Macro | FX Research & Strategy

Global

FX Monthly

2022, Issue 10: Pivot Play Risks

What Has Changed This Month?

- We adjusted JPY softer vs. USD, taking into account interim persistence in Fed-BoJ policy differential given BoJ's view of domestic price pressures as transient. CNY is adjusted weaker taking into account lack of growth-boosting policy shifts, while AUD, IDR and MYR trajectories are concomitantly dampened given rising risks to the global commodity outlook. IDR is likely more sensitive to recent bond outflows while some election uncertainty is likely in play for MYR as well. VND is downgraded on weakening external outlook and falling reserves. Meanwhile, GBP is adjusted stronger given credible fiscal u-turn, while signs of contained UST yields and idiosyncratic factors support a slight calibration higher in some AxJ FX, including SGD (partial safe haven proxy), THB (turnaround in current account), PHP (credible jawboning from authorities).

Our Strategies

- The modest dollar softening towards late Oct was likely on account of incremental market bets for a dovish tilt from Fed towards year-end or in early 2023, given emerging pockets of weakness in US data (manufacturing, housing) and signs of smaller hikes from other DM central banks. While a +75bps hike is largely priced for FoMC this week at 2am SG/KL time on 3 Nov, markets remain divided on whether a Fed dovish tilt will materialize by Dec (i.e., +50bps or +75bps in Dec).
- Broadly though, we caution against chasing the peak Fed hawkishness narrative. While some modest dollar drags could materialize out of occasional data points which are seen as supportive of a Fed dovish tilt, broad dollar strength is more likely to remain in buoyant ranges into early 2023 still. Recent price data releases in US and elsewhere largely show "stickiness" in core price pressures. Historically, changes in US rentals can take some time to show up in the official CPI component. OPEC+'s recent 2mn output cut from Nov as well as Russia's suspension of its participation in a prior agreement which lets Ukraine safely export grain products, could act to exert upward pressures on energy and food prices, complicating global central banks' fight against inflation.
- Post Party Congress in China, the lack of an overt shift in Covid-zero and property measures could mean further weakness for growth. We downgraded yuan on account of that. More recently, we note some emphasis on attracting foreign investments and reviving consumption. However, without higher thresholds for lockdowns (in other words, some relaxation for Covid-zero management), it is hard to expect foreign investors to regain confidence in China and for private consumption to be successfully boosted. Expectations for China's growth prospects are so poor at this point that any signs of recovery or shifts in Covid-zero strategy could boost yuan and in turn, provide positive spillovers to regional peers.

Analysts

Saktiandi Supaat
(65) 6320 1379
saktiandi@maybank.com.sg

Fiona Lim
(65) 6320 1374
fionalim@maybank.com.sg

Tan Yanxi
(65) 6320 1378
tanyx@maybank.com.sg

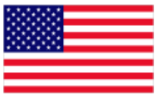
Top 3 Currency Plays for Nov

Long SGDNEER on Dips
Stay Long NZD vs. AUD
Sell USDCAD on Rally

Key Events for the Month Ahead

Date	Event
15-16 Nov	G20 Summit of the Leaders in Bali
4 Dec	OPEC+ Ministerial Meeting

G7 Global Overview



USD: Downshift Risk

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USD Index	**111.96** (111.95)	**112.07** (111.83)	**109.44** (109.32)	**107.72** (107.39)

Previous Forecasts in Parentheses

- **Motivation**: The DXY index reached a high (for Oct) of 113.85 on 21 Oct amid growth concerns and hawkish Fed comments. Year to date the USD DXY index has risen around 16.2%. However, the USD DXY fell slightly since then following a succession of central bank (RBA, BOC and ECB) downshifts in recent weeks, adding to the "peak hawkishness" theme and expectations that the Fed may convey a similar future downshift at the next FOMC in early Nov. A slower pace of hikes communicated would probably lower rate volatility and weaken the Dollar temporarily, even if the Fed tried to simultaneously suggest the cycle might last a little longer. Our view remains that the Fed pace could remain intact and are careful not to over-extrapolate this peak hawkishness theme. The circumstances in the Canada, Australia and Eurozone differs in terms of growth and inflation. The probability of a US recession still remains low now and underlying inflation is still high there. So in the near term (weeks or a month), we could see some flattishness or very mild retracement in the dollar but we continue to expect the greenback to still see support for the next 1-2 quarters at most before we see an eventual peak in the Dollar.

- In general, the USD is likely to remain supported on the back of interest rate, growth and safe haven differentials which continue to be on the USD favour. First, the FOMC sharp hikes remain hawkish and no pace recalibration in sight with any clear indication from the second factor which are strong macro fundamentals like the US labour market remaining very tight and inflation still around double the Fed's target. This comes when the rest of the world remains relatively weighed down by zero covid strategy in China, energy related concerns and a cyclical downswing. Third, the safe haven differential with other countries coupled with the reserve currency characteristics of the USD, amid recent concerns about the UK and eurozone and ongoing geopolitical situation being unchanged and protracted. We envisage the above to remain until sometime end of this year or into 1Q 2023.

- Furthermore, the protracted Russia-Ukraine geopolitical situation and tighter Fed policy move concerns around data releases will continue to exarcebate sentiment and further support the dollar. Global growth concerns intensifying and continued frictions in the inflation dynamics working its way through the global economy suggest that markets may be mired in a risk-based cautious view based on the global economic backdrop. These factors are likely to lead to USD support and delay any further sharp USD retracement towards end of the year. Nonetheless, signs of slowdown in the US economy and any signs of an eventual earlier than expected easing by the Fed, an improvement in the geopolitical space and positive developments out of China, coupled with reopening globally can quickly allow for some space for cyclical FX to intermittently strengthen relative to USD. We think this could potentially happen in 1Q 2023.

- To sum up, near-term (coming 3-6 months) risks remain skewed to the upside for broad USD. We remain long USD in the next 3-6 months or so but factor in the risk of a slight moderation in USD as we approach 1Q 2023 as inflation momentum may start to ease albeit at still high levels by end 2022.

- **Growth and Inflation Outlook**: US real GDP 3Q rose 2.6% annualized above consensus. It reversed the declines during 1H 2022 the first half of the year as durable goods orders increased slightly less than expected in Sep. However, domestic final sales growth remained weak at 0.5% annualized following +0.2% in 2Q. Initial jobless claims were slightly lower than expected, while continuing claims increased more than expected.

- Sep core CPI rose 0.58% on a m/m sa, well above consensus expectations of 0.4%. The year-on-year CPI rate rose three tenths to 6.6%, the highest since 1982 on the back of rises in shelter categories strengthened and strength in other cyclical and wage-sensitive services categories such as day care, car repair, medical care. Headline CPI rose 0.4% compared to consensus of +0.2%, as energy prices declined 2.1% while grocery and employee and school cafeteria prices rose (+44.9%).

- Nonfarm payrolls rose 263k in Sep, 8k above consensus but the smallest gain since April 2021 supported by continued strength in healthcare and in leisure and hospitality, two industries for which job vacancy rates are particularly elevated.

- **Monetary Policy Forecast**: The 20-21 Sep 2022 FOMC meet saw the target fed funds rate (FFR) raised by 75bps for third straight meet to 3.00%-3.25%. The decision was unanimous for the second straight meet.

- Fed's latest "dot plot" signals FFR at 4.375% by end-2022 – suggesting another 125bps hikes in Nov and Dec FOMC meet - and peaking next year at 4.60%. Fed cut US real GDP growth forecasts and raised projections on inflation and unemployment rates. Markets are expecting a a 75bp hike in the Fed funds rate in Nov, a 50bp hike in Dec, and a 25bp hike in Feb.

- Latest FOMC Statement was a "carbon copy" of 26-27 July 2022 FOMC meet. What changes are the Fed's dot plot and macro projections. Fed's dot plot signals FFR at 4.375% by end-2022 (vs June 2022's dot plot of 3.375%) – signaling another 125bps hikes in this year's remaining two FOMC meetings (1-2 Nov 2022 and 13-14 Dec 2022) vs 3.125% mid-point of current target FFR range of 3.00%-3.25% that was raised by 75bps at 20-21 Sep 2022 FOMC meet. Fed's policymakers expect FFR to increase further to 4.625% in 2023 before falling to 3.875% in 2024 and 2.875% in 2025 before settling at 2.50% in the "longer run". Market pricing of FFR by end-2022 of 4.30% is slightly below Fed's dot plot, and diverge considerably for 2023 as in factoring in FFR cuts i.e. down to 4.25% by end-2023 after 4.6% peak in 1Q 2023.

- Macro forecasts update - growth-unemployment "pain" for inflation target "gain". Fed raised its 4Q 2022, 4Q 2023 and 4Q 2024 inflation rate forecasts to 5.4% YoY, 2.8% YoY and 2.3% YoY respectively vs 5.2% YoY, 2.6% YoY and 2.2% YoY in June 2022, plus sees the 2.0% inflation target to be achieved by 4Q 2025.

- Fed bumped up its unemployment rate forecasts to 3.8%, 4.4% and 4.4% for the final quarters of 2022, 2023 and 2024 from 3.7%, 3.9% and 4.1% previously, and expects 4Q 2025 jobless rate to remain "sticky" at 4.3%. Fed's 4Q 2022 real GDP growth forecast is slashed to 0.2% YoY vs June 2022's projection of 1.7% YoY, and trimmed 4Q 2023 and 4Q 2024 numbers to 1.2% YoY and 1.7% YoY vs 1.7% and 1.9% previously, with 1.8% forecast for 4Q 2025.

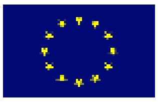
- Plus faster balance sheet reduction pace this month. Fed starts its balance sheet reduction or Quantitative Tightening (QT2.0) in June 2022 after its Quantitative Easing (QE Taper 2.0) in Nov 2021 - Mar 2022. Fed started QT2.0 with monthly balance sheet runoff of USD47.5b (i.e. USD30b for Treasuries and USD17.5b for mortgage-backed securities) until Aug 2022 before doubling the pace to USD95b (i.e. USD60b for Treasuries and USD35b for mortgage-backed securities) from Sep 2022. This compares to the starting point of USD10b a month which peaked USD50b a month under Fed's QT1.0 between Oct 2017 and Aug 2019 that saw Fed's balance sheet shrank USD0.7b from USD4.43tr (22.7% of GDP) to USD3.72tr (17.4% of GDP).

- Fed's balance sheet is currently USD8.79tr (34.7% of GDP) vs recent high of 8.92tr (35.2% of GDP) in Apr 2022. The above detail on the mechanics of QT2.0 implies USD522.5b reduction in balance sheet in June-Dec 2022 and USD1.14tr run off per annum thereafter. In early-Aug 2022, it was reported that Fed expects QT2.0 to run for at least two years, implying June 2022 – May 2024 timeframe. These information on QT2.0 path suggests Fed's balance sheet size will fall to USD6.8tr (24.5% of GDP) by May 2024.

- The latest Sep FOMC minutes reiterated the Committee's hawkish near-term policy stance, but also reiterated that the FOMC intends to pause rate hikes once the funds rate reaches a "sufficiently restrictive" level. The minutes also clarified that the "compelling evidence" of inflation falling toward 2% that Fed officials have said they need to see, is the threshold to cut back toward neutral rather than the threshold to stop hiking. The Fed staff also revised its forecast of the output gap to be considerably more positive, and FOMC participants said they expected growth to continue at a "below-trend pace in this and the coming few years.

