



Economic Calendar

Date	Country	Event	Period	Survey*	Prior
19 Oct	JP	Tertiary Industry Index MoM	Aug	-0.4%	0.4%
20 Oct	US	Housing Starts/Building Permits	Sep/Sep P	1305k/1385k	1275k/1403k
	GE	ZEW Survey Current Situation/Expectations	Oct	--/30.0	-47.1/34.7
21 Oct	JP	Trade Balance	Sep	-¥182.9b	-¥1111.9b
22 Oct	US	Initial Jobless Claims		200k	199k
	US	Leading Index	Sep	-0.2%	-0.1%
	EZ	Consumer Confidence	Oct P	-16.8	-16.5
	JP	Machine Tool Orders YoY	Sep F	--	60.4%
23 Oct		PMI Mfg/Svcs (US, EZ, JP)	Oct P	--	
	US	U. of Mich. Sentiment/Expectations	Oct F	46.3/--	46.3/47.3
	US	U. of Mich. 1/5-10 Yr Inflation	Oct F	--	4.7%/3.5%
	JP	Natl CPI/Ex Fresh Food YoY	Sep	2.1%/2.1%	1.9%/1.7%

Week-in-brief: AI Rout, Haven Gains

- After touching record highs last week, US equities retreated, led by a rout in AI stocks amid concerns of slowing revenue growth and elevated yields, particularly as the sector has relied heavily on debt to fund its capex spend.
- Markets recovered only marginally later in the week following TSMC's record earnings.
- That said, a correction looks overdue given the widening disparity between surging yields and unfettered chip-driven equity rallies.
- Meanwhile, USTs led a global bond rally, as haven demand overwhelmed the initial jump in yields on hotter US inflation data.
- Notably, the rally was despite the data showing hotter US prices, with both September CPI and PPI both beating expectations, driven mainly by surging energy costs.
- Even so, Fed officials continued to maintain a patient stance, stressing the need to assess the impact of earlier tightening.

At the IMF meetings, Fed Chair Warsh said AI will lift demand before supply and is a positive supply shock in the medium term. While he called the global economy being more resilient than expected, he declined to prejudice the next meeting, leaving markets to price in a December hike as the base case.

- Elevated oil prices remain a threat to inflation as Brent traded near US\$104-107/bbl. This is amid escalation of attacks on multiple fronts, with vessels struck in Hormuz, Houthis' strikes on Saudi Arabia and a faltering Russia-Ukraine energy trade.
- In Asia, the INR gained 2%, aided by RBI's latest support measures, though at the cost of thinner liquidity and higher hedging costs in currency forwards.

- In Singapore, the MAS kept policy settings unchanged in a surprise decision as they alluded to core inflation being expected to return towards historical trend in mid-2027.

In Indonesia, MSCI's proposal to re-classify their equity market from "Emerging Market" to "Standalone" status triggered a sharp selloff in the JCI, and pushed USDIDR above 18000 with BI intervention likely helping to limit further currency weakness.

- Looking ahead, a relatively light US data calendar leaves the focus on Asia, including Japan's inflation print and a slate of Asian central bank decisions.

- While Japan's inflation is expected to have accelerated in September, the BoJ is still widely expected to remain on hold in October.

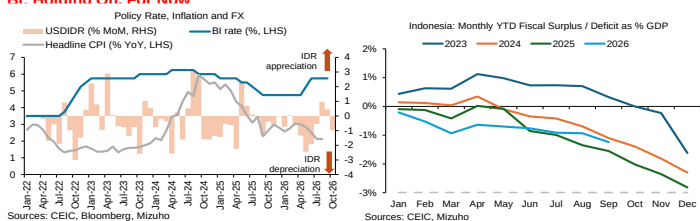
- The BoK and BI are both expected to hold.
- After back-to-back hikes, the BoK is likely to keep rates unchanged in hawkish hold as policymakers likely want to assess the cumulative impact of recent tightening.

- BI is likely prefers to remain on hold as depreciation pressures on the IDR have not been sufficient to force BI's hand, though two rate hikes remain in forecast amid stress.

- In contrast, the BSP is expected to hike amid reaccelerating inflation, in a measured tightening cycle with two additional hikes expected given the fragile growth recovery.

- All in, while haven demand has offered Treasuries a reprieve, hot inflation, elevated oil and AI-led volatility keep EM-Asia FX exposed to swings in global yields and risk appetite.

