

Three Take-Aways

- 1) US equities, UST yields plunged, and USD weakened after Trump's threat of 100% tariffs on China and saying that there is no reason to meet China President Xi during APEC summit.
- 2) While Trump has provided possible off-ramp for negotiations, multiple points of contention ranging from rare earths, semiconductors, port fees imply persistent underlying tensions.
- 3) MAS is expected to keep status quo and refrain from suspending the S\$NEER slope.

MACRO THEME: No Reason?

- Last Friday, a sharp escalation of US-China trade tensions sent US equities, UST yields and the Greenback plunging.
- The importance of rare earths was apparent with Donald Trump's threat to impose 100% tariffs on China effective 1 November and controls on critical software is said to be in response to China's new controls on rare earths which include items that contain rare earths and equipment to process rare earths. The Chinese government also announced stricter battery export regulation by requiring companies to apply for permits. That said, Beijing has said that these are actions against US export controls on Chips.
- Given the multiple two-way restrictions in recent months, the more critical forward looking issue that is the existence of possible silver linings to put a Trump-Xi meeting back on track as markets suffered a meltdown last Friday when Trump said that there is no reason to meet Xi during the APEC summit.
- Aside from lofty heights, the Nasdaq led meltdown was not too surprising given the "new" focus on software restriction on top of semiconductor being at the forefront of trade tensions.
- As for silver linings, Trump has provided a softer tone in a social media post over the weekend saying that "Highly respected Xi just had a bad moment. He doesn't want Depression for his country, and neither do I....". Trade Representative Greer said that the measures are not in place yet, turning focus on the 1 November deadline.
- Meanwhile, US government shutdown persisted and it is said that the Trump administration had laid off 4000 workers on Friday.
- In Europe, French President Macron has named a new cabinet amid PM Lecornu being reappointed after resigned, aimed at providing political stability. Nonetheless, there will be a no-confidence vote faced by the new government this week.
- In Japan, there were also political wobbles as Komeito exited the LDP's ruling party coalition and weakening Takaichi's position.
- In EM-Asia, Malaysia announced their Budget for 2026 which affirms a lower budget deficit of 3.5% of GDP from the 3.8% in 2025 alongside an increase in sin taxes (cigarettes and alcohol) and a range of relief measures to boost domestic tourism, improve retirement adequacy and property relief measures.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(JP) PPI YoY (Sep)	2.7%	2.5%	2.7%
(US) Uni of Michigan Sentiment (Oct P)	55.0	54.0	55.1
(MY) Industrial Production YoY (Aug)	4.9%	3.4%	4.2%

Today	Actual	Exp.	Prior
(GE) Zew Survey Expectations (Oct)		41.6	37.3
(CH) Exports/Imports (Sep)		6.6%/1.8%	4.4%/1.3%
(IN) CPI YoY (Sep)		1.5%	2.1%

Yields (2Y: -9.1bp; 10Y: +10.5bp; 30Y: -10.1bp)

Equities (Nasdaq: -3.6%; S&P 500: -2.7%; Dow: -1.9%)

FX (DXY: -0.6%)

- Havens such as the JPY and CHF gained against the USD last Friday. USD/JPY is hovering below 152. EUR rose above 1.16.
- Amid the obvious adverse China spillovers and lower oil prices, AUD sank towards 65 cents. USD/SGD similarly bounces above mid-1.29 with limited gains. EM-Asia FX may find it tough to chalk gains against the USD given the CNH implications.