- **Key domestic events and issues to watch in Nov:** ISM Manuf (1 Nov); FOMC (3 Nov); NFP (4 Nov); Factory orders, durable goods orders (3 & 23 Nov); Trade balance (3 Nov); CPI (10 Nov); FOMC Minutes (24 Nov); Retail Sales (16 Nov); GDP (30 Nov); PCE deflator (1 Dec).

- **Technical Outlook:** The DXY index was last seen around 111.20. Stochasticsare oversold on the daily chart and could portend bullish retracements in the greenback. However on the weekly chart, we see stochastics have turned lower from overbought condition. As such, we see two-way trades with support at around 108.80.



EUR: Sideways

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
EURUSD	0.9800 (--)	0.9800 (--)	1.0000 (--)	1.0200 (--)

No Change to Previous Forecasts

- **Motivation for the FX View:** EURUSD could remain in sideway trades for a while as the war in Ukraine remains far from a ceasefire and projections of a warmer-than-usual winter could provide support for the pair on dips. In fact, Europe is so successful in getting gas supply that the continent now faces a supply glut with several LNG tankers floating offshore European ports.Eyes particularly on the close of EURUSD for the Oct given that it is also testing the upper bound of the bearish trend channel. Should winter conditions remain benign, war in Ukraine does not broaden and no nuclear used, EURUSD could hover within 0.97-1.02.

- There are still risks of an energy crunch worsening depending on Russia's supply (42mcm/day still pumped through Ukraine via the Sudzha route, Yamal-europe pipeline), potential sabotages to infrastructure as well as eventual winter conditions not just in Europe but also in Asia (given potential for competing demand in case of harsher winter there). Any signs of greater energy requirement in Europe that results in devastating outtages would be negative for the EUR, although that is not the base case at this point.

- In the meantime, we note that ECB may possibly face the pressure to slow its tightening pace in Dec to 50bps from 75bps. Lagarde has acknowledged the slowdown in activity even as she is firmly committed to fighting inflation. Italy's new PM Meloni had used her maiden speech to criticize ECB for aggressively tightening that has increased the debt servicing burden of member states with elevated public debt. France's Macron as well as Finland's Sanna Marin also voiced concern on ECB's goal to break demand. With increasing pushbacks from politicians, the next 75bps could face a high hurdle than the last. That said, if the Fed were to start slowing its pace of tightening in Dec, the resulting weakness in the USD and UST yield could provide support for the EURUSD. On net, we see balanced risks to the EURUSD, poised to end the month around parity.

- **Energy crunch is alleviated for now.** Thus far, concerns over energy seem to have eased for now amid projections for a warmer-than-average winter and higher-than-historical average gas inventory. It is still subjected to weather conditions Finland, which has few domestic energy resources, relies on fossil fuels for almost its entire energy requirements. In addition, cracks were found in the nuclear reactor (aka OL3) that it has been hoping to fire up and the startup of regular production is now postponed to 27 Dec.

- **Growth and Inflation Outlook: Recall that ECB had raised inflation projections at the Sep meeting to 8.1% in 2022, 5.5% in 2023 and 2.3% in 2024.** Based on the Oct statement, risks to the inflation outlook are still "primarily on the upside" with potential further rise in retail energy prices. **Growth on the other hand is expected to be 3.1% for 2022 (that includes stagnation towards the end of the year, 2Q GDP was at 4.1%), 0.9% in 2023 and 1.9% on 2024. The latest statement has cautioned of** risks on the downside for growth due to the lengthy war in Ukraine that could hurt confidence as well as disrupt supply chains.

- Preliminary PMI prints for Oct continue to project contraction in manufacturing and services at 46.6 (vs. prev. 48.4) and 48.2 (vs. prev. 48.8) respectively. Consumer confidence remains sluggish at -27.69, in line with ECB's growth projections, especially into winter.

- **Eurozone CPI estimate rose to 10.0% y/y for Oct. Confirmed CPI accelerated to 9.9% for Sep vs. 9.1% for Aug. Core inflation also quickened to 4.8%y/y from previous 4.3%.** Breakdown suggests headline is driven by rising costs of food, energy and services. housing, water, electricity, gas and other fuels (at 3.5%y/y) as well as food (2.1%y/y).

- **Monetary Policy Forecast:** ECB seems to have provided a dovish hike end Oct with a 75bps rate increase, taking deposit facility rate to 1.50%, main financing rate to 2.0% and marginal lending facility to 2.25% alongside some tweaks to the TLTROs to tighten financial conditions further. Previously, ECB was looking to raise rates for several more meetings but yesterday the guidance was a tad vague with the central bank only expecting to "raise interest rates further". In addition, ECB mentioned that they have "made substantial progress in withdrawing monetary policy accommodation". Lagarde mentioned that "key principles" on reducing APP will be discussed in Dec and also highlighted that rate increases could still happen in several other meetings, despite the omission in the statement. Nonetheless, we interpret the statement+presser as ECB paving the way to slow hikes as growth slows. EUR fell below parity at one point before rising above it again, underscoring how this dovish hike by the ECB has almost equal bearish effect on the EUR as well as on the USD. The BTP-bund yield differential actually narrowed after the last ECB meeting as the central bank was taken to be less hawkish. As mentioned above, with more pushback from political leaders and increasing signs of slowdown, the next 75bps could face a much higher hurdle than the Oct one.

- **Latest Fiscal and External Balance Outlook**: Euro-area current account posted a deficit of EUR20.2bn in Aug, vs. -EUR8.32bn for Jul.

Deficits were mainly driven by widening goods deficit, narrowing services surplus. Ytd, the Eurozone has accumulated -EUR84.7bn of current account deficit.

- **Key domestic events and issues to watch:** Oct mfg PMI [2 Nov]; Sep unemployment rate [3 Nov]; Sep PPI and S&P Oct services, Composite PMI [4 Nov]; Sep retail sales [8 Nov]; Sep industrial production [14 Nov]; Sep trade, Nov Zew survey, 3Q GDP [15 Nov]; Sep construction output, Oct final CPI [17 Nov]; Nov prelim. consumer confidence [22 Nov]; Nov prelim. Mfg PMI, Services PMI [23 nov]; OECD economic outlook [25 Nov – 3 Dec]; Nov Economic confidence, industrial confidence, services confidence [29 Nov]; Nov CPI estimate, Nov Prelim. CPI [30 Nov].

- **Technical Outlook:** EURUSD seems to have broken out of the bearish trend channel. The violation of the trend channel could be followed by a consolidative phase for the EURUSD within the 0.97-1.02 range. For the EURUSD daily chart, spot is seen at 0.9950 with support at 0.9890 (50-dma). Key resistance around 1.0080 (100-dma). Momentum is bullish but stochastics flagged overbought conditions.

GBP: Gains to Slow

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
GBPUSD	**1.13** (1.10)	**1.13** (1.11)	**1.15** (1.13)	**1.16** (1.13)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** GBPUSD is back to levels seen pre-mini budget. Credibility was restored quite substantially when Jeremy Hunt took over as Chancellor and scrapped quite a bit of items from the mini-budget. Truss resignation and Sunak's takeover were also welcomed warmly by markets. Gilts are back to pre mini-budget levels due to the restoration of confidence in the government and the resultant fall in yields actually translated into significant interest savings (estimated to be GBP15bn a year) for the budget. Soon after he got his premiership, Sunak also delayed the medium term fiscal plans (now known as the autumn budget) to 17 Nov from 31 Oct.

- Despite the delay, there are whispers of Sunak's priorities swinging from Truss' growth plan to fiscal consolidation. According to sources cited by Bloomberg, the Treasury seems to be looking for tax increases and spending cuts that could save as much as GBP50bn, which would be higher than the estimated GBP35bn gap to keep the debt to GDP ratio constant at 1.5%. This would seem to contradict Sunak's promise of protecting the most vulnerable and restoring economic stability in a fair and compassionate way. GBPUSD is steady at this point but could still face the pressure from either sluggish economy that receives little help from a government spooked by market reaction of unfunded spendings *or* fiscal deterioration. As such, gains in the GBPUSD could slow or even retrace.

- **GBP short still a stagflation proxy trade**. While oil prices are on net lower in Oct vs. Jul, global inflationary pressures are likely to only grind lower over time, and stagflationary concerns are could remain intact near-term. More recently, key PMI readings and activity indicators out of major economies also confirm a broader slowdown in economic activity. BoE's dire economic projection that UK growth will stagnate into 2024, alongside double-digit inflation (not helped the least by the mini-budget) makes a strong case for stagflation in UK and underscores the appeal of short-GBP as a stagflation proxy trade, adding to interim GBP drags.

- **EU-UK Negotiations on Brexit:** Amidst the pressure on getting the UK through a "profound economic crisis", Sunak may want to delay the decision on the controversial bill to scrap 2400 retained EU laws propsed by Jacob Rees Mogg. He was told that 400 staff would be required to review 300 pieces of legislatives that resulted from directives, decisions and EU rules over the past half of a century. This bill would enable all laws to be "switched off" on 31 Dec 2023, regardless of whether they will be reviewed or not. There are oppositions to this decision to deprioritize the bill. Meanwhile, Northern Ireland's Secreatry said he would call for an election but did not set a date for it after the failure to form a Northern Ireland Executive (a power-sharing government) by 28 oct. A poll would need to be held within 12 weeks. The pro-British Democratic Unionist Party Leader Sir Jeffrey Donaldson urged the UK government to focus on negotiations with the EU over the Brexit Protocol. DUP had been a most vocal opposition to the Northern Ireland protocol that results in a trade border in the Irish sea. Sunak has not shown any indication of whether to take the Northern Ireland Protocol out which could lead to a trade war with the EU. Any conflicts with EU could also be negative for the GBP.

- **Energy crisis is still a concern**. Recall that the government had a "reasonable worst case scenario" that includes a plan for organized blackouts for industry and households in Jan 2023. According to unknown sources cited by Bloomberg, this scenario (not the base case) assumes (1) below-average temperatures, (2) reduced electricity imports from Norway and France, (3) emergency coal plants activated. The ensuing shortfall in electricity capacity could be about sixth of peak demand and UK may need to invoke emergency measures for four days in Jan. Notwithstanding the worst case scenario of potential energy rationing/blackout, the new UK government announced plans to cap average household tariffs at around £2500 per year from 1 Oct (until Apr 2023) with the £400/household grant this winter. Businesses are also given support for six months from 1 Oct with a discount given for wholesale power prices for companies, charities and public sector organization. This could provide some cushion but some estimates suggest that electricity prices will still be double what corporate customers experienced in Oct 2021. Risks to inflation are still to the upside.

- **Growth and Inflation Outlook:** UK's economy contracted -0.3%m/m in Aug after posting a 0.06% growth for the month prior (revised lower), weighed by declines in mining & quarrying, manufacturing as well as services industries. Services PMI indicated hardly any growth at 50.0

while construction PMI suggested that the sector probably did the heavy-lifting with an improvement to 52.3 from previous 49.2. Risks of UK entering recession by year-end remains significant and the Bloomberg UK recession probability forecast within 1 year has risen to 80% from 60% seen at the start of Oct.

- As recession risks loom, UK house prices slowed to 13.6%y/y for Aug from 16.0% for Jul. The headline is underpinned by the robust increases in home prices in the south west at 17.0%y/y, which is also slower than the previous at 21.1%.

- CPI quickened to 10.1%y/y from previous 9.9%. Month-on-month, CPI maintained pace of 0.5% increase with food, clothing & footwear and household prices contributing the most to the headline. Core inflation accelerated to 6.5%y/y from previous 6.3%. The Office for National Statistics said the government's energy-subsidy program will help ease price pressure, noting that the capped price of energy will be used to calculate the CPIH, CPI and RPI measures of inflation. That said, there are still some estiamtes that suggest that electricity prices would still be much higher than what corporates experienced in Oct 2021, skewing inflation risks to the upside still.

