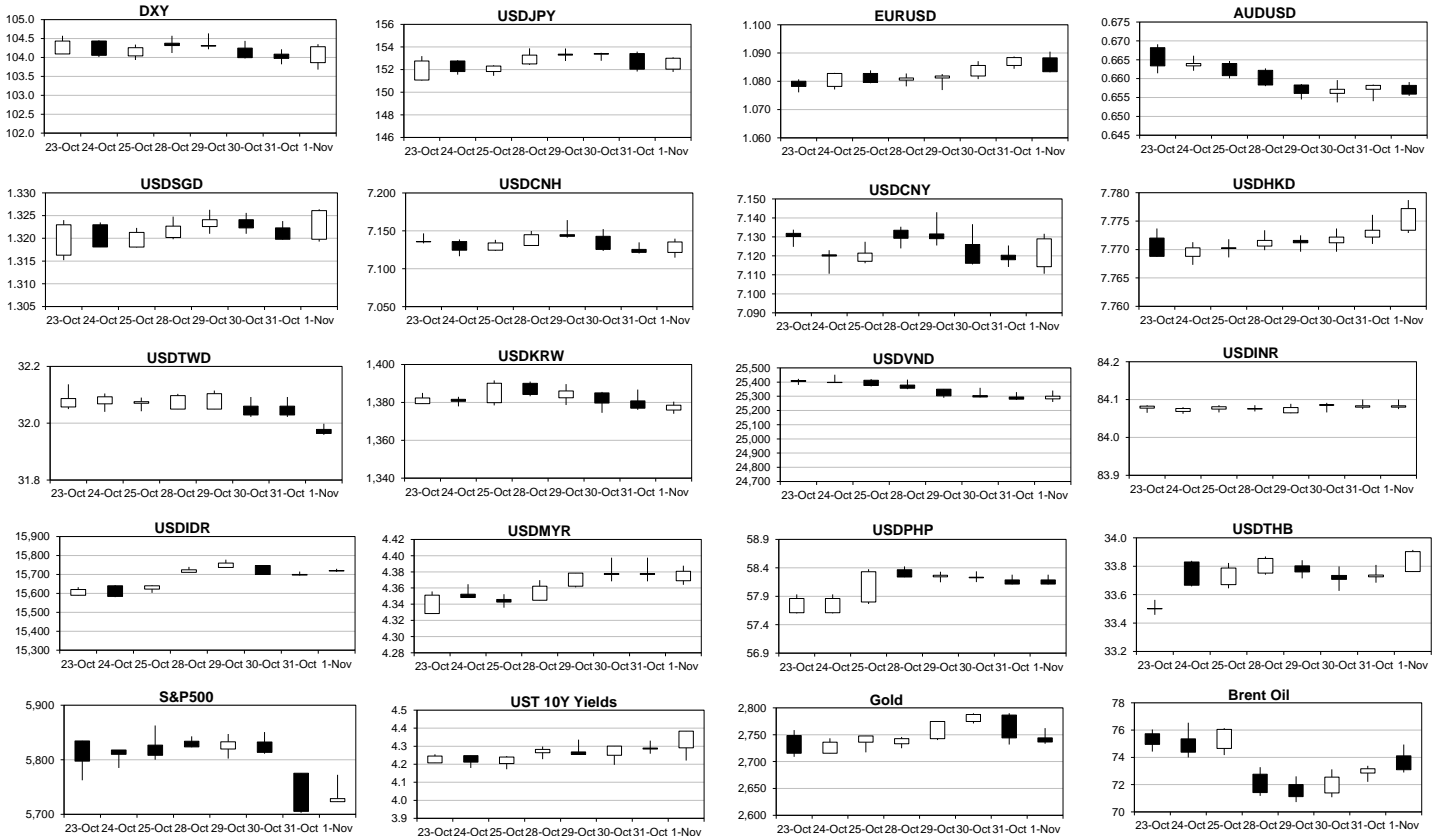
*Open is as at 8am HKT/SGT.

| G3 Equities | Close | Net Chg | Daily %Δ |
|--------------|----------|----------|----------|
| S&P500 (US) | 5728.8 | 23.35 | +0.41% |
| Nasdaq (US) | 18239.92 | 144.77 | +0.80% |
| DJIA (US) | 42052.19 | 288.73 | +0.69% |
| N225 (JP) | 38053.67 | -1027.58 | ▼2.63% |
| STOXX50 (EU) | 4877.75 | 50.12 | +1.04% |

| Asia Equities | Close | Net Chg | Daily %Δ |
|---------------|----------|---------|----------|
| ASX (AU) | 4465.61 | 33.78 | +0.76% |
| STI (SG) | 3555.43 | -3.45 | ▼0.10% |
| SHCOMP (CN) | 3272.014 | -7.81 | ▼0.24% |
| SZCOMP (CN) | 1945.84 | -45.92 | ▼2.31% |
| HSI (HK) | 20506.43 | 189.10 | +0.93% |
| SENSEX (IN) | 79724.12 | 335.06 | +0.42% |
| JSE (ID) | 7505.257 | -68.76 | ▼0.91% |
| KLSE (MY) | 1603.98 | 2.10 | +0.13% |
| PSE (PH) | 7142.96 | 0.00 | +0.00% |
| SET (TH) | 1464.17 | -1.87 | ▼0.13% |
| VNINDEX (VN) | 1254.89 | -0.01 | ▼0.76% |

| Commodity | Close | Net Chg | Daily %Δ |
|---------------|----------|---------|----------|
| COPPER (LME) | 9,444.83 | 71.28 | +0.76% |
| IRON ORE (CN) | 102.36 | -1.39 | ▼1.47% |
| GOLD | 2,736.53 | -7.44 | ▼0.27% |
| SILVER | 32.49 | -0.04 | ▼1.63% |
| OIL (BRENT) | 73.10 | -0.06 | ▼0.08% |
| OIL (WTI) | 69.49 | 0.23 | +0.33% |
| NATURAL GAS | 2.66 | -0.17 | ▼0.53% |

CHARTS



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