MAS: Neither Policy Suspense nor (S\$NEER Slope) Suspension

- **No Suspense, Just Hold:** There is **little suspense** associated with the **MAS meeting** ahead (14th October), where a **status quo is widely expected** on the obvious premise that "*policy (settings that remain) appropriate*".
- **Disinflation Provides Scope to Ease:** **Granted** that sustained and significant **dis-inflation, in principle**, provides incremental **scope for more easing**. Given **Exceptionally Soft Inflation**: Ostensibly even more so as **inflation run-rate is well below the MAS' 2025 projection (of 0.5%-1.5%), which in itself is below the 1-2% longer-term trend**.
- **(En-)Core (Easing?)**: In fact, with **core inflation plunging below 0.5%** (Aug: 0.3% YoY; 3M Avg: 0.4%), and **looking like it could fleetingly flirt with deflation**, it may be **tempting to argue for "encore"** (more!) follow-up **easing**.
- **But Disinflation Alone Not Decisive Cause:** But convincing as it is at first glance though, **dis-inflation alone merely creates (pre-)conditions, not decisive cause, for further easing**.
- **Instead, Sufficient "Insurance" Lifts the Bar:** Fact is, **front-loaded, pre-emptive easing**, raises the bar for the MAS to ease.
- **Accentuated by Rich S\$NEER:** Pointedly, **a rich S\$NEER, with abundant scope for easing within current policy parameters, diminishes the need for more/excessive "insurance" easing**. And instead **counsels a balanced hold**.
- **Moreover, Growth is Resilient Despite Uncertainty:** Moreover, **despite elevated geoeconomic uncertainty** (around potential tariff trade shocks) the **surprising, but compelling resilience of growth means there is simply no justification for imminent easing**.
- **Adverse Demand Shock is the Bar to Clear:** The critical point being, there are **no attendant threat if adverse demand shocks with accompanying deflationary impulses that could prompt emphatic easing**. **No Suspension (of S\$NEER Appreciation):** **Especially** given further easing is likely to entail a **suspension of S\$NEER appreciation bias**, which is **typically only warranted under conditions of a significant negative output gap** (sub-trend growth outcomes).
- **At Least Not Compellingly Urgent:** And **given** that Singapore's **economy is nowhere near the vicinity of a negative output gap**, the **MAS has no compelling reason for further, imminent/urgent loosening of the monetary policy stance**.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	151.19	152.06	▼1.23%	150.00 - 155.00
EURUSD	1.1619	1.1602	+0.48%	1.1500 - 1.1700
GBPUSD	1.3360	1.3337	+0.42%	1.3300 - 1.3500
AUDUSD	0.6474	0.6499	▼1.25%	0.6450 - 0.6600
DXY	99.0	--	▼0.56%	97.0 - 99.4
USDCNY	7.1353	--	+0.07%	7.0900 - 7.1500
USDCNH	7.1453	7.1408	+0.10%	7.0900 - 7.1700
USDHKD	7.7828	7.7823	+0.01%	7.7600 - 7.8200
USDSGD	1.2969	1.2977	▼0.22%	1.2750 - 1.3050
USDKRW	1427	1427	+0.00%	1405 - 1435
USDTWD	30.54	--	+0.00%	30.10 - 30.60
USDINR	88.70	--	▼0.11%	87.60 - 89.50
USDIDR	16553	--	+0.05%	16500 - 16800
USDMYR	4.223	4.225	+0.14%	4.180 - 4.250
USDPHP	58.27	--	▼0.01%	57.90 - 58.80
USDTHB	32.72	32.67	+0.41%	32.2 - 33.0
USDVND	26340	26340	▼0.03%	26300 - 26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.503	4.034	-9.1	-10.5
JGB (JP)	0.913	1.681	-1.2	-0.9
Bunds (GE)	1.957	2.643	-3.7	-5.9
Gilts (UK)	3.952	4.674	-4.7	-7.0
AGB (AU)	3.532	4.364	2.1	1.5
SGS (SG)	1.448	1.813	-1.7	-2.1
CGB (CN)	1.412	1.847	-0.7	0.3
KGB (KR)	2.527	2.966	0.3	0.3
SDL (IN)	5.621	6.537	-5.1	1.3

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6552.51	-182.60	▼2.71%
Nasdaq (US)	22204.43	-820.20	▼3.56%
DJIA (US)	45479.6	-878.82	▼1.90%
N225 (JP)	48088.8	-491.64	▼1.01%
STOXX50 (EU)	5531.32	-94.24	▼1.68%