BI: Holding On. For Now



- We expect BI to keep its policy rate unchanged at this meeting, in line with market consensus.
- Despite lower SRBI yields, elevated oil prices and MSCI's announcement to drop Indonesia's equity markets from its indices weighing on the IDR, BI's intervention and hedging incentives limited the IDR's depreciation to ~0.6% since the previous meeting. This compares with ~2.3% depreciation seen between the April and May meetings that prompted BI to deliver an outsized rate hike.
- As such, current depreciation pressures are unlikely to be sufficient for BI to confront the trade-off between raising policy rates or increasing SRBI yields to stabilise the rupiah, with BI officials noting recent IDR moves remain broadly in line with regional peers.
- Recent communication from Governor Damayanti also suggests a preference for policy coordination and complementary market measures over tighter financial conditions.
- On the inflation front, September inflation accelerated to 3.3% YoY, primarily driven by higher food prices, with the inflation outlook tilted to the upside. Nevertheless, inflation remains within BI's target range, reducing the urgency for an immediate policy response.
- Fiscal risks remain elevated, with the fiscal deficit widening to 1.24% of GDP in September from 0.93% in August. While still an improvement from last year, the deficit remains wider than levels seen in earlier years.
- While BI may be able to remain on hold for the upcoming meeting, sustained capital outflows and negative investor sentiment following MSCI's announcement, elevated oil prices and lingering fiscal concerns could eventually erode the effectiveness of BI's market measures, increasing the likelihood that BI will need to resort to policy tightening to defend the rupiah.

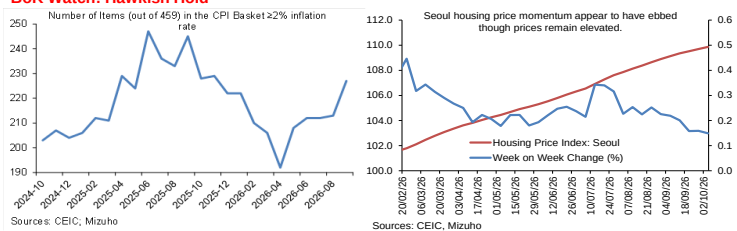
As such, we maintain our forecast for 50bps of hikes in one or two steps this year, dependent on the extent of IDR stresses.

*Survey results from Bloomberg, as of 16 Oct 2026. The lists are not exhaustive and only meant to highlight key data/events

Asia

Date	Country	Event	Period	Survey*	Prior
19 Oct	CH	Surveyed Jobless Rate	Sep	5.3%	5.3%
	CH	Industrial Production/Retail Sales YoY	Sep	5.4%/0.5%	5.2%/0.4%
	CH	GDP YoY	3Q	4.4%	4.3%
	CH	New/Used Home Prices MoM	Sep	--	-0.2%/-0.3%
	CH	Fixed Assets Ex Rural YTD YoY	Sep	-7.3%	-7.2%
	MY	Exports/Imports YoY	Sep	38.6%/41.0%	45.5%/41.1%
	MY	CPI YoY	Sep	2.0%	1.9%
	PH	BoP Overall	Sep	--	-\$596m
20 Oct	CH	1/5-Year Loan Prime Rate		3.00%/3.50%	3.00%/3.50%
	TW	Export Orders YoY	Sep	61.4%	71.4%
21 Oct	ID	BI-Rate		5.75%	5.75%
	KR	PPI YoY	Sep	--	7.9%
22 Oct	PH	BSP Overnight Borrowing Rate		5.25%	5.00%
	KR	BOK Base Rate		3.00%	3.00%
	PH	Budget Balance PHP	Sep	--	-161.3b
23 Oct	SG	CPI/Core YoY	Sep	2.4%/2.3%	2.3%/2.2%
		PMI Mfg/Svcs (AU, IN)		--	
	TW	Industrial Production YoY	Sep	24.1%	23.5%
	TW	Unemployment Rate	Sep	--	3.3%

BoK Watch: Hawkish Hold



- Following its relatively rare back-to-back rate hikes, we expect the BoK to leave policy rates unchanged at the upcoming meeting, providing additional time to assess the cumulative impact of recent tightening on economic activity, inflation and financial conditions.

- To be clear, this should be interpreted as a hawkish hold rather than a dovish pause. Inflation remains uncomfortably elevated, with headline and core CPI printing at 2.9% and 2.8% YoY respectively in September. Notably, inflation pressures remain base-based.

- Despite government efforts to temper seasonal festive price pressures, food inflation still rose 1.4% MoM, suggesting resilient underlying price momentum.

