

Economic Calendar

Date	Country	Event	Period	Survey*	Prior
30 Sep	US	MNI Chicago PMI	Sep	46.8	46.1
	US	Dallas Fed Mfg Activity	Sep	-10.6	-9.7
	JP	Industrial Production MoM	Aug P	-0.5%	3.1%
	JP	Retail Sales YoY	Aug	2.6%	2.6%
	JP	Housing Starts YoY	Aug	-3.5%	-0.2%
01 Oct	US	JOLTS Job Openings	Aug	--	7673k
	US	ISM Manufacturing/Prices Paid	Sep	47.6/-	47.2/54.0
	EZ	CPI Estimate/Core YoY	Sep/ Sep P	2.0%/2.9%	2.2%/2.8%
	JP	Tankan Large Non-Mfg Index/Outlook	3Q	32/29	33/27
	JP	Tankan Large Mfg Index/Outlook	3Q	12/12	13/14
	JP	Tankan Large All Industry Capex	3Q	11.9%	11.1%
	JP	Jobless Rate/Job-To-Applicant Ratio	Aug	2.7%/1.2	2.7%/1.2
02 Oct	US	ADP Employment Change	Sep	123k	99k
	EZ	Unemployment Rate	Aug	6.4%	6.4%
03 Oct	US	Initial Jobless Claims		--	218k
	US	Durable Goods Orders/Nonfed Ex Air	Aug F	--	0%/0.2%
	US	ISM Services Index/Prices Paid	Sep	51.5/-	51.5/57.3
	US	Factory Orders	Aug	0.2%	5.0%
	EZ	PPI YoY	Aug	-2.3%	-2.1%
04 Oct	US	Change in Nonfarm Payrolls	Sep	140k	142k
	US	Unemployment Rate	Sep	4.2%	4.2%

Week-in-brief: Growth Risks and Hopes

- **China stole the show** the past week with Chinese authorities unleashing a slew of coordinated stimulus on both monetary and fiscal front over the week. The stimulus ranged from cuts to the 14-day reverse repo and reserve requirement ratio, cash handouts to the poor (a rare use of direct aid) and possible capital injection into top banks.

- While markets sentiments appeared cautiously hopeful at the start of the week, further announcements and politburo's vows to intensify support for the economy through necessary fiscal and monetary responses led a rally in equity indexes. The CSI300 is up about ~16% this week, compared to 0.8% (as at Thursday's close) for S&P. Meanwhile, in the US, wagers on Fed rate cuts in Q4 did not change materially compared to a week ago as markets await PCE data tonight and as **US growth comes into full focus next week** with NFP and ISM Mfg/Services outturns due.

- Down under, **RBA kept rates on hold**, and signalled that rates will be kept high in the near term amid stubborn inflation. Nonetheless, heightened growth risks appears to be the implicit message as a hike was not explicitly considered at this meeting, compared to the August meeting.

- Elsewhere, Indonesia kicked-off a two-month campaign for its regional elections (on Nov 27). The outcome of the election could yield clues on how successful Prabowo's programs are likely to be, given that implementation of various programs happens at local levels.

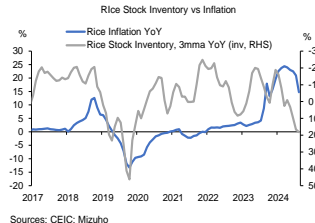
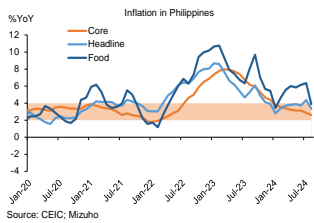
- Next week, a slew of inflation data is due. Inflation in South Korea is expected to print under 2% on moderate overall food inflation and lower transportation costs. Dis-inflation progress, coupled with cautious optimism on property market cooling measures introduced in September could set the stage for a cautious 25bps cut by BoK at October meeting.

