

Firm employment, weak markets

KEY MARKET MOVES

Weekly IC meeting data table

Name	WTD	MTD	YTD	Last px	Name	WTD	MTD	YTD	Last px
MSCI ACWI Index	3.23%	2.99%	-24.50%	569.93	US Generic Govt 10 Year Yield	0.05	0.10	1.79	4.22
S&P 500 Index	4.74%	4.66%	-21.26%	3,752.75	Euro Generic Govt Bond 10 Year	0.03	0.15	(14.66)	2.42
Dow Jones Industrial Average	4.89%	8.21%	-14.46%	31,082.56	Japan Generic Govt 10Y Yield	0.02	0.05	2.61	0.26
NASDAQ Composite Index	5.22%	2.69%	-30.59%	10,859.72	MARKIT CDX.NA.HY.32 06/24	-8.93%	-11.08%	84.96%	542.14
EURO STOXX 50 Price EUR	2.81%	4.77%	-19.12%	3,476.63	MARKIT CDX.NA.IG.32 06/24	-9.44%	-12.76%	90.11%	94.24
STOXX Europe 600 Price Index EUR	-0.36%	0.53%	-20.07%	389.91	MARKIT CDX.EM.31 06/24	-6.00%	-5.10%	67.80%	314.02
Nikkei 225	-0.74%	3.68%	-6.60%	26,890.58	EUR-USD X-RATE	1.44%	0.61%	-13.26%	0.99
Tokyo Stock Exchange Tokyo Price Index TOPIX	-0.85%	2.51%	-5.54%	1,881.98	GBP-USD X-RATE	1.17%	1.19%	-16.47%	1.13
MSCI AC Asia Pacific Index	-1.48%	-2.24%	-29.68%	135.81	CHF-USD X-RATE	0.76%	-1.08%	-8.58%	1.00
MSCI AC Asia Pacific Excluding Japan Index	-1.24%	-2.89%	-30.19%	439.70	USD-JPY X-RATE	-0.69%	2.01%	28.30%	147.65
MSCI Emerging Markets Index	0.20%	-1.23%	-29.79%	865.04	USD-CNY X-RATE	0.53%	1.61%	13.76%	7.23
Shanghai Shenzhen CSI 300 Index	-2.59%	-1.63%	-24.24%	3,742.89	USD-HKD X-RATE	-0.01%	0.00%	0.68%	7.85
Hang Seng Index	-2.27%	-5.87%	-30.71%	16,211.12	USD-INR X-RATE	0.39%	1.64%	11.23%	82.69
India NSE Nifty 50 Index	2.27%	2.82%	1.28%	17,576.30	NYMEX Light Sweet Crude Oil	-0.65%	6.99%	13.08%	85.05
Taiwan Stock Exchange Index	-2.35%	-4.51%	-29.64%	12,819.20	ICE Brent Crude Oil Future	2.04%	6.30%	20.21%	93.50
Korea KOSPI Index	0.03%	2.67%	-25.68%	2,213.12	VIX Index	-7.28%	-6.10%	72.42%	29.69
Singapore Straits Times Index STI	-2.29%	-5.12%	-4.92%	2,969.95	Gold Spot	0.80%	-0.18%	-9.38%	1,657.69
Thailand SET Index	1.96%	0.11%	-4.00%	1,591.32	Silver Spot	6.26%	2.06%	-16.68%	19.42
Jakarta Stock Exchange Composite Index	2.98%	-0.33%	6.63%	7,017.77	Palladium Spot	1.13%	-6.83%	5.97%	2,018.50
Philippines Stock Exchange PSEi Index	1.33%	4.22%	-15.99%	5,983.56	Bitcoin/USD	0.85%	0.37%	-57.92%	19,497.58
Vietnam Ho Chi Minh Stock Index / VN-Index	-3.96%	-9.92%	-31.93%	1,019.82	Etherum/USD	1.49%	-0.11%	-63.94%	1,330.22

Source: Bloomberg

MACRO OVERVIEW

Global

In what was supposed to be a lull week with little major data points, the UST yields made new multi decade highs on the back of higher than expected global inflation readings. Japan and the UK both recorder higher than expected inflation ebbing on the Fed to continue with its pace of hikes. However, risk sentiment returned toward the end of last week as comments from Fed’s Mary Daly and St Louis’ Bullard gave the market some ‘guidance’ ahead of the next Fed meeting.

Both Daly and Bullard made it clear they expect the discussion at the November meeting to include debate on how high to raise rates and when to ease the pace of increases. The message is evolving as officials increasingly incorporate phrases like ‘stop-and-hold’, ‘lagged effects’ and ‘two-sided-risks’ into their rhetoric to signal an imminent downshift in the pace of tightening. The Fed will meet on the 1st of November. Until then, earnings will be key to determining if this rally can continue. The 3 major indices jumped around 5% for its best week since the summer. The VIX retreated below the key 30 level for the 2nd consecutive session Friday. The jury is still out as to whether sentiment

on equities and global growth is showing full capitulation (from Bank of America) yet.

Last week, we saw softer overall housing data and a slightly more than expected continuing claims. This week we will see Q3 GDP expected to show that the US has pulled out of its ‘technical’ recession of 2 negative quarters, at 2.3% and on Friday, key personal income & spending data together with the PCE Deflator. We will also get to see what the U. of Michigan’s inflationary expectations are – expected to be unchanged. The blackout period for Feds-peak starts this week ahead of the November 1st FOMC meeting.