- Meanwhile, communication equipment inflation picked up on the back of new smartphone launches and higher prices for computers and related electronics, reinforcing persistent goods inflation.

- Consistent with this backdrop, Governor Shin has reiterated that inflation is likely to remain above target for some time, underscoring the BoK's continued vigilance towards upside inflation risks.

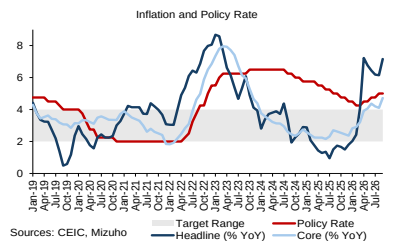
- Nonetheless, the KRW has appreciated by around 3.8% against the USD since the previous meeting, making it one of the strongest performers across both regional and G10 currencies over the period. This appreciation in the KRW, particularly on a nominal effective exchange rate basis, should help moderate imported inflation pressures.

- Furthermore, pace of housing price growth has showed some moderation in recent weeks though elevated household mortgage debt ratio will continue to feature in the months ahead and also into the medium term.

- All in, we expect the BoK to remain on hold while maintaining a tightening bias.
- We expect the BoK's dot plot and communications to continue signalling at least one additional rate hike over the next three to six months. However, given already lofty market expectations, further hawkish guidance may provide only limited upside for the KRW.

BSP: Inflation Fight Not Over Yet

- We expect BSP to raise its policy rate by 25bp to 5.25%, as elevated inflation and inflation and upside inflation risks warrant further tightening.
- September inflation re-accelerated to 7.2%, while core inflation remained elevated above 4%, suggesting that underlying price pressures remain sticky. Risks are skewed to the upside amid higher oil prices, PHP depreciation, El-Nino and potential second-round effects from recent wage increases.
- Despite three rate hikes in 2026, growth likely recovered in Q3, supported by favourable base effects, a resumption in public infrastructure spending and a smaller



- drag from net exports as the trade deficit narrowed in July-August compared to Q2.
- That said, the recovery is likely to be uneven with softer PMI readings and labour market weakness pointing to fragile domestic demand conditions.

- As a result, while BSP is unlikely to be done with tightening, further rate hikes are likely to proceed at a measured pace as policymakers balance persistent inflation risks against a gradual growth recovery.

- With inflation expected to be elevated above 5-6% through 1Q2027, exacerbated by higher excise taxes under the ProGRESS bill from January 2027, we expect at least two further rate hikes to 5.75%. Although this would fall short of the previous cycle peak of 6.50%, softer underlying growth dynamics suggest BSP is unlikely to tighten as aggressively as in the last cycle.

- Pressure on the PHP is likely to persist, as negative real rates and elevated oil prices continue to weigh

Forex Rate

	Close*	Chg^	% Chg^	Week Forecast		
USD/JPY	157.99	-0.340	-0.21%	157.00	~	159.30
EUR/USD	1.1243	0.0013	0.12%	1.1110	~	1.1130
USD/SGD	1.2798	0.000	-0.01%	1.2700	~	1.2880
USD/THB	33.498	-0.015	-0.04%	33.20	~	33.70
USD/MYR	4.0815	-0.0042	-0.10%	4.045	~	4.110
USD/IDR	18012	129	0.72%	17,900	~	18,200
JPY/SGD	0.81	0.002	0.21%	0.797	~	0.820
AUD/USD	0.6959	-0.002	-0.32%	0.690	~	0.702
USD/INR	94.97	-1.789	-1.85%	94.3	~	95.6
USD/PHP	62.979	0.159	0.25%	62.5	~	63.5

^Weekly change.

FX: A Wild USD Ride

- The USD experienced a volatile week, with the DXY briefly approaching the 103 handle before retreating towards 102 as softer Treasury yields ultimately outweighed the initial support from stronger inflation data. US CPI and PPI releases reinforced expectations that the Fed may need to tighten further, lending support to the USD. However, declines in UST yields amid heightened risk aversion served to pare back those gains. Within G10, the NOK outperformed as higher oil prices improved Norway's terms-of-trade outlook and bolstered support for the currency.
- The SEK was another standout performer, supported by stronger-than-expected household consumption and labour market data, which reinforced expectations that the Riksbank may need to tighten policy further in the months ahead.
- Elsewhere, G10 gains were relatively modest. The EUR ended the week broadly unchanged after recovering from lows below the mid-1.11 area, suggesting that softer USD yields helped offset lingering concerns around European growth and fiscal dynamics.
- JPY also recorded a small gain as hawkish tones from BoK's Koeda and lower long end UST yields dampen pressures from elevated oil prices.
- At the other end, **AUD had a stark underperformance** slipping below mid-69 cents as the dismal jobs reports dented odds of RBA rate hike.