- Meanwhile, inflation in Philippines should see a sharp moderation predominantly due to base effects as rice prices surged last September. The sharp moderation in rice prices and stable inflation in other components of the CPI basket are expected to offset upside risks on perishables in view of Typhoon season and higher electricity tariffs. Nonetheless, with BSP's dovish inclinations already evident, the print should bolster BSP's conviction for further easing at the October meeting amid growth risks.

- In Vietnam, we see upside risks on higher food inflation from the Typhoon to offset lower prices of petrol. But Typhoon disruptions should see sharp moderation in industrial production and retail sales.

- All in, Beijing's change in tone and scale of stimulus certainly give some hopes of turning the economy around, as growth fissures appear to deepen in other economies.

Philippines Inflation: Further Moderation



- We expect **headline inflation in Philippines to moderate from August's print of 3.3%**, and should fall below the mid-point of BSP's 2-4% target. The moderation is due to favourable base effects, and we still expect an expansion on a MoM NSA basis. Meanwhile, core inflation should remain stable, with upside risks.

- Our view takes into account a sharp **moderation in food inflation** (from 3.9% YoY in August), in view of a surge in rice prices last September. Amid strong inventory growth, we expect rice inflation to continue posting MoM declines. While perishables such as fruits, vegetables and eggs would likely see MoM increases on the supply disruptions in view of typhoon season, this should not affect the overall trend of moderating food inflation due to their lower weightages in the CPI basket. We also expect food and beverage services, which tend to lag food inflation, to post more modest price increases.

- We expect moderating food inflation and stable inflation in other components of the CPI basket to offset **higher electricity tariffs** (5.9% YoY in August). The National Grid Corporation of the Philippines raised power rates in September due to higher cost of "ancillary services" or reserve power, and higher electricity rates could continue for some time, with key energy distribution companies pre-empting further hikes in October due to increase in cost of power sourced from natural gas-fired power plants due to dwindling supply of Malampaya's natural gas and the import costs of LNG.

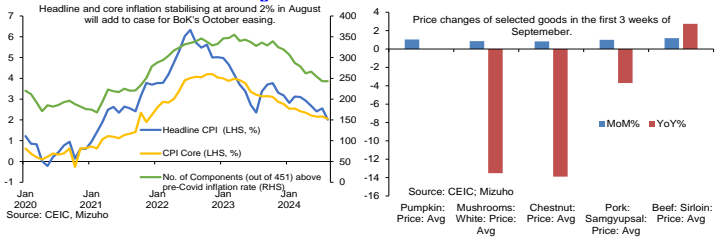
- Meanwhile, **water tariffs should continue to print higher** (7.0% YoY in August) as the effects of a hike by Metropolitan Waterworks and Sewerage System (MWSS) effective Jan 2024 continues to feed through for affected areas. Upside risks are present as MWSS has announced in mid-September rate adjustments starting 1 Oct for affected areas. **Education services should also continue posting above-average inflation** as several education institutions have hiked education fees effective this school year, which started in July.

- Overall, the inflation print is expected to bolster the case for a 50bps cut by BSP at the October meeting, and could mean persistence in PHP's underperformance (vis-a-vis regional peers) on BSP's dovish inclinations.

Asia

Date	Country	Event	Period	Survey*	Prior
23-30 Sep	IN	BoP Current Account Balance	2Q	-\$10.1b	\$5.70b
30 Sep	CH	BoP Current Account Balance	2Q F	--	\$54.9b
	CH	Caixin China PMI Mfg/Services	Sep	50.5/51.6	50.4/51.6
	CH	Mfg/Non-Mfg PMI	Sep	49.5/50.5	49.1/50.3
	KR	Industrial Production YoY	Aug	2.0%	5.5%
	TH	BoP Current Account Balance	Aug	\$1013m	\$270m
	TH	Exports/Imports YoY	Aug	--	15.3%/15.8%
01 Oct	AU	Building Approvals MoM	Aug	-4.8%	10.4%
	AU	Retail Sales MoM	Aug	0.4%	0.0%
	ID	CPI/Core YoY	Sep	2.0%/2.0%	2.1%/2.0%
	KR	Exports/Imports YoY	Sep	6.7%/5.4%	11.2%/6.0%
02 Oct	SG	Purch. Managers/Electronics Sector Index	Sep	--	50.9/51.3
	KR	CPI/Ex Food and Energy YoY	Sep	1.9%/2.0%	2.0%/2.1%
03 Oct	AU	Trade Balance	Aug	A\$5500m	A\$6009m
04 Oct	SG	Retail Sales/Ex Auto YoY	Aug	0.1%/-	1.0%/-2.3%
	PH	CPI YoY 2018=100	Sep	2.5%	3.3%
06 Oct	VN	Trade Balance	Sep	--	\$4530m
	VN	Industrial Production/Retail Sales YoY	Sep	--	9.5%/7.9%
	VN	GDP YoY	3Q	--	6.9%
	VN	CPI YoY	Sep	--	3.5%