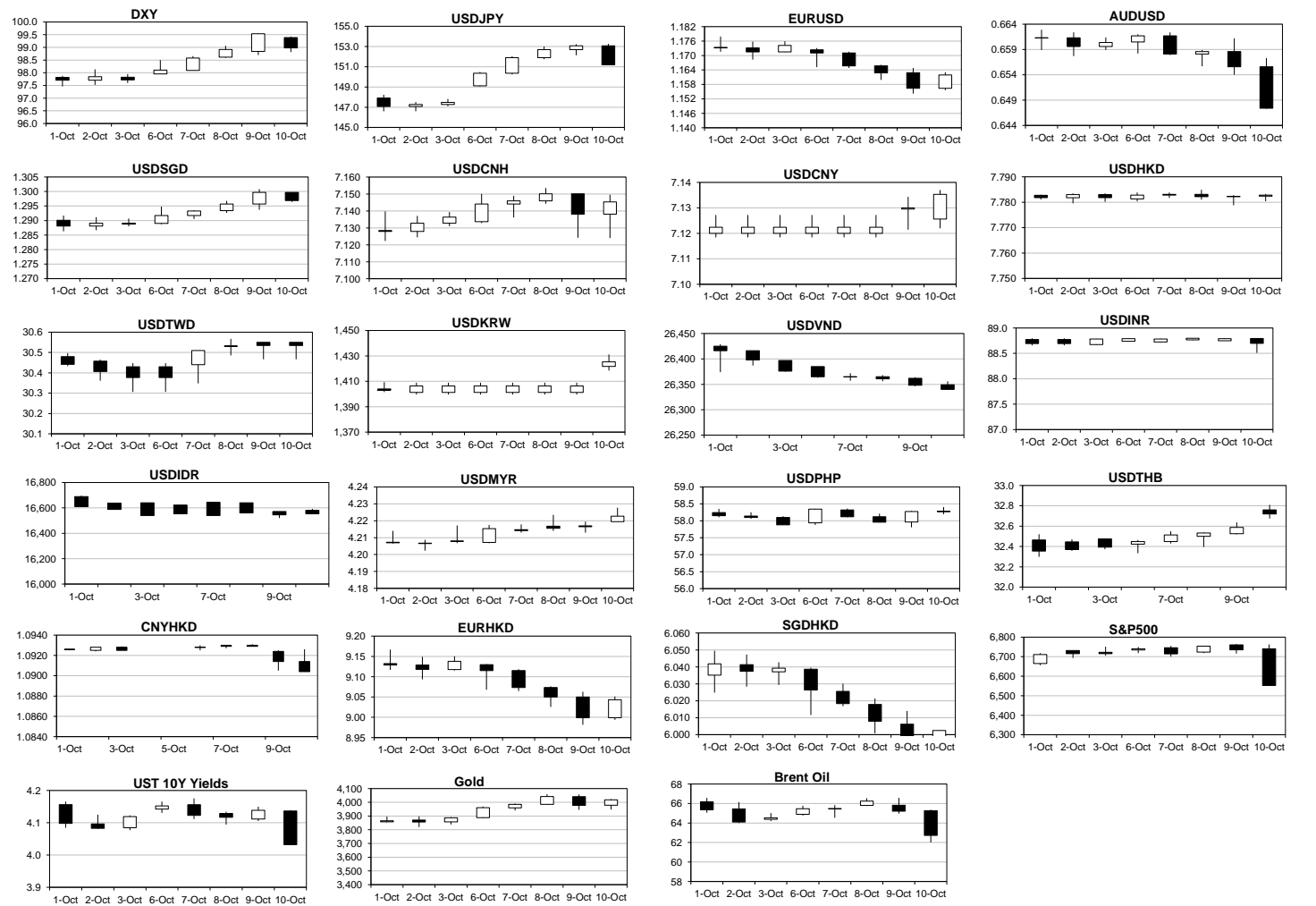
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,486.81	-355.79	▼3.28%
IRON ORE (CN)	106.40	2.36	+1.42%
GOLD	4,017.79	40.93	+1.03%
SILVER	50.15	-0.16	▼4.99%
OIL (BRENT)	62.73	-2.49	▼3.82%
OIL (WTI)	58.90	-2.61	▼4.24%
NATURAL GAS	3.11	0.86	+1.75%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	175.79	176.41	▼0.68%
GBP/JPY	201.923	202.788	▼0.84%
JPY/SGD (100yen)	0.8576	0.8534	+1.01%
JPY/HKD (100yen)	5.1481	5.1181	+1.27%
CNH/JPY	21.263	21.31	▼1.04%
CNH/HKD	1.0904	1.0907	▼0.09%
EUR/GBP	0.86985	0.86994	+0.06%
AUD/NZD	1.1314	1.135	▼0.85%
EUR/CNH	8.3009	8.2848	+0.56%
GBP/CNH	9.5475	9.5233	+0.54%
CNY/HKD	1.0904	1.0907	▼0.09%
EUR/HKD	9.0433	9.029	+0.49%
SGD/HKD	6.0025	5.997	+0.25%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5092.26	-45.90	▼0.89%
STI (SG)	4427.06	-13.44	▼0.30%
SHCOMP (CN)	3897.028	-36.94	▼0.94%
SZCOMP (CN)	2505.708	-44.25	▼1.74%
HSI (HK)	26290.32	-462.27	▼1.73%
SENSEX (IN)	82500.82	328.72	+0.40%
JSE (ID)	8257.859	6.92	+0.08%
KLSE (MY)	1622.25	-7.42	▼0.46%
PSE (PH)	6037.79	-19.61	▼0.32%
SET (TH)	1286.98	-27.01	▼2.06%
VNINDEX (VN)	1747.55	0.02	+1.81%

CHARTS



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