- **Monetary Policy Forecast:** Markets are now expecting 75bps hike as inflation continues to be elevated. With the new PM seemingly more committed to fiscal consolidation based on sources cited by Bloomberg, the path of least error could be for BoE to raise tightening pace to 75bps even before Sunak's administration make further fiscal decision. Meanwhile, expectations for recession could mean that an aggressive 100bps move is now highly unlikely. The last decision to hike 50bps was supported by 5 members. 3 members voted for a 75bps move while one preferred 25bps. The decision to reduce its GBP838bn stock of government bonds by GBP80bn over the next 12 months had unanimous support.

- **Fiscal and External Balance Update:** The medium term fiscal plan is due for release on 17 Nov, postponed from 31 Oct. There had been whispers of further fiscal tweaks in order to save GBP50bn more which would be more than the GBP35bn required to keep debt to GDP ratio steady at 1.5%. Meanwhile, 2Q current account deficit widened to $137.5bn, from deficit of $104.8bn in 4Q. On a seasonally adjusted basis, this represents a deficit of 4.33% of GDP, the largest shortfall since 2019.

- **Key domestic events and issues to watch:** Nationawide Oct House price, Oct Mfg PMI [1 Nov]; BRC Oct Shop price [2 Nov]; S&P Oct Services, Composite PMI, BoE Policy decision [3 Nov]; Oct construction PMI [4 Nov]; Oct House Price Bal [10 Nov]; 3Q GDP [11 Nov]; Sep IP, Mfg Production, Sep trade [11 Nov]; Rightmove Nov House Prices [14 Nov]; Oct jobless claims, Sep ILO [15 Nov]; Oct CPI, RPI, PPI [16 Nov]; Oct retail sales [18 Nov]; S&P Nov prelim. Mfg, services, composite PMI [23 Nov]; Nov nationwide house [28 Nov – 3 Dec]; Oct Mortgage approvals [29 Nov]; Nov BRC Shop Price [30 Nov].

- **Technical Outlook:** GBP reversed out much of the mini-budget crash and was last at 1.1510. Momentum is bullish and stochastics are overbought. Gains could slow, capped by 1.1720 (100-dma) before the next at 1.2020. Support remains at 1.1316.

AUD: Rock Bottomed?

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
AUDUSD	**0.6300** (0.6700)	**0.6400** (0.6800)	**0.6500** (0.6900)	**0.6800** (0.7000)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We tweak our near-term AUD forecast lower given a lack of significant policy support from China's Party Congress that could improve on its demand for Australia's resources. Slowing external demand could weigh on the AUDUSD as indicated by its recent trade numbers. In addition, we look for USD buoyancy that could keep the pair pressured as we caution against chasing after peak-hawkishness narrative of the Fed. AUDUSD is likely to have bottomed but the abovementioned factors could keep the AUD bulls from making a significant headway.

- That said, we caution that there are some upside risks to our forecast. Expectations for China's growth recovery at this point is very low and any incremental improvement or signs of zero-Covid relaxations there could lift the AUD. In addition, there is a possibility for equities to stage a technical rebound into the year end and AUD could get a ride higher given its strong positive correlation with the S&P.

- Near term however, we are still anticipating some tactical opportunities for AUDNZD to head lower given potential for RBA-RBNZ policy divergence where the latter had been sounding a lot more hawkish than RBA. AUDNZD could test 1.09.

- **Growth and Inflation Outlook:** Leading indicators suggest that economic activities are still robust but could start to deteriorate soon with consumer confidence for Oct resuming its slide after a small recovery in Sep while NAB business confidence fell to 5 points vs. previous 10 points (even as business conditions rose). Business conditions have improved due to still-robust labour market that have underpinned household spending at this point. Other leading indicator include the job advertisements that have fallen a tad in Sep as well as Westpac leading index that recorded another decline for Sep.

- Meanwhile, the persistent decline in home loans value (-3.4%m/m for Aug), CoreLogic house price (at -1.4%m/m) could provide an additional negative wealth effect apart from the lacklustre equity markets (ASX at -8.8%y/y). Household spending softened in Sep by -0.5%m/m, possibly due to rising inflation.

- For inflation, 3Q CPI was stronger than expected at 7.3%y/y. Focus remains on the energy prices at home that seeped into utility bills.

Supply side disruptions seem to be easing that can bring down fuel prices. Household spending have started to ease but only moderately. Inflation could thus remain somewhat elevated into the last quarter of the year.

- Terms of trade for AUD seems to have peaked alongside key commodity prices (iron ore, LNG). Falling global demand has continued to weigh on Australia's trade which grew only 3%m/m (albeit still better than the -10% decline for Jul). Imports were stronger at 5%m/m resulting in a slightly narrower trade surplus at A$8.3bn vs. previous A$9bn.

- **Monetary Policy Forecast:** RBA maintained its pace of 25bps hike on 1 Nov. Despite the stronger-than-expected 3Q CPI at 7.3%y/y, it is still on course to come within RBA's Aug forecast of 7¾% over 2022. In the Nov statement, the central bank flagged more interest rate hikes ahead but will watch the global economy. Household spending and wage/inflation closely. The central bank retained the phrase that the path to getting inflation back to 2-3% target "while keeping the economy on an even keel" is a narrow one and clouded in uncertainty. RBA could continue to move with caution and stick to its modest pace of 25bps hike. This decision could be slightly negative for the AUD but dips are likely to be shallow and offset by a lack of sustained bullish momentum in the greenback in the next few weeks.

- Over the past month, we had heard from Deputy Governor Bullock who was determined to assure markets that fighting inflation is still the central bank's top priority despite the smaller-than-expected rate hike of 25bps in Oct. She elaborated that RBA has more monetary policy meetings than most other central banks, allowing them to move at smaller hikes without much divergence vs. the peers. In addition, RBA Ellis also shared some model estimates of the neutral interest rate for Australia which should be at least 2.5%. Even as Ellis cautioned that the central bank should be "mindful of the limitations of our instruments, and of the prospect that the stars themselves can realign" which could taken to mean that the neutral rate can be higher in an inflationary environment, estimates suggest that cash target rate at 2.6% has likely arrived at restrictive zones. RBA Governor Lowe himself mentioned that "cash rate should generally cycle between 2.5-3.5% in the longer term" and even mentioned the possibility of another 10% fall in property prices in Sep. As households and businesses feel the impact of higher borrowing rates, RBA should proceed with more caution.

- **Latest External Balance Outlook:** As of last available data, current account surplus was recorded at 2.25% of GDP for 2Q 2022, narrowing from the previous 2.38%.

- **Fiscal Outlook:** The labour government has produced its first budget on 25 Oct, projecting deficit to narrow to A$36.9bn in 2022-2023 (1.5% of GDP) from A$134.2bn (6.5% of GDP) in 2020-2021. Deficit is then expected to widen to A$44.0bn in 2023-2024 (1.8% of GDP) and A$51.3bn in 2024-25 (2.0% of GDP). Deficit projections for over the four years to 2025-26 is also expected to be A$42.9bn less than Mar budget. Much of the improvement for the budget is due to the strong commodity prices and labour market. Australia also benefits from rapid return of overseas migration but is faced with higher borrowing rates.

- **The above are based on GDP growth projection of 3.**25% for 2022-2023 (vs. 3.5% projected previously), 1.5% for 2023-2024. The labour market is forecast to soften with unemployment rate seen at 4.5% in 2Q 2024.
- **Key domestic events and issues to watch:** Oct CoreLogic House, RBA policy decision, Oct Commodity index [1 Nov]; Sep home loans [2 Nov]; Oct S&P Services PMI, Sep trafe [3 Nov]; RBA SoMP, retail sales ex inflation for 3Q [4 Nov]; ANZ Oct Job advertisements, Oct foreign reserves [7 Nov]; CBA Oct household spending, Nov Westpac consumer confidence Sep Services, Oct NAB business survey [Nov]; Nov consumer inflation expectation [10 Nov]; Minutes of Nov Policy meeting; Oct Westpac leading index, 3Q wage price index [16 Nov]; Oct labour report [17 Nov]; Nov Prelim. Mfg, Services, Composite PMI [23 Nov]; Oct retail sales [28 Nov]; Oct CPI, building approvals [30 Nov].
- **Technical Analysis:** AUDUSD hovered around 0.6440. Stochastics indicate near overbought condition while momentum is still bullish. AUDUSD could remain in sideway trades but break of the 0.6565 could open the way towards 0.6740. Resistance at 0.6957 (21-dma) before the next at 0.7010 (100-dma).

NZD: Still a Buy on Dips

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
NZDUSD	0.6000 (--)	0.6000 (--)	0.6100 (--)	0.6200 (--)

No Change to Previous Forecasts

- **Motivation for the FX View:** NZD turned out to be the top performer for Oct and we continue to keep a relatively bullish view for the antipode. The currency has thus far been underpinned by hawkish RBNZ comments as well as a recovery in sentiment into the end of Oct. Recently, the Governor reiterated his opinion that inflation is still “too high” in New Zealand and that the focus remain on achieving its inflation target. OIS suggests that markets are now split between a 50bps move and a 75bps move. We lean towards the latter given the beat in the inflation report. In RBNZ’s annual report, the central bank also stated that OCR is the most effective way to reduce inflation and support maximum sustainable employment over the coming years. That should continue to keep the NZD supported, notwithstanding intermittent risk-off episodes as global growth slows.
- On the budget front, Finance Minister Robertson pointed out New Zealand’s resilient exports and tourism recovery in spite of upcoming challenges in global environment and contractionary fiscal impulse. He pointed out the labour market remains very tight with busiensses having trouble with labour supply and is seeking to improve worker visa process time. His confidence in the economy’s ability to avoid a

recession even as the global growth slows probably contributed to positive NZD sentiment. That likely added boost to the NZD.

- **Downside Risks to NZD Outlook:** (1) War in Ukraine futher escalates into nuclear/ broaden to involve more countries or last longer may hamper global economic momentum and that will have negative spillover effects on NZ. (2) further slowdown in China growth (hard landing risks), or further weakening in CNH can also weigh on NZD, given its high sensitivity to global growth and China. (3) RBNZ fails to live up to hawkish guidance will be a drag on NZD (unwinding risk); On net, global growth concerns, inflation worries and fears of tighter monetary conditions may keep risk appetite on a leash.

- **Growth and Inflation Outlook: The reopening of borders, recent softening of energy prices seem to continue to keep consumer confidence supported (steady at 85.4 for Oct)** but other indicators of consumption showed a mixed picture. Credit card spending surged to 34.1%y/y for Sep but month-on-month was a much modest 0.7% vs. the previous at 4.6% (revised lower). Card spending for retail quickened to 1.4% in Sep from previous 1.0% (revised higher). Performance services index for Sep posted a slight deterioration to 55.8 from previous 58.6. Into the rest of the year, t**ourism inflows could have peaked in Jul and we caution that discretionary spending could start to slow as external demand weakens.**

- Meanwhile, Sep Mfg PMI fell to 52.0 from previous 54.8, easing from a 13-month high on softer production, employment, sharply lower new orders. The weaker manufacturing report is in line with the global slowdown.

- As of last available data, headline 3Q CPI eased to 7.2%y/y vs. previous 7.3% in 2Q. The main drivers include fruit/vegetable (13.8%y/y vs. previous 8.2%), furniture (10.3y/y vs. previous 9.2%), healthcare (4.5%y/y vs. previous 3.7%). Cpi tradeable quickened to 2.2%q/q from previous 1.9% while non-tradeable also accelerated to 2.0%q/q from previous 1.4%, underscoring strong domestic demand. This is the 6th quarter in a row that headline CPI breached above RBNZ's 1% - 3 target band. Potentially, we opined that inflation may have peaked but price pressures can continue to stay elevated as supply-chain disruption eased gradually and labor market remains tight in the interim. RBNZ expects inflation to fall to 4.4% in 2023, 2.5% in 2024 and 2% in 2025.

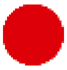
- **Monetary Policy Forecast:** We expect RBNZ to lift OCR to 4.25% at the next MPC on 23 Nov – the first G7 central bank to lift its policy rate above the 4% level, potentially superceding the Fed at that point. Key focus of RBNZ is to ensure that current high CPI (3Q at 7.2%) does not become embedded into longer-term inflation expectations. In the last meeting, the central bank even mentioned that a 75bps was already considered then and that was before the release of 3Q CPI. It is thus likely for RBNZ to make a last 75bps hike with the room afforded by the tight labour market in order to act on price pressure. Markets' implied see terminal rate (known as peak rate) at around 5.2% by Apr 2023. The decision would probably give NZD another nudge higher, especially vs. the AUD.

- **External Balance and Fiscal Outlook: NZ current account deficit narrowed a tad to NZ$5.2bn in 2Q, from NZ$6.5bn in 1Q.** The current account might have improved due to the reopening of borders in Apr and arrival of tourists, the annual deficit rose to 7.7% of GDP as of 30 Jun vs. 6.8% for the year through Mar, the largest gap recorded since 4Q 2008. Higher imports bill, driven by large energy bills could continue to weigh on the external balance. Vistor arrivals surged to a high of 130K in Jul before easing off. Typically the peak of tourist arrivals would occur in Jul before tapering off into the end of the year. This could mean that the current account may remain under pressure for the rest of 2022.

- NZ government Treasury department reported the budget deficit to be NZD9.69bn for year ending Jun 2022 vs. forecast of NZD18.98bn seen in May, albeit still widening from NZD4.56bn recorded for 2021. The improvement is due to higher than expected tax revenue and smaller spending. The government expects budget deficit to return to surplus by the FY 2024-2025. The mid-year fiscal update will be published on 14 Dec. Finance Minister Roberson warned that fiscal spending could be more targeted and require some tough choices.

- **Key domestic events and issues to watch:** Sep Building permits [1 Nov]; CoreLogic Oct House Prices, 3Q average hourly earnings, labour report [2 Nov]; ANZ Oct commodity price [3 Nov]; 2Yr inflation expectation for 4Q [8 Nov]; Oct Card spending retail [9 Nov]; REINZ Oct house sales [10-14 Nov]; Oct BusinessNZ Mfg PMI, food prices [11 Nov]; Oct performance services index [14 Nov]; Net Migration [15 Nov]; Oct Non Resident Bond holdings [16 Nov]; 3Q PPI [17 Nov]; Oct credit card spending [21 Nov]; Oct trade [22 Nov]; RBNZ policy decision [23 Nov]; ANZ Nov consumer confidence, 3Q retail sales ex inflation [25 Nov][; Oct building permits, Nov ANZ activity outlook, business confidence [30 Nov].

- **Technical Outlook:** Our call for a rebound for the NZDUSD played out well over the last month and pair is now seen around 0.5880, testing key resistnace thereabouts.Momentum is still bullish and next resistance is seen around 0.5990. Support at 0.57 (21-dma).



JPY: USDJPY Upswings Could be More Manageable on Contained UST Yields

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDJPY	**150** (145)	**150** (145)	**144** (140)	**140** (135)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** The sharp swing lower when USDJPY hit multi-decade high of 151.95 was likely on account of MoF intervention efforts, before a net decline in UST yields weighed further on the pair. In the interim, if USDJPY remains broadly below key resistance around 152 (near where MoF initiated suspected bout of intervention), the urgent need for further intervention efforts might be reduced. This leaves Fed-BoJ policy differential as a key driver of USDJPY pair trajectory. On net, Fed-BoJ policy stances are likely to remain wide apart in the interim, with Fed officials reiterating the need to keep US rates at restrictive territory for some time, and Kuroda maintaining that BoJ policy would remain loose to achieve its 2% inflation goal in a "sustainable and stable manner". With BoJ emphasizing its view of current inflationary forces being transient (looking for price growth to slow to 1.6% in the next FY), USDJPY forecasts are adjusted modestly higher to capture the persistence of the Fed-BoJ policy differential. Downward drags on the pair may only be more discernible from 2Q or mid-2023, conditional on UST yields and broader dollar strength easing on more significant US growth jitters and moderation in price pressures by then. Meanwhile, a gradual return of tourists to Japan on reopening measures could help ease earlier current account drags over time, providing further modest support to JPY next year. Domestically, key focus will be on whether we see a broadening in price pressures over the next two quarters, which could lead BoJ to reconsider its ultra-accommodative stance post end of Kuroda's term in Apr 2023.

- **Fed stance and UST-JGB yield differentials are likely to remain as key drivers of the USDJPY pair**. 2Y UST-JGB yield differentials widened from around +350bps on 30 Aug to high of +464bps on 20 Oct, before easing towards +448bps at last seen, on net supportive of the USDJPY pair. At the Sep FoMC, Fed managed to deliver another modest hawkish tilt despite choosing the smaller "jumbo" hike of +75bps (rather than +100bps), via upward revisions to the dot plot (peak rate now at 4.6% in 2023 versus 3.8% in the June dot plot), and downward revisions to growth (2022 growth now seen at 0.2% versus Jun's 1.7% projection). Going forward, expectations of around +185bps of Fed hikes (market pricing on 31 Oct) into mid-2023, vs. likely negligible yields for BoJ over the same period, could keep USDJPY in buoyant ranges near-term, but further upsides could be somewhat constrained. We note that while Fed officials broadly agree on the need to keep US policy rate in restrictive territory for some time alongside elevated core price pressures, some recent Fedspeaks sounded a tad less hawkish. For instance, Evans commented that there's "great uncertainty" about where peak Fed rate should be, while Brainard highlighted that policy tightening tends to work with a lag, and there could be reason to be more cautious.

- Meanwhile, ongoing normalization in US interest rates, while the BoJ remains committed to an easing stance, could help sustain relative demand for overseas investments (e.g., US treasuries). Demand from pension funds such as GPIF as well as private sector entities could be in play. **Such outflows could offset the support that JPY conventionally receives from an expected current account surplus.** This support is notably likely to be more modest this year as well, with consensus estimates seeing current account coming in at 1.1% of GDP in 2022, versus 2.9% in 2021, but expected to improve to 1.5% of GDP in 2023. **This could mean that USDJPY could remain in elevated ranges for some time versus pre-Covid range of 105 to 115.**

- We note some easing of curbs, with authorities allowing non-guided package tours from 7 Sep, and raising the daily entry cap to 50k from 20k. Further, from 11 Oct, Japan has lifted a ban on individual tourist visa requirements and remove daily arrival limits. **But positive spillovers to current account from these developments could be gradual and modest**. International tourism revenues accounted for around 1% of GDP in 2019, pre-Covid. On the other hand, domestic tourism contribution to GDP was about four times that of international tourism. To this end, authorities will also be launching a nationalwide travel discount program.

- Admittedly, over the course of 1H 2022, Japan's energy importer status also likely meant drags on JPY on hit to current account balances amid elevated commodity prices. **But there are tentative signs that this burden could be easing, albeit modestly**. Brent has declined from US$124/bbl in early Jun to US$95 at last seen, even as OPEC's decision to cut output by 2mn b/d starting Nov likely adds a dimension of resilience to oil prices. While some support could emerge on latest OPEC+ supply cuts, upside risks to energy prices should be more manageable as well, on (i) mounting concerns over softening global aggregate demand, (ii) signs of interest in Russian oil from parts of Asia, including China, India.

- **Growth and Inflation Outlook:** 2Q (P) GDP came in at 2.2% q/q SA annualized, versus expected 2.6% and revised 0.1% prior. 2Q (F) GDP came in at 0.9%q/q SA, modestly better than advanced reading of 0.5%. More benign business spending (+1.4% q/q versus -0.1% prior) complemented slight improvement in private consumption (+1.2% versus 0.3% prior).

- On higher-frequency indicators, Jibun bank PMI Services for Oct (P) came in at 53.0, seeing a modest uptick versus 52.2 prior. PMI Mfg came in at 50.7, on par versus 50.8 prior. Further signs of economic resilience could be supportive of bets for a hawkish tilt in monetary policy into mid-2023, and constrain extent of USDJPY upswings this cycle. But growth momentum, while resilient for now, could see downside risks if broader external demand slows. Tankan surveys for 3Q came in mixed, largely on par with prior, and suggested more fragile sentiments among small firms versus larger player. **Consensus expects GDP growth to moderate slightly to 1.6% in 2022 from 1.8% in 2021, and come in at around 1.4% for 2023.**

- Headline CPI came in at 3.0% (31-year high) in Sep, remaining on par with prior and slightly higher than expected 2.9%. The ex-fresh food reading also registered slightly higher at 3.0% versus prior 2.8%. Continued broadening in domestic price pressures could raise pressures for BoJ to tilt hawkish from its ultra-accommodative stance at some point.

- **Monetary Policy Forecast:** BoJ stood pat on policy settings (policy rate at -0.1%) on 28 Oct, reiterating the need to maintain accommodative monetary policy, while highlighting downside risks to the economy from softer external demand. While core CPI forecast was raised to 2.9% for the FY ending March, the central bank largely maintained the view that inflationary forces were transient, looking for price growth to slow to 1.6% in the next FY. Policy divergence versus Fed and other central banks are likely to remain intact for now; supportive of USDJPY pair in the interim. **We look for a stand pat on YCC into 1Q 2023.**

- **But end of Kuroda's term in Apr 2023, signs of broadening price pressures etc.,** especially if a weak JPY accelerates imported inflation, **could lead to incremental bets for a shift in YCC settings next year.** We note that about 75% of components in CPI basket saw price increases in Sep 2022.

- On intervention, comments from MoF officials suggest that the ministry is managing FX reserves in a way that "maximizes liquidity" so that it is prepared for intervention, and that officials do not see a limit on funds for curbing excessive JPY moves. Authorities can choose to announce whether it participated in intervention operations. Initial efforts on 22 Sep (when USDJPY touched 145.90) brought USDJPY lower by about 3.5% before broader dollar strength led to paring of losses. A second bout of intervention (unconfirmed) likely occurred on 21 Oct when USDJPY touched 151.95, similarly bringing USDJPY lower by about 3.6% as well. Pair subsequently retraced about half of its losses before broader downward pressures on UST yields led the pair lower. The size of MoF's initial intervention efforts is about US$20bn, while that on 21 Oct likely required about US$30bn. Prior to these efforts, MoF was estimated to have around US$110bn of reserves invested in dollars outside of treasury markets.

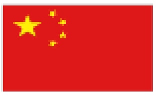
- Currency official Masato Kanta told the press that the Japanese authorities are in close daily communication with G7, G20 nations particularly allies including the US with regards to the JPY and he said that Secretary Yellen respects Japan's decision not to disclose on their intervention activities in the foreign exchange markets.

- **Latest Fiscal & External Balance Outlook:** In Feb 2022, **a parliamentary committee approved a record JPY107.6trn (US$936bn) spending plan for FY2022 (starting Apr).** Kishida has vowed seamless spending for 16 months (beginning with supplementary budget mentioned above) to provide sufficient support to lift the economy from Covid-induced doldrums. Consensus forecasts see the fiscal deficit coming in at around -6.9% of GDP in 2022, slightly wider versus the -6.4% seen in 2021 (and significantly wider than the -3.2% average seen in 2015-2019 pre-Covid) before narrowing towards -4.5% of GDP in 2023.

- Current account surplus for Aug came in at a modest surplus of JPY59bn, narrowing from JPY229bn prior. Pre-Covid average in 2019 was surplus of JPY1600bn. Trade deficit for Sep remained wide at JPY2094bn, despite moderating from JPY2825bn prior. The trade balance has seen deficit readings from Aug 2021 to Sep 2022, versus average surplus outturns in the first 7 months of 2021. **Developments highlight the cost to the economy from a weak JPY, and could in turn weigh on JPY sentiments**. On a more positive note though, recent two-way swings in oil prices could help moderate energy import burden for Japan going forward (vs. earlier elevated levels).

- **Key domestic data to watch:** Oct Vehicle sales (1 Nov); Sep Labor cash earnings (8 Nov); Sep (P) Leading Index CI (8 Nov); Sep Current account (9 Nov); Oct (P) Machine tool orders (10 Nov); Oct PPI (11 Nov); 3Q (P) GDP (15 Nov); Sep Core machine orders (16 Nov); Sep Tertiary industry index (16 Nov); Oct Trade (17 Nov); Oct CPI (18 Nov); Nov (P) Jibun Bank PMIs (24 Nov); Oct Jobless rate (29 Nov); Oct Retail sales (29 Nov); Oct (P) Industrial production (30 Nov).

- **Technical Outlook**: Momentum on daily chart is modestly bearish (but waning) while RSI is not showing a clear bias. Pair could remain in buoyant ranges in the interim but upswings could slow towards key resistances at 150.00, 151.95 (Oct high). If 152-handle is decisively breached, next resistance is some way off at 160.20 (1990 high). Support seen at 145.00, before 144.30 (50-DMA).



RMB: Fragile on Dull Growth Prospects, Headwinds largely Priced

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDCNY	7.30 (7.14)	7.28 (7.14)	7.25 (7.10)	7.20 (7.10)
USDCNH	7.30 (7.14)	7.28 (7.14)	7.25 (7.10)	7.20 (7.10)

Previous Forecasts in Parenthesis

- **Motivation for the FX View:** We downgraded yuan forecast as Party Congress ended with neither an overt shift in Covid-zero strategy nor sweeping supports for the property market. Recent lockdowns in Wuhan, Shanghai Disney Resort, Zhengzhou seem to be a way for authorities to drive the point that there should not be any easing expected. China's Sep data also underscores the adverse impact of lockdowns on private consumption while growth in the third quarter was mostly driven by government investment (likely in infrastructure) and net exports. Support from the latter might start to soften as tighter financial conditions around the world continue to weaken global demand. That in itself is negative for the RMB looking forward but could also be offset by any signs of domestic demand recovery given very low expectations of growth recovery at this point. The trajectory of the USDCNY is still reliant on the broader USD cue as well. On that front, we do expect the bullish momentum of the greenback to cool somewhat as markets start to anticipate some slowdown in the tightening pace by the Fed. Consolidation could thus take hold for the USD (albeit in buoyant ranges), leaving the USDCNY too in an elevated range of between 7.15-7.35 in the near-term, with risks still slightly skewed to the upside.

- Key takeaway from Party Congress is an emphasis on common prosperity which spurs rumours of more taxes on the rich to redistribute wealth, self-reliance on science and technology as well as green development. There was also a strong message on anti-corruption, military and defence. So the broad goals/agenda are unchanged from what he has emphasized in recent years but the emphasis on self-reliance and military suggest that China is still likely to see further conflicts with the US. The key point of contention would expected to remain on the chips/semi-conductor technology and is inextricably linked to Taiwan's TSMC. That continues to remain a key risk factor into 2023 even as Xi and Biden could meet amicably in Bali at the G20 Summit of Leaders.

- More recently, the State Council had brought up the topic of boosting consumption again. In addition, there were quite a bit of emphasis on attracting foreign investments that include the easing of travels by executives,technicians and their families as an incentive for smart manufacturing. **However, without a higher thresholds for lockdowns (in other words, some relaxation for Covd-zero managements), it is hard to expect foreign investors to regain confidence in China.** Industrial profits for Jan-Sep had fallen -2.3%y/y, a tad more than the -2.1%y/y recorded for Jan-Aug. Profits of manufacturing sector fell by a smaller -13.2%y/y vs. previous -13.4%. Slight improvement could be due to government supports as well as falling producer price index. An official had mentioned that greater efforts would be put in to implement policy measures to strengthen a industrial sector rebound but there were also comments noting that the there were some operational challenges faced by businesses. **As such, we are still slightly hopeful for China to make a slight shift in Covid-zero strategies.**

- One key risks to our somewhat cautiously optimistic view into 2023 is 1) the case of China not easing up on Covid-zero at all in 1H 2023. That could be severely negative for the yuan and delay any recovery; 2) key risk is the escalation in US-China tensions again after US Biden just enacted some export ban on US technology products to China that could trigger tit-for-tat from China. 3)stickier than expected inflation forces US to extend the rate hike cycle more than expected.

- **Growth and Inflation Outlook:** OECD revised its growth outlook for China to 3.2% for 2022 vs. 4.4% seen in Jun while that of 2023 is also downgraded a tad to 4.7% vs. previous 4.9%. The growth downgrade was rather mild for next year, underscoring some optimism of a recovery. Sep activities suggest fixed asset investment is recovering with the help of government initiatives along with industrial production. However, retail sales growth is still anaemic at 2.5%y/y for Sep. Property investment had fallen 8.0%y/y for Jan-Sep. There seems to be no end in sight for the current malaise in the housing sector for China as yet.

- The strongest property measure thus far is still the special loan for property developers to ensure incomplete property projects can be completed for via policy banks. The amount is said to be around CNY200bn. The backstop is meant to instill confidence in the property sector. More recently, PBoC Deputy Govenror Pan Gongsheng had urged state-owned China Bond Insurance Co. on Thu to increase support for bond sales by private sector developers. Even so, property bonds and equities continue to underperform. The property market continues to witness sporadic default events that weigh on investor confidence, not helped the least by the Covid-zero management.

- Focus remains on infrastructure investment with the additional CNY300bn loan quota meant for infrastructure projects (declared at the 24 Aug State Council meeting) disbursed via the three policy banks. EX-IM Bank of China has offered CNY50bn, Agricultural Development Bank of China offered CNY100bn while China Development Bank already disbursed CNY150bn in loans.

- At this point, even if there is no overt declaration on easing Covid-zero, recent agenda and reiterations on consumption revival and plans to lure foreign investment suggest that China may need to stealthily ease Covid-zero. The elderlys would have to be "protected" and thus be subjected to harsher covid-measures in order to ensure the healthcare system is not overwhelmed with another Covid wave. Covid-zero easing could be stealth and uneven. A much needed boost to the services sector could also be supportive of employment. Unemployment rate (surveyed) had jumped to 5.5% from previous 5.3%, underscoring some urgency for growth boosting measures from the top.

- **Monetary Policy Forecast**: Market volatility and significant pressure on the yuan could keep PBoC from easing policy rates for the rest of the year. The central bank continues to rely on very targeted tools such as relending facility and may even tap on PSL so that credit expansion could be supported by policy-banks. That said, inflation environment remains benign for PBoC to have the option of easing rates further as most sectors remain under pressure. A rate cut or RRR cut would be at the cost of yuan stability in the near-term. **Fed's tightening trajectory is thus key and any sign of a smaller rate hike in Dec could allow PBoC the window to ease then.**

- **Latest Fiscal and External Balance Outlook:** Given the rise in infrastructure spending and several support measures announced, we can fiscal deficit will widen substantially from original projection of 2.8% of GDP.

- **Key domestic events and issues to watch:** Caixin Oct Mfg PMI [1 Nov]; Oct Caixin Services, Composite PMI [3 Nov]; BoP 3Q current account [4 Nov]; Oct foreign reserves, Oct trade [7 Nov]; Oct CPI, PPI [9 Nov]; Oct aggregate financing, new yuan loans, money supply [9-15 Nov]; Oct

FDI [11-20 Nov]; 1Y MLF [13-16 Nov]; Oct industrial production, retail sales, surveyed jobless rate, property investment, Oct FX Net settlement on behalf of clients [15 Nov]; Oct new home prices [16 Nov]; Oct SWIFT Yuan share of Global Payments [17 Nov]; 1,5Y LPR [21 Nov]; Oct industrial profits [27 Nov]; Nov official Composite, Mfg, Non-mfg PMI [30 Nov].

- **Technical Analysis:** USDCNH is last seen around 7.2820. This pair may remain in consolidative trade within 7.15-7.35 range in the near-term. Momentum is neutral and stochastics are falling from overbought conditions. Near-term risks are skewed to the downside.

KRW: High-Beta Amplifies Turns in Risk Sentiments

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDKRW	1420 (1450)	1410 (1420)	1360 (1370)	1330 (1320)

Previous Forecasts in Parentheses

- **Motivations for the FX View**: Front-end USDKRW forecasts are adjusted lower a tad amid recent market repricing incorporating potential risks of Fed dovish tilt towards year-end or in early 2023, which in turn weighed on broad dollar strength. While we calibrated the forecast trajectory slightly given net down-move in UST yields, we caution against chasing the peak Fed hawkishness narrative, given still sticky US core price pressures. On net, we expect KRW to remain under pressure in the near-term amid accelerating global growth concerns, tighter financial conditions, but more two-way swings could be seen versus earlier one-way softening. Meanwhile, KRW's high-beta to global chip demand and global equity performance likely implies that it will see amplified swings from geopolitical developments, with key risk events including the Russia-Ukraine war as well as US-China tensions over chips, Taiwan. Declining foreign reserves is also a cause of concern. USDKRW could remain in buoyant ranges in 4Q 2022 and early 2023. But signs of moderation on domestic Covid risks, potential downside bias in UST yields next year, more manageable energy import costs, more clarity on global growth momentum etc., could imply some chance for USDKRW to head lower later in 2023.

- **Global growth worries remain a persistant drag on high-beta/pro-cyclical KRW.** We note various sets of growth downgrades from various agencies such as IMF, World Bank, OECD in recent months, given the complex set of risk factors currently in play—including Russian war and concomitant energy crisis in Europe, ongoing Covid pandemic (more aggressive or contagious variants), China's zero covid policy disrupting supply chains, US-China tensions over Taiwan. Agencies highlighted increasing debt pressures in developing economies on account of rising global rates. IMF noted that about one-third of economies could see a technical recession this year. On chips in particular, warnings from key seminconductor firms on slowing demand for PCs and smartphones had permeated into Korean tech blue chips sentiments. Concerns over moderating external demand is likely to remain intact in the interim, given traction by softer data out of major economies recently. **The Philadelphia Stock exchange semiconductor index is now back to late-2020 lows near 2300-2400, versus peak near 4000 in end-2021**.

- Korea's energy importer status also likely meant drags on KRW alongside elevated oil prices in 1H 2022. While some support to oil prices could emerge on latest OPEC+'s 2mn b/d supply cut from Nov, we also note potential return of Iran supply if ongoing talks with US conclude on a positive note. Upside risks to energy prices should also be more manageable on (i) mounting concerns over softening global aggregate demand, (ii) signs of interest in Russian oil from parts of Asia, including China, India. **On net, while energy import burden could continue to be a drag factor, the magnitude of drags could ease a tad.**

- We also note potential tensions with China, North Korea as risk triggers. Recall that China-Korea relations deteriorated in 3Q 2016 over US-Korea alliance decision to deploy US Terminal High Altitude Area Defense (THAAD) anti-missile system to defend against North Korea missile threat. President Yoon had earlier indicated plans to buy an additional THAAD system. This may be a concern for KRW if it induces risks of retaliation from China. But we also note some recent efforts from Yoon to avoid antagonizing China. Meanwhile, inter-Korean tensions are also in play as North Korea ramps up missile tests in recent weeks. South Korean president Yoon has warned of "overwhelming" response if North Korea attempts any nuclear action. Meanwhile, KRW also continues to be exposed to swings in broader geopolitical risks. E.g., Biden's warning of China potentially making a move on Taiwan on a "much faster timeline" than previously thought, continued aggressive Russian strikes in Ukraine etc., could continue to cap sentiment recovery.

- Covid's impact on domestic activity and changes to forex reserves are two other risk factors to watch. 7-day average in Covid cases remains at around 35k as of late Oct, versus highs of >120k in mid-Aug. Meanwhile, BoK presented further declines in Forex reserves in Sep (US$416.8bn vs. US$436.4bn prior). Levels are about US$52bn lower versus high in Oct 2021 after earlier intervention efforts.

- **Growth and Inflation Outlook:** Prelim estimates show economic growth dipping a tad to 0.3% q/q SA in 3Q, vs. 0.7% in 2Q. In y/y terms, growth came in at 3.1% versus 2.9% prior. Outturns were broadly on par with expectations. Some weakness was seen in manufacturing, transport sectors, versus resilience in domestic-oriented sectors.

- Back in Aug, BoK has revised down its latest growth forecasts for 2022 and 2023 to 2.6% and 2.1% respectively, from 2.7% and 2.4% in May, taking into account weakening external demand conditions and the concomitant impact on exports. **The 2.6% growth forecast was later reiterated at the Oct 12 BoK meeting, while 2023's forecast of 2.1% could see downside risks.** Officials noted that domestic economic growth has slowed on account of lower export growth, while some resilience was seen in private consumption.

- Sep CPI came in mildly below expectations as it rose 5.6%y/y (vs. expected 5.7%), but notably rose +0.3%m/m on a sequential basis. Core CPI remained elevated at 4.5%y/y versus 4.4% prior. **BoK forecasts that CPI will remain in the 5-6% range for a "considerable time" as the weaker KRW adds to imported price pressures.** Officials also note accelerating price increases in personal services and processed food products, even as increases in petroleum product costs have moderated.

- **Monetary Policy Forecast**: BoK hiked by +50bps to 3.00% as expected on 12 Oct, likely to counter domestic inflation pressures, KRW weakness as well as risks from capital outflows. Recall that earlier comments from Governor Rhee suggested that despite prior preference for more measured +25bps moves, a +50bps move in Oct could not be ruled out if prices remain "out of control". Rhee reportedly told lawmakers recently that while inflation is expected to peak in Oct, it could remain at >5% until at least 1Q 2023. Inflation concerns likely still takes priority over growth risks in the near-term. On the profile of future hikes, we note that Governor Rhee stated there is disagreement amongst board members regarding another outsized move at the Nov hike, where crucially they would need to base their decision off future moves by the Fed. **Some members are reportedly seeing terminal rate at 3.5% (vs. current 3.0%), and on net, support from further hawkish BoK moves could be somewhat diminished.**

- In Oct, BoK also issued a statement mentioning that they will continue to monitor markets and are prepared to take stabilising measures if volatility expands significantly. We also note earlier comments from Vice FM on potential measures to counter "herd behaviour" in markets.

- **Latest Fiscal & External Balance Outlook: Fitch maintained Korea's rating at AA- (outlook stable) in Sep, citing robust external finances and resilient macroeconomic performance** versus geopolitical risks related to North Korea and structural challenges from an ageing population. The new administration has proposed a fiscal rule of 3% of GDP managed deficit (consolidated balance minus social security surplus) and 60% of GDP debt limit, which implies incremental fiscal discipline, though its passage is uncertain. Fitch forecasts a deficit decline to 1.2% of GDP in 2023 alongside lower expenditure. Debt-to-GDP ratio could rise marginally from an estimated 49.5% in 2022 to 51.5% by 2025. **Consensus forecasts also look for fiscal deficit to narrow to -1.1% of GDP in 2023 from -3.0% in 2022.**

- Current account for Aug came in at a deficit of –US$3.05bn, deteriorating significantly from modest surplus of +1.09bn prior, with the goods deficit widening to -US$4.45bn from -US$1.43bn prior. **Current account deficit is the widest since Apr 2020. Higher-frequency indicators also imply increasing caution on trade outturns.** 20-day exports for Oct declined by -5.5%y/y, extending the -8.7% prior.

- **Key domestic data to watch:** Oct Trade (1 Nov); Oct Mfg PMI (1 Nov); Oct CPI (2 Nov); Oct FX reserves (3 Nov); Sep Current account (8 Nov); Oct Unemployment rate (9 Nov); 1st 20 days of exports (21 Nov); Nov Consumer confidence (22 Nov); Dec Business survey – mfg and services

(23 Nov); Oct PPI (24 Nov); BoK Policy Decision (24 Nov); Oct Retail sales (24-30 Nov); Oct IP (30 Nov).

- **Technical Outlook:** USDKRW saw more two-way swings in Oct, after the net climb in earlier months. Last at 1417 levels. Momentum on daily chart is bearish while RSI is slipping lower. Risks could be skewed modestly to the downside in the interim. Support at 1396 (50-DMA), 1365 (38.2% fibo retracement from May low to Oct high). Resistance at 1426 (21-DMA), before 1445 (Oct high).

SGD: Another Re-centering Boosts the SGD

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDSGD	**1.4000** (1.4100)	**1.3900** (1.4000)	**1.3700** (1.3800)	**1.3600** (1.3700)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** For the whole of Oct, USDSGD headed lower on net, alongside some broader dollar softening as well as strengthening in SGD versus peers (i.e., SGD NEER basket). The modest dollar softening towards late Oct was likely on account of incremental market bets for a dovish tilt from Fed towards year-end or in early 2023, given emerging pockets of weakness in US data and signs of smaller hikes from other DM central banks. We calibrate USDSGD forecast trajectory mildly lower to take this into account, but caution against chasing the peak Fed hawkishness narrative, given still sticky US core price pressures. Meanwhile, the MAS re-centering move in mid-Oct gave a decisive boost to SGD NEER, as we expected. Given that the SGD NEER was estimated to be hugging the upper bound of the band pre-recentering, the band (and mid-point) is estimated to have shifted higher by around +2%. Post re-centering, the SGD NEER was last seen at around +1.2% above the new higher implied policy mid-point, attesting to relative SGD strength, in line with our prior assessment that amid elevated external uncertainties (China's Covid-zero, Russia-Ukraine war), Singapore's robust macro fundmentals such as ample fiscal space, current account surpluses, healthy labor market etc., will continue to impart SGD some "safe haven" appeal. **On net, USDSGD could continue to see some support on dips near-term, but risks could be modestly skewed to downside later in 2023.**

- At the Sep FoMC, Fed managed to deliver another modest hawkish tilt despite choosing the smaller "jumbo" hike of +75bps (rather than +100bps), via upward revisions to the dot plot (peak rate now at 4.6% in 2023 versus 3.8% in the June dot plot). Downward revisions to growth

(2022 growth now seen at 0.2% versus Jun's 1.7% projection) also showed Fed's willingness to bring down inflation at the expense of incremental weakness in the economy. Treasury yields headed higher on net, with UST10Y yield hitting high near 4.3% before retracing lower.

- Fed Fund futures are now leaning towards another 75bps Fed hike in Nov. **But the Dec hike is more evenly split between bets for +50bps and +75bps.** Futures pricing also suggests that peak rate is anticipated to be just below 5% by mid-2023, with rates remaining near or above 4.5% even into end-2023.
- We note that while Fed officials broadly agree on the need to keep US policy rate in restrictive territory for some time alongside elevated core price pressures, some recent Fedspeaks sounded a tad less hawkish. For instance, Evans commented that there's "great uncertainty" about where peak Fed rate should be, while Brainard highlighted that policy tightening tends to work with a lag, and there could be reason to be more cautious.
- **Recent developments suggest that while dollar could remain in buoyant ranges in the near-term, and further bouts of dollar strength cannot be ruled out, the magnitude of any further dollar rally could be somewhat capped** as market expectations of Fed outlook see tug-of-war between emerging signs of weakness in pockets of US economic activity versus still-elevated core price pressures.

- **SGD has procyclical tendencies so it tends to be impacted by broader external risk sentiments**. On one hand, we note warnings from IMF and World Bank on rising risks of global recession, highlighting both slowing growth momentum in advanced economies, and increasing debt pressures in developing economies on account of rising global rates. In particular, IMF noted that about one-third of economies could see a technical recession this year. But on the other hand, **we note that risk assets have seen certain bouts of buy-on-dip behaviour** (e.g., when S&P500 slumped past 3500, which is about 50% fibo retracement from Covid low to end-2021 high), **with benign spillovers to pro-cyclical FX such SGD as well**. SGD could continue to see some support on dips on this front.

- **Still, pace of SGD recovery could be constrained in the near-term**. Yuan sentiments remain cautious in the interim despite policy support from Chinese authorities, given lack of a more discernible pivot away from Covid-zero policy stance in China. Geopolitical risks, including for instance Biden's warning of China potentially making a move on Taiwan on a "much faster timeline" than previously thought, continued aggressive Russian strikes in Ukraine etc., continue to cap broader sentiment recovery.

- **Growth and Inflation Outlook:** GDP growth eased slightly to +4.4%y/y in 3Q22 (vs. upward-revised +4.5% in 2Q), above our economist team's estimate of +2.2%, largely due to better-than-expected performance in services (+6.1%) and construction (+7.8%). On a q/q SA basis, GDP rose +1.5% (vs. -0.2% in 1Q), averting a technical recession.

- Manufacturing (+1.5% vs. +5.7% in 2Q) decelerated to the slowest pace since 2Q20 amid weakening external demand, particularly electronics demand. Output declines were recorded in the electronics and chemicals clusters, though manufacturing growth was partially cushioned by output expansions in the transport engineering, general manufacturing and precision engineering clusters. On a q/q SA basis, the sector shrank -3.3% (vs. +0.4% in 2Q).

- Our economist team expects the manufacturing slump to persist in 4Q and early 2023 due to weakening global growth and electronics demand. **Despite the manufacturing slump, full year 2022 GDP growth forecast is raised to +3.5% (from +2.8%), given the firmer growth in services in 3Q. 2023 GDP growth forecast is maintained at +1.5%, given tightening global monetary conditions and slowing global growth.**

- Core CPI soared to +5.3% in Sep, driven by broad increases in prices of food, services, and retail & other goods. Headline CPI stayed elevated (+7.5%) on rising rental costs and double-digit growth in private transport costs. **Our economist team maintains inflation forecasts for both core CPI (+4.2% in 2022, +4% in 2023) and headline CPI (+6.2% in 2022, +6% in 2023).**

- **Monetary Policy Forecast**: MAS tightened monetary policy on 14 Oct by re-centering the policy band up to its prevailing level (no change to slope and width of band). The move was intended to reduce imported inflation and aid in mitigating domestic cost pressures. The central bank had assessed that Core inflation is likely to "stay around 5% for the rest of 2022, and into early 2023", "before slowing more discernibly in the second half (of 2023) as cost pressures gradually ease". External demand remains weak and downside growth risks are still intact, possibly contributing to MAS' decision to not implement a double-tightening. On SGD NEER, given that the index was hugging the upper bound of the policy band pre-recentering, we estimate that the policy band (and mid-point) has now shifted higher by +2.0%. The index was last seen at around +1.2% above its new higher implied policy mid-point. Both policy decision and SGD NEER outturns are very much in line with our bias to long the SGD NEER heading into the Oct policy decision.

- Given latest elevated core price readings, **house view is for the MAS to tighten again at the April 2023 meeting.** Another recentering cannot be ruled out at this point, although it would likely require further evidence of sticky domestic and imported price pressures.

- As of writing, USDSGD is around 1.4110, and trades around +1.2% from the new implied mid-point of 1.4288, with the top estimated at 1.4002 and the floor at 1.4574. Given external growth drags, the current mildly positive output gap is expected to ease into 2023. Core inflation has exceeded 2% since Dec 2021 and could remain sticky in the coming quarters. Given these macro conditions, our Taylor rule estimates suggest that SGD NEER is likely to continue seeing upward pressures in the coming quarters. We had proposed prior to the MAS policy announcement that if a re-centering occurs, a tentative trading range post-announcement could be +0% to +1.0% above the new (higher) policy mid-point. Notably, SGD NEER has crept higher from +0.5% above par immediately post MAS announcement to around +1.2% as of writing, a tad stronger than our initial expectations, but very much in line with our strategic bias to long SGD NEER last month.

- House view for interest rate forecasts are adjusted higher given the faster-than-expected climb in domestic rates after the Fed's more hawkish tilt at its Sep meeting. The 3M SIBOR has climbed to 3.925% as of 31 Oct, while the 3M compounded SORA has risen to 2.453%. **3M SIBOR forecast is hence raised to 4.3% (from 3.8%) by end-2022 and 4.4% (from 4%) by end-2023. 3M SORA forecast is raised to 3.3% (from 2.8%) by end-2022 and 4% (from 3.5%) by end-2023**. Our economist team expects the Fed to hike by another +125bps in the remaining two meetings this year (Nov and Dec) and by another +25bps in 2023. Still, stress tests conducted by the Monetary Authority of Singapore (MAS) suggest that debt servicing capabilities remain adequate among most households, while "a relatively small portion may be more constrained". These stress tests examined debt-repayment ability based on income, while financial buffers such as savings were excluded.

- **Latest Fiscal and External Balance Outlook:** Finance Minister Lawrence Wong delivered the Budget on 18 Feb. Our economist team assesses that Budget FY2022 shores up finances to meet priorities for a post-pandemic future, including growing healthcare spending; expanding the social safety net; and transitioning to a green economy.

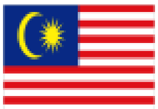
- Budget 2022 stays expansionary with a small deficit of $3bn (0.5% of GDP). There will be increases to the GST rate (7% to 9%), property taxes, personal income tax (for top earners), and carbon tax. Foreign worker policy will be tightened with the hike in minimum qualifying salaries for EP and S Pass holders. Notably, the GST rate increase from 7% to 9% will be conducted in two stages—one percentage point each time on 1 Jan 2023 and 1 Jan 2024. A $6.6bn Assurance Package will cushion the impact of the GST hike. The GST offset package includes cash payouts, GST vouchers, U-Save rebates, MediSave top-ups and CDC vouchers. The package will cover at least 5 years of additional GST expenses for a majority of Singaporean households, and 10 years for lower income households.

- In Jun, a S$1.5bn package was announced to help combat domestic inflation, including cash handouts (GST vouchers), utilities credits and one-off relief for taxi and private-hire car drivers. Given the overall limited scope of the new measures, spillover impact to SGD should be relatively limited.

- More recently, in light of supply-side shocks to energy markets globally, MTI Minister Gan Kim Yong said that the government does not intend to cap energy consumption by energy-intensive industries, and instead has other measures to help businesses improve their energy efficiency and tide over this period of elevated prices.

- The current account surplus narrowed slightly to 19.4% of GDP in 2Q versus improved to 19.7% of GDP in 1Q, but remained wide versus quarterly average of 16.5% of GDP in 2020-21. A broad recovery trend has been observed since the trough in 4Q 2019. On higher-frequency indicators, NODX growth decelerated to +3.1% in Sep, weighed down by the plunge in electronics exports particularly to China and Hong Kong. Real NODX contracted by -3.5% to the lowest level in 7 months. Our economist team expects NODX growth to turn negative in the coming months on the back of an electronics downturn and softer growth in non-electronics. 2022 NODX growth forecast is maintained at 5%-6% (9M22: +9.1%), but 2023 forecast is cut to -4% to -1% (from -2% to +1%) to account for a sharper global growth slowdown. **Further boosts to current account from trade outturns could be somewhat limited, even as some resilience is likely**.

- **Key domestic events and issues to watch**: Oct PMI (2 Nov); Sep Retail sales (4 Nov); Oct Foreign reserves (7 Nov); Oct NoDX (17 Nov); 3Q (F) GDP (21-25 Nov); Oct CPI (23 Nov); Oct Industrial production (25 Nov).
- **Technical Outlook**: USDSGD pair last seen near 1.4110, significantly lower versus end-Sep on broader dollar softening. For USDSGD pair, momentum on daily chart is modestly bearish (but waning) while RSI is not showing a clear bias. Pair could see some support on dips. Interim resistance at 1.4160 (50-DMA), before 1.4230 (21-DMA), 1.4410. Support at 1.4020 (100-DMA), 1.3830 (200-DMA).



MYR: Pricing in Election Related Volatility

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q2023
USDMYR	**4.80** (4.60)	**4.75** (4.50)	**4.65** (4.50)	**4.60** (4.45)

Previous Forecasts in Parentheses

- **Motivation for the FX View**: USD/MYR reached a new peak of 4.7417 on 25 Oct amid a potent mix of buoyant UST yields, elevated global growth concerns, as well as domestic election uncertainty, which continued to weigh on the MYR. With dollar also seeing more two-way swings, larger dips in USDMYR could be less likely for now. On global growth risks, lack of clearer signs of easing in Covid-zero stance from Chinese authorities could spillover negatively to MYR given tight MY-China linkages. On domestic politics, a 11 Oct note by our economist team noted that Malaysian markets could adopt a cautious “wait-and-see” attitude in the lead-up to polling day given GE15’s exceptionally-elevated outcome unpredictability, which is exacerbated by fragmented alliances on both sides likely leading to multi-cornered fights. Heightened uncertainty of outcome is also due in part to the 40+% jump in registered voters since GE14, to >21m, stemming from Undi 18’s lowering of the minimum voting age to 18 and automatic voter registration which was fully implemented in Jan 2022. CDS spreads remain near recent peak (even while further gains have slowed), reflecting this higher political risk premium. Net outflows from MY equities have reached –US$128mn MTD (as of 31 Oct).

- We expect MYR to remain under pressure over the next few months as long as USD remains supported amid strong US data, global growth concerns, CNY weakness and BNM still catching up on the rate hike cycle. In addition, softer oil prices and expectations of an uncertain domestic elections outcome are expected to add further pressure on the MYR. The extended weakness in the CNY towards the 7.30 mark by end Oct was in part due to the absence of policy direction from President Xi Jinping, growth weakness from Sep and Oct activity data mix, news of lockdowns and a fresh Standing Committee that are filled with his loyalists.

- The modest dollar softening towards late Oct was likely on account of incremental bets for an earlier-than-expected dovish tilt from Fed, given emerging pockets of weakness in US data and signs of smaller hikes from other DM central banks. We account for this via a mild downshift in some of our USD-AxJ FX forecasts but we are careful not to chase the peak hawkishness narativ now. The near-term outlook could weigh on the dollar mildly, but we think it will likely be a couple quarters before we see a more sustainable peak in the dollar. Nonetheless, a combination of our USD view and potential volatile domestic factors above suggests that USDMYR will continue to be slightly supported and to reflect this we have revised the pair higher for the next 3-6 months.

- On the domestic front, elections and associated near-term uncertainties could induce higher vols for the USDMYR pair, but a sustained period of volatility and extended MYR losses is not our base case. While the USDMYR pair did rise by >8% from 2Q to 4Q 2018 (last elections in May 2018), the bulk of this upswing can be attributed to broad dollar strength (DXY >+6%) and oil softness (oil > -20%) over the same period. Accounting for these two factors, the actual elections-induced impact on MYR is likely modest—the BIS-estimated MYR REER (real effective exchange rate basket) notably fell by a modest 1.5% over this period. To a large extent though, a scenario of contained MYR vols/losses on election uncertainty is conditional on there being clear signs of ability of (potential) next ruling party/coalition to maintain policy continuity and economic traction post Covid-recovery.

- **Growth and Inflation Outlook:** Our economics team expect another quarter strong YoY growth in 3Q 2022, partly reflecting the low base effect in 3Q 2021 when the economy shrank -4.5% YoY following another round of lockdown back then. However, they expect the environment of rising inflation and interest rates domestically and globally; the outlook of slower global economic growth; and the unwinding/withdrawal of domestic stimulus measures put in place during the pandemic (e.g. the end of Sales tax exemption for passenger car sales and the options for lower workers' EPF contribution of 9% (back to 11%) after 30 June 2022; the expected fuel subsidy rationalization in 2023) will result in slower growth in 4Q 2022 and 2023. Therefore, they maintain growth forecasts of +6.0% for this year (with upward revision likely pending release of actual 3Q 2022 GDP) and +4.0% for next year (1H 2022: +6.9%; 2021: +3.1%), and also expect BNM to proceed with "gradual and measured" OPR increases, penciling in another +50bps hikes to reach 3.00% by 1Q 2023 from current 2.50%.

- Headline inflation rate eased to +4.5% YoY in Sep 2022 (Aug 2022: +4.7% YoY; 9M2022: +3.3% YoY) mainly on slower rise in food & non-alcoholic beverages (FNAB) costs. But core inflation picked up to +4.0% YoY (Aug 2022: +3.8% YoY).

- Maintain our 2022 and 2023 inflation rate forecasts at +3.3% and +4.0%, respectively. Forecasts consider the impact of announced and expected rationalization in price subsidies for essential food, fuel and energy e.g. removal of bottled cooking oil price subsidies in Jul 2022; assumption of gradual adjustments in fuel prices and electricity tariffs due to subsidy reviews in 2023. With the continued elevated inflation rate, improving job market condition, plus our monthly GDP tracker (Malaysia Monthly GDP Estimate: Continued Robust GDP Growth in Aug 2022, 13 Oct 2022) showing faster real GDP growth in 3Q 2022 after the pickup in 1H 2022 following the rebound in 4Q 2021 form 3Q 2021 contraction, we **expect Bank Negara Malaysia (BNM) to raise OPR further by +25bps to 2.75% at the 2-3 Nov 2022 Monetary Policy Committee (MPC) meeting. We also expect another +25bps hike early next year to bring OPR back to the pre COVID-19 level of 3.00% by end-1Q 2023.**

- **Monetary Policy Forecast**: BNM raised OPR by 25bps to 2.50% at the 7-8 Sep 2022 Monetary Policy Committee (MPC) meeting. This followed two 25bps hikes at the 10-11 May and 5-6 July MPC meets. Monetary Policy Statement (MPS) keeps the message that BNM’s unwinding of the accommodative monetary policy – hence OPR hikes - will be “measured and gradual”. No change in our view of OPR reaching 2.75% end of this year and 3.00% early next year.

- BNM’s MPS assessment remains that of slowing global economic growth amid rising inflationary pressures, tighter global financial conditions, China’s strict containment measures and financial market volatility, versus positive domestic growth prospect, underpinned by private sector demand, improving labour market and income, and the impact of full economic opening – including international borders that lift tourismrelated sectors. Slower external demand and increased financial and FX market volatilities are not expected to derail Malaysia’s growth. The official real GDP growth forecast for Malaysia is currently a range of +5.3% and +6.3% (1H 2022: +6.9% YoY; 2021: +3.1%). BNM also keeps its view that global and domestic growth outlook comes with downside risks e.g. weaker-than-expected global growth; further escalation of geopolitical conflicts; worsening supply chain disruptions; elevated inflation; potential European energy crisis; sharp tightening in financial market conditions.

- BNM maintains its 2022 forecast for headline inflation rate of +2.2% to +3.2% (7M 2022: +2.8%; 2021: +2.5%), expecting monthly inflation rate to peak in 3Q 2022 (July 2022: +4.4% YoY; June 2022: +3.4% YoY) on dissipating base effect as well as recent easing in global commodity prices, while core inflation rate is expected to come in at the upper end of the +2.0% to +3.0% forecast range (7M 2022: +2.3%; 2021: +0.7%), reflecting demand pressures and high cost environment. BNM sees the upward pressures on inflation to be partly contained by price controls and subsidies, but the outlook is also contingent on especially domestic policy measures, implying the risk from reviews in price controls and subsidies.

- MPS reiterated that the process of unwinding monetary policy stimulus will be “measured and gradual”, implying continuation of the +25bps hike quantum in future hikes.

- Inflation rate, while rising, is slower relative to regional peers and major economies and is predominantly cost-push and supply-driven so far this year that led to surges in commodity prices, food, energy and fuel costs i.e. food, fuel and energy contributed 73% of the 2.8% inflation rate in 7M2022 (Fig 3). Historically, BNM has tolerated periods of negative real OPR and negative differentials between OPR and US fed funds rate (Fig 4-5). Nonetheless, the risk to inflation remains amid acceleration in wages and salaries (Fig 6) to a pace that is historically consistent with OPR of around 3.00%-3.25%, and weaker MYR vs USD given import costs account for 15% of household expenditure.

- Our OPR outlook is total of +100bps hikes to 2.75% in 2022 – of which +75bps hikes to 2.50% have materialized, implying another +25bps hike at the next MPC meeting on 2-3 Nov 2022 - and another +25bps hike to 3.00% in early-2023, likely at the first MPC meeting next year.

- **Fiscal and External Balance Outlook:** Despite budget deficit to GDP ratio going sub-6% to 5.5% in 2023 after 5.8% in 2022, down from the average 6.3% in 2020-2021, the size of deficit spending is little changed at MYR99.1b in 2023 (2022: MYR99.5b) to keep fiscal support as economic growth moderates to 4.0%-5.0% next year from 6.5%-7.0% this year. Tax wise, Budget 2023 is “positive” as per the individual (for middle-income taxpayers) and SME income tax cuts and as “Cukai Makmur” is confirmed as a Budget 2022 one-off.

- Key beneficiaries of Budget 2023 allocations, tax incentives and fiscal measures are MSMEs, consumer staples, tourism, automotive (EVs), green tech, agrofood, electronics, medical devices & pharmaceuticals, aerospace, chemicals & petrochemicals, infrastructure (including digital infrastructure).

- “Real” fiscal consolidation from 2024 onwards. Budget 2023 alluded to targeted fuel subsidy next year, laying the path for medium term fiscal consolidation given the 3.5% budget deficit to GDP target in 2025. More substantive fiscal consolidation measures have to include sustainable revenue sources as per the plan to adopt the minimum global tax rate and introduce carbon tax, with GST comeback a possibility. Details are pending the Medium Term Revenue Strategy next year after its’ “no show” this year. This must be complemented by addressing inefficiencies, mismanagements, wastages and leakages in Government spending, hence the plan to table the Fiscal Responsibility Bill 2022.

- **Key domestic events and issues to watch:** Oct PMI Mfg (1 Nov); BNM Monetary policy decision (3 Nov); Foreign Reserves (7 & 22 Nov); GDP (11 Nov); Trade Balance (17 Nov); CPI (25 Nov).

- **Technical Outlook:** Pair was last seen around 4.7330, seeing more two-way swings in elevated ranges towards end-Oct. Momentum on daily chart has turned mildly bearish, while RSI remains in overbought conditions. Pair remains near the upper bound of the upward trend channel in place since Apr, and some interim retracements lower is possible, even as pair should remain relatively supported broadly. Support at 4.6940 (21-DMA), 4.5940 (50-DMA). Resistance at 4.7440, 4.7730.

IDR: Portfolio Outflow Drags Mitigated by Trade Surpluses

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDIDR	15,400 (15,100)	15,300 (15,000)	15,100 (14,700)	14,900 (14,600)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** Pressures on AxJ FX complex from global growth risks remain intact, even as expected moderation in size of subsequent Fed hikes (either in Dec 2022 or 1Q 2023) is helping to cap broader dollar strength. Drags on risk sentiments from the UK mini budget fiasco has also eased, with Sunak taking over the reins from Truss and signs of more credible fiscal policy-making underway. UST yields have eased a tad from recent highs (10Y hit interim peak near 4.3%), but remains buoyant above key 4%-handle. As a result, ID portfolio outflows (largely from bonds) continues to exert sustained drags on IDR sentiments—we account for this in part by the modest upward revision in our USDIDR forecast trajectory. Going forward, price trends of key commodity exports such as CPO and nickel will be increasingly watched. Both are treading near softer end of recent ranges, but if prices manage to find support on dips, broader bouts of IDR depreciation may be able to be averted. On net, USDIDR could remain in buoyant ranges near-term, but we look to drivers such as resilient domestic growth momentum, benign trade surpluses, more BI rate hikes etc., to help cap extent of further USDIDR upswings. Into 2023, portfolio flow trends could see some recovery if US recession risks forces UST yields significantly lower.

- **CPO export volume recovery could help anchor trade surpluses despite moderation in prices.** Indonesia's top exports include palm oil, coal, copper and nickel. It ships about a third of the world's edible oil supplies, consuming just over a third of production domestically. Our regional plantations analyst thinks CPO price will continue to trade sideways near-term as the market continues to digest the large palm oil stockpile residing in Indonesia (due to earlier export restrictions) aggravated by seasonal peak production period. In Oct, authorities reportedly decided to extend an export levy waiver for palm oil to end-2022 (originally scheduled to end after Oct), which could continue to facilitate reduction of its inventory glut and support robust export volumes.

- IGB-UST 10Y yield differential narrowed from around interim high of 500bps in early Mar to around 350bps at last seen. Bond outflows remain a drag on IDR for much of Oct, with MTD net outflows reaching -US$1.01bn as of 28 Oct. On the other hand, equity inflows was a bright spot in for the month (+US$730mn as of 31 Oct), as buy-on-dips activities were seen in regional equities. **On net, bond outflow levels also appear manageable versus past episodes of market stresses (-US$7.3bn in Mar 2020), and yield differentials likely remain sufficiently wide to avoid triggering a larger exodus of foreign funds.** Towards late Oct, we also note UST10Y yield moving lower, dipping below psychological resistance at 4.0% at one point (from interim peak near 4.3%), before retracing modestly higher (last at 4.03%). Rising US recession risks into 2023 could see risks skewed to the downside for UST yields, which could be net beneficial for ID bond flow trends next year.

- **In any case, extent of broad volatility spillovers from external risk events to IDR assets should be contained, given lower foreign holdings in Indo sovereign bonds, still resilient current account balance, larger FX reserves vs. earlier Fed tapering episodes**. House view looks for current account to come in at a mild surplus of 0.5% of GDP in 2022 compared to pre-pandemic deficit of above 2.5% of GDP. Foreign reserves for Sep came in at US$130.8bn, lower versus US$132.2bn prior. This is about 11% lower versus 2021 Sep peak of US$147bn but remains near 2018-22 average of US$131bn.

- On Covid, 7-day average in Covid-19 cases was seen at around 2.6k in late Oct. Case counts largely remain low versus interim highs near 56k on 20 Feb. Covid-related risks have fallen significantly. On net, **authorities are largely sticking to a Covid-endemic and reopening policy stance.**

- On medium-term FDI trends, Coordinating Minister for Maritime Affairs and Investment Luhut said that Tesla has inked deals for the purchase of nickel products from two Indonesian companies. Foxconn, Ford, Volkswagen and Bosch are other names mentioned that are interested in ramping up investments in the country. Indonesian authorities also approved two major trade deals towards late Aug—the Regional Comprehensive Economic Partnership (RCEP) as well as a bilateral pact with South Korea (focus on EVs, batteries), which should be net positive for sentiments.

- **Growth and Inflation Outlook:** 2Q GDP growth (+5.4%) came in above expectations, underpinned by firming household consumption (+5.5%) and robust external demand. **Our economist team maintains GDP growth forecast for 2022 at +5%**, to account for softer domestic demand in 2H 2022 due to the fuel price hike, as well as easing external demand due to the global growth slowdown. 2023 growth is penciled in at 5.1%.

- On higher-frequency indicators, PMI Mfg for Sep came in at 53.7 versus 51.7 prior, indicating some resilience in the domestic economic recovery. Retail sales fell to the lowest level in 7 months in Sep, as consumer confidence index dipped following the +30% fuel price hike on 3 Sep.

- Headline inflation (+5.7%) came in lower than expected in Oct as food prices eased to the lowest level in 6 months, helping to cushion the surge in transport costs following the +30% fuel price hike on 3 Sep. Core inflation (+3.3%) inched up slightly as prices picked up in categories such as personal care & other services, education, healthcare, and recreation, sports & culture. **Our economist team cuts 2022 inflation forecast by another leg to +4.3%** (from +4.5%, 10M22: +4%), given the smaller than expected impact of the fuel price hike on other categories. **2023 inflation forecast is also cut to +4.6%** (from +5.4%), in line with BI's guidance that inflation will likely peak towards the end of 2022.

- **Monetary Policy Forecast:** BI raised its policy rate by +50bps to 4.75% for the second straight meeting on 20 Oct, bringing the policy rate back to the highest level since Feb 2020. Governor Perry Warjiyo stated that the decision was another "frontloaded, pre-emptive, and forward-looking" step to lower inflation expectations that are overshooting, as well as to stabilize the IDR amid a buoyant USD. The central bank also reiterated its commitment to bring core inflation to within its 2%-4% target in the first half of 2023. **Our economist team raises policy rate forecast to 5.25% (from 4.75%) in 2022, which pencils in another +25bps hike each in the two remaining meetings on 17 Nov and 22 Dec. One last +25bps hike is then expected in 1Q23, bringing the terminal rate to 5.5**%. In any case, given likely +75bps from Fed in Nov (and possibly in Dec too), policy divergence vs. Fed is likely to continue widening modestly.

- Meanwhile, the central bank also extended the easier down payment rules on property purchase and auto loans to end 2023 (from end 2022). According to Warjiyo, the "Operation Twist" which started in Aug—under which BI sells short-term bonds to boost inflows and support the IDR, while purchasing longer-term notes to lower borrowing costs for the government—has helped push short-term yields up as planned. He expects capital inflows to return to Indonesia after the Fed funds rate peaks, which may be around Feb 2023.

- Another pertinent development in recent months revolves around BI's efforts to ensure dollar