We remain wary of this rally and continue to view this to be that of a bear market rally unless otherwise shown.

Geopolitics

Xi’s fiery rhetoric raises risk of war in his third term and US’s Blinken says China wants to seize Taiwan on a much faster timeline than previously

Russia carried out drone and missile strikes on Ukraine. Iranian-made “kamikaze” drones hit key

infrastructure in the capital and other regions, killing at least eight people and cutting off electricity for hundreds.

South Korea assessed that North Korea has finished preparations for a seventh nuclear test, stoking concerns that Pyongyang's first blast of an atomic device in five years could be imminent

Apple will suspend its use of Chinese chips. Hardware from Yangtze Memory Technologies Co. has been put on pause following US pressure to sanction China's tech sector

A poll showed more than half of Japanese want BoJ's ultra-easy monetary policy reviewed as the yen struggles close to a three-decade low against the dollar, worsening inflation on essential imports

Asia

Xi Jinping is firmly in control of China's twice-a-decade leadership reshuffle, which could see bigger-than-expected changes as he builds a new supporting team for his unprecedented third term. On October 22, the party will form a new Central Committee to head 97 million party members. Common prosperity still remains high on the priority list

China delayed the release of its third-quarter GDP data. The publishing of other economic indicators has also been postponed amid the week-long 20th Party Congress.

Media reports suggested that China is considering reducing the quarantine-facility period and subsequent "home observation" for inbound travelers to 2+5 days from the current 7+3 days.

New Zealand CPI rose 2.2% q/q in Q3, ahead of consensus 1.6%, and accelerating from 1.7% in the prior quarter. Main drivers were food, housing and utilities as vegetable prices soared a record 24%.

Bank Indonesia delivered a 50bp rate hike to lift the policy rate to 4.75%, in line with consensus expectations. Governor Warjiyo said the central bank will continue to "control the exchange rate" to prevent imported inflation. BI also extended looser rules on home and auto loans as it strives to use macroprudential measures to support growth

Philippines Finance Secretary Diokno commented the government will do whatever it takes to defend the peso and prevent USD/PHP from moving above 60. He added the government's desired level of the exchange rate is 55.

FX AND COMMODITIES

DXY USD Index fell 1.15% to 112.01, as a media report suggests the FOMC is likely to debate, at its November meeting, how to signal plans for a smaller hike in December. Prior to this, interest rate markets had priced in a 70% probability for the FOMC to deliver a 75bp hike at the December meeting. USD weakness accelerates after Japanese MoF intervention last Friday. Data wise, initial jobless claims beats at 214k (C: 233k). Immediate support at 111.80, 111 and 110.60. Immediate resistance level at 112.40 and 113.

EURUSD rose 1.44% to 0.9862 due to broad based USD weakness. Data wise, Eurozone inflation yoy came in at 9.9% (C: 10.0%). ZEW expectation beats consensus at -59.2 (C: -66.5). We have the ECB meeting this Thursday, where ECB is expected to hike 75 bps.

GBPUSD rose 1.17% to 1.1303 due to broad based USD weakness. UK PM Truss resigns; the Conservative Party will elect a new PM by October 28. GBPUSD immediately rallied to an intraday high near 1.134, but quickly retraced in line with a "buy-the-rumor, sell-the-fact" trend. Data wise, UK inflation yoy for September came in 10.1% (C: 10.0%). Retail sales mom underperformed at -1.4% (C: -0.5%).

USDJPY fell 0.69% to 147.65 last week after touching a high of 151.95 since 1990s. USDJPY abruptly fell more than 4% intra-day, after a media report later suggested that the Japanese MOF intervened in the FX market for the second consecutive month last Friday. Earlier in the week, BoJ conducted an unscheduled JGB purchase operation in addition to the regular fixed-rate JGB purchase operation as 10y JGBs rise above the 0.25% ceiling. Data wise, Japan September nationwide CPI rose to 3.0% yoy (C: 2.9%).

Oil & Commodity - WTI and Brent fell to an intra-week low of 81.4 and 88.8 as media reports recirculate the possibility for the US to release more



oil from the Strategic Petroleum Reserve before the congressional elections, before recovering to close the week at 85.05 (-0.65%) and 93.5 (2.04%) respectively. Gold rose 0.80% to close the week 1657.7, after touching an intra-week low of 1618, following broad USD weakness at the end of last week.

Sources – Various news outlets including Bloomberg, Reuters, Financial Times, Associated Press

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ECONOMIC INDICATORS

M – AU/JP/EU/UK/US PMI Comps/Svc/Mfg Oct
Prelim, CH GDP/Indust. Pdtn/Retail Sales/Trade
Balance, US Chicago Fed Nat Act

T – JP Machine Tool Orders, US Cons. Confid./
Richmond Fed Mfg Index

W – NZ Biz Confid., AU CPI, US Mortg.
App./Wholesale Inv./New Home Sales, CA BOC
Rate Decision

Th – CH Indust. Profit, EU ECB Rate Decision, US
GDP/Durable Goods Orders/Personal Cons./Core
PCE/Initial Jobless Claims

F – JP CPI/ Jobless Rate, AU PPI, EU Econ/In-
dust./Svc/Cons. Confid., CA GDP, US Personal
Income/Spending/Pending Home Sales/Mich/
Sentiment