EM-Asia FX: Of Intervention, Outflows and Limited Gains

- EM Asia FX performance diverged sharply at both ends with a broad middle that saw limited gains.
- **INR outperformed** gaining 1.7% as the RBI rolled out **substantive measures** to shore up support.
- In contrast, **TWD saw sharp depreciation** as jitters in the semiconductor sector led to strong foreign outflows from equities.
- **The IDR also came under heavy pressure following MSCI's consultation on reclassifying Indonesia** to Standalone Market status, prompting a sharp sell-off in domestic equities and renewed concerns over future portfolio flows. Elsewhere, THB, MYR, VND and CNH traded broadly sideways as softer UST yields helped offset the headwind from elevated oil prices.
- SGD had a modest underperformance on the back of a surprise MAS decision to keep policy rates unchanged.
- All in, idiosyncratic factors are becoming increasingly important drivers of currency divergence even though elevated UST yields will imply that unbridled rallies will be hard to come by for EM-Asia FX.

FX Brief:

- 1) JPY: Eked out marginal gain as BoJ officials maintaining optionality for rate hikes and lower UST yields proved supportive. Bullish rallies below 157 likely to fall short without sub-US\$100/barrel Brent crude.
- 2) EUR: Even as the EUR has ended the week with a marginal gain, the sharp dip towards 1.11 illustrate the potential for further downside risks from elevated UST yields. Elevated oil prices and potential risk sentiment recovery uninviting for EUR bulls to keep rallies below 1.13.
- 3) AUD: Testing 69 cents as higher unemployment rate pared back expectations for RBA rate hike in November. Trading in the 69-70 cent range expected as potential weakness in China data to restrain rallies.
- 4) CNH: Modest appreciation aided by PBoC fixing and measures to stem stock market sell-offs. Upcoming data release may imply two way volatility as markets assess trade resilience against domestic demand weakness.
- 5) INR: Forceful measures such as the risk reserves introduced by the RBI led to strong outperformance. Instead of an extended rally, we expect consolidation of recent gains in the 94-mid-95 range amid elevated energy prices and markets clarifying various regulations.
- 6) SGD: Softness imparted by MAS decision to keep policy setting unchanged. USD/SGD to keep trading on both sides of 1.28 with 10Y UST yields facing restraint to head below 5%.
- 7) IDR: Underperformed on adverse news of MSCI equity market downgrade weighing on sentiments, with USDIDR pushing above 18000. Weakness likely to spill into next week with BI's expected hold.
- 8) THB: Gyrate sideways alongside gold prices. Creeping in of doubts about the sustainability of the rally in USTs may signal limited recovery for THB in week ahead. USDTHB to consolidate around 33.4.
- 9) MYR: Eked out marginal gain on softer UST yields, and stronger-than-expected 3Q GDP growth reinforce robust fundamentals. USDMYR likely to consolidate on the lower end of 4.08.
- 10) PHP: Depreciated near historic weakness as elevated oil prices weighed. BSP's expected rate hike is unlikely to offer much reprieve, with USDPHP likely testing 63 more consistently next week.
- 11) KRW: Even amid strong foreign outflows from equities, exporter selling of USD likely aided paring back of sharp losses. BoK rate hold to support USDKRW to sustain above 1340 in week ahead.
- 12) TWD: Almost US\$18bn of foreign outflows from equities sent the TWD into a sharp underperformance. Buoyancy above 32 to be retained in the week ahead as reversal into inflows are likely to be asymmetric.