South Korea Inflation: Below Target



- **Headline inflation for September in South Korea is expected to head below the 2% mark** recorded in August with sharp decline in petrol prices being a key driver.

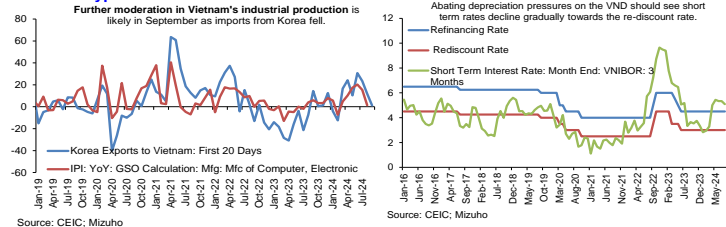
- While we expect a seasonal bump up in food prices due to the Chuseok holiday, this will be significantly dampened by the increase in supply of popular items such as cabbage and apples and seafood by the government and extension of tariff through their "Measures for restoring people's livelihoods during the Chuseok holiday".

- In addition, toll fee waivers and discounted train tickets during the holidays alongside lower fuel prices imply lower transportation costs for September.

- Meanwhile, **housing rent in the first half of September continue to rise at a faster pace** on a MoM basis. In turn, we expect core inflation return to be higher than the headline inflation especially as the tight labour market and associated incomes flows ought to underpin services prices.

- On balance, headline inflation below the BoK's target will set the stage for BoK to ease by 25bps at their upcoming October meeting as officials contemplate the effectiveness of their latest measures to curb property prices. Consequently, **KRW bulls may struggle to rally** with the USD/KRW staying buoyant off 1300 since mid-August.

Vietnam: Typhoon Distortions



- **First and foremost, we expect the upcoming slew of economic release on 6 October will be significantly distorted by Typhoon Yagi** which has caused significant destruction to agricultural lands and crops as well as industrial disruptions and infrastructure damage.

- Accordingly, even amid the backdrop lower export prices of rice globally, we expect **significant potential for a spike in food inflation** from higher prices of vegetable, rice and meat. Across the agricultural sector, rice fields were flooded and vegetable farms and inventory were destroyed and poultry and fish and pig farms were also damaged.

- On balance, we expect the rise in food inflation to offset lower prices of petrol which will see **headline inflation edge higher from the previous print of 3.5% YoY**.

- Similarly, **industrial production had also been disrupted by Typhoon Yagi** with widespread reports of flooding, roof damage and even structural collapse of factories. Infrastructure damage would also have dent the transportation and storage sector.

- In turn, we expect **industrial production to show a sharp decline in September from the 9.5% YoY in August** which is also affirm by our leading indicator such as Vietnam's imports from Korea showing a mere 1% growth compared to the 11.0% growth in August.

- In a similar vein, **retail sales growth is likely to decline** as Typhoon hit major cities such as Hanoi and popular spots such as Halong Bay severely impacted and would have dented tourism spending.

- All in, we expect the SBV to persist with on-going efforts to urge banks to provide target support to affected individuals and firms through lower interest rates and re-scheduling debt payments rather than broad based easing.

## Forex Rate

	Close*	Chg <sup>^</sup>	% Chg <sup>^</sup>	Week Forecast	
USD/JPY	143.28	-0.570	-0.40%	140.00	~ 146.00
EUR/USD	1.1131	-0.0031	-0.28%	1.092	~ 1.121
USD/SGD	1.2841	-0.006	-0.50%	1.2800	~ 1.3050
USD/THB	32.42	-0.635	-1.92%	32.00	~ 33.00
USD/MYR	4.1202	-0.0835	-1.99%	4.070	~ 4.180
USD/IDR	15125	-25	-0.17%	14,800	~ 15,350
JPY/SGD	0.8961	-0.001	-0.08%	0.877	~ 0.932
AUD/USD	0.6882	0.008	1.10%	0.670	~ 0.693
USD/INR	83.69	0.117	0.14%	83.2	~ 83.9
USD/PHP	56.095	0.417	0.75%	55.1	~ 56.7

<sup>^</sup>Weekly change.

### FX: Growing Divergence

- The Antipodeans led gains among G10 peers with the AUD testing 69 cents as China's monetary and fiscal stimulus boost hopes for AUD bulls.
- JPY managed to end up in the middle of the pack as Ishiba won the LDP elections, upsetting Takaichi who is a known advocate of monetary policy easy.
- EUR slipped as **hopes from China stimulus had to contend with disappointing PMIs across the EZ.**
- NOK led losses as oil price declines due to threats of supply increase from Libya and Saudi.

### EM-Asia: Policy Impact

- In EM-Asia, despite buoyant risk-on mood amid strong stimulus from China, the **PHP underperformed and weakened** against the Greenback as BSP Governor Remolona signalled for the possibility of 2 more cuts in 2024.
- On the other end, the likes of **MYR and THB continued to extend gains.**
- For the MYR, the BNM has display little concerns on the recent strong appreciation as they highlight policy direction and improving fundamentals as anchors to MYR outperformance.
- Meanwhile, the THB outperformance came alongside the CNH boost as well as as favourable trade data pointing to another current account surplus for August.

## Bond Yield (%)

27-Sep	2-yr	Chg (bp) <sup>^</sup>	10-yr	Chg (bp) <sup>^</sup>	Curve
USD	3.606	1.5	3.766	2.5	Steepening
GER	2.063	-16.0	2.114	-9.0	Steepening
JPY	0.346	-1.5	0.835	0.7	Steepening
SGD	2.392	11.9	2.607	15.1	Steepening
AUD	3.625	0.7	3.955	0.1	Flattening
GBP	3.930	1.5	3.973	7.3	Steepening

## Stock Market

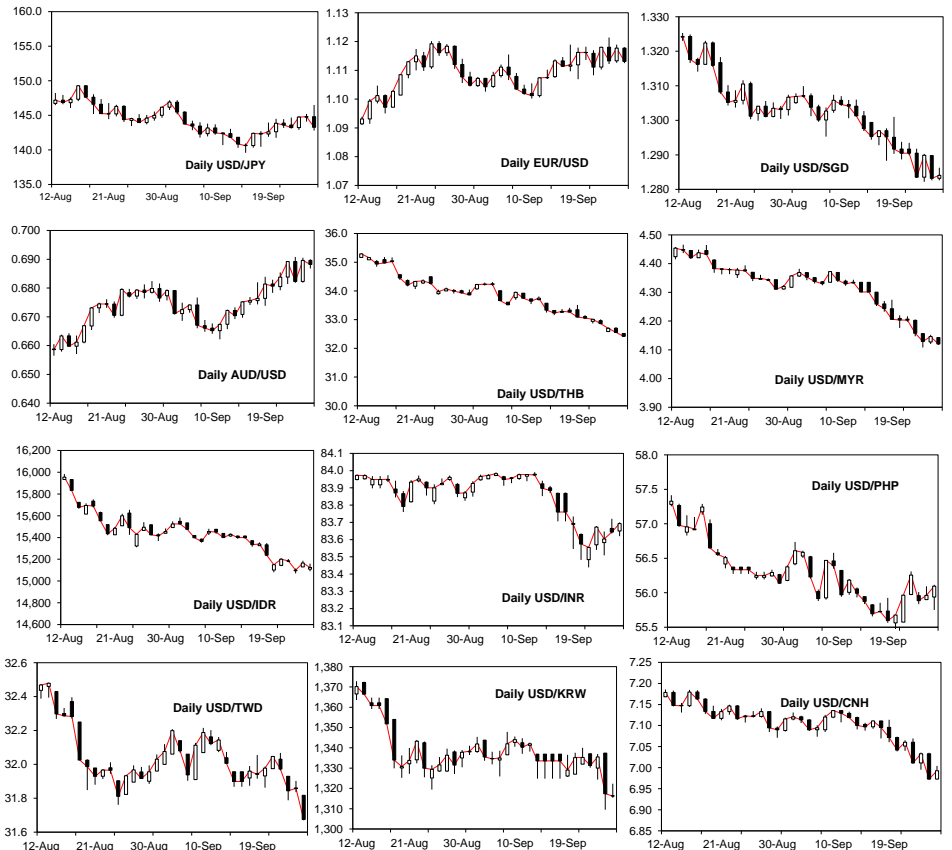
	Close	% Chg
S&P 500 (US)	5,745.37	0.75
Nikkei (JP)	39,829.56	5.58
EuroStoxx (EU)	5,035.55	3.37
FTSE STI (SG)	3,569.77	-1.52
JKSE (ID)	7,698.81	-0.57
PSEI (PH)	7,428.30	2.43
KLCI (MY)	1,659.01	-0.59
SET (TH)	1,453.38	0.12
SENSEX (IN)	85,630.03	1.28
ASX (AU)	8,212.24	0.03

### USTs: Steepening Bias Retained

- UST yields oscillated across the week amid mixed data (i.e. lower consumer confidence, lower-than-expected jobless claims, better-than-expected non-volatile durable goods orders, mixed PMI prints).
- While FedSpeak saw officials defending their votes at FOMC, comments on future trajectories were mixed, with differing views on where the balance of risks between the Fed's dual mandata was tilted to one side or balanced.
- While wagers on Fed rate cuts in Q4 were broadly unchanged compared to a week ago, UST yields move higher in a steepening fashion.
- As focus turns to PCE (due tonight) and NFP report (next week), we expect the broader steepening bias (predominantly bull steepening) to remain intact.
- Overall, we expect 2Y UST yields to trade around 3.5-3.65% while 10Y UST yields to 3.7-3.85% levels.

### FX Brief:

- 1) JPY: JPY gains on buoyant risk on may be spurred on by lower inflationary pressure in the US while NFP print next week sets up another tense volatile encounter with potential to retest 140.
- 2) EUR: Buoyed off 1.11 on China stimulus measure but rate cut prospects remain a restrain for rallies.
- 3) AUD: Outperformance this week on positive spillovers from China's stimulus while the CPI print decline on electricity rebates unable to dent bullish rally
- 4) CNH: While China stimulus hog headline to aid CNH slippage below 7, rallies remain constrained prospects by upsized CGB issuances.
- 5) INR: Remain trading around a narrow range of mid-83 to 84 handle amid reserve accumulation.
- 6) SGD: Unlikely to dip below mid-1.29 as while CNH could remain supported, another round of stimulus in unlikely with China holidays next week. Meanwhile, growth risks in EZ could drag on the EUR.
- 7) IDR: Ongoing regional elections could see some cautious notes; could remain buoyed above 15,000 handle.
- 8) THB: Favourable trade data and risk on mood extended THB gains this week. Venture towards sub-32 remain a high bar given that current account surplus will welcome is far from pre-Covid levels.
- 9) MYR: Outperformance could continue on CNH support, and could move durably below 4.10 levels.
- 10) PHP: Further moderation in upcoming inflation print should set the stage for further cuts by BSP in October; unlikely to see any breaks below 55 levels.
- 11) KRW: Rate cut bets by the BoK is still a restrain on the extent of KRW gains in the next two week.
- 12) TWD: Further rallies from China stimulus evident alongside foreign inflows into equities.



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