Bond Yield (%)

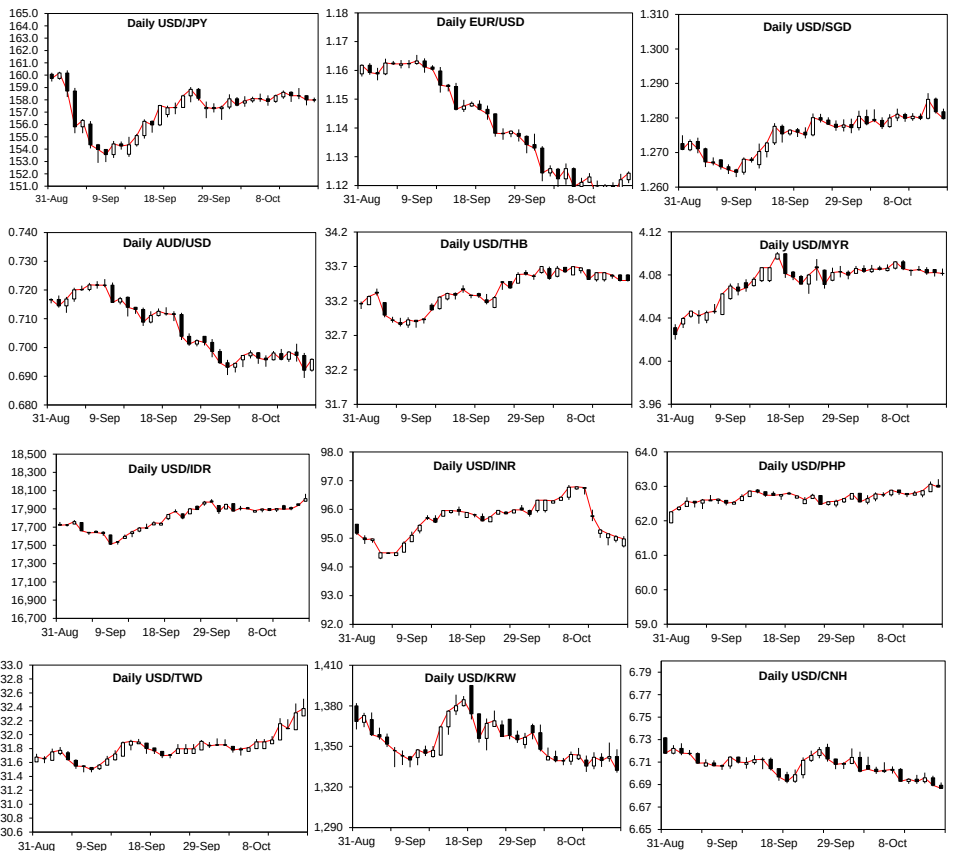
16-Oct	2-yr	Chg (bp)^	10-yr	Chg (bp)^	Curve
USD	4.740	-4.7	5.096	-14.2	Flattening
GER	3.080	-2.4	3.418	-5.9	Flattening
JPY	1.891	-0.6	2.909	-9.1	Flattening
SGD	1.834	-5.9	2.317	-10.2	Flattening
AUD	4.845	-5.6	5.230	0.1	Steepening
GBP	4.863	-2.3	5.372	-7.0	Flattening

Stock Market

	Close	% Chg
S&P 500 (US)	7,744.06	-0.86
Nikkei (JP)	65,324.29	-5.37
EuroStoxx (EU)	6,206.20	0.53
FTSE STI (SG)	5,423.51	0.40
JKSE (ID)	5,202.51	-14.63
PSEI (PH)	5,782.70	1.43
KLCI (MY)	1,604.35	-0.25
SET (TH)	1,573.01	-0.29
SENSEX (IN)	74,691.29	3.06
ASX (AU)	8,806.72	1.03

USTs: Relief from Haven Demand

- UST yields declined across the curve in a bull flattening move, as investors sought safety amid a sharp selloff in US equities, driven by concerns of slower AI earnings growth and rising yields that weighed on AI companies that have relied heavily on debt financing to fund the AI buildout.
- Front-end yields surged mid-week following hotter-than-expected inflation data. However, with Fed officials continuing to signal little urgency to tighten policy further and emphasizing the need for more time to assess incoming data and effects of previous tightening, yields retraced most of the initial increase.
- Front-end yields continued to move lower later in the week after Fed Chair Warsh stated at the IMF meetings that he does not pre-judge upcoming meetings, prompting markets to further pare back expectations of an October rate hike.
- The decline in yields was most pronounced at the long-end, which benefited from a broader flight to quality as investors rotated out of both AI equities and AI corporate credit into Treasuries amid heightened risk aversion. Haven demand outweighed concerns over persistent inflation pressures from elevated oil prices, with escalating geopolitical tensions across multiple fronts keeping Brent crude around US\$104-107/bbl.
- Amid a relatively light US data calendar, Treasury yields are likely to consolidate. We expect the 2Y yield to trade around 4.65-4.85% and the 10Y yield around 5.00-5.20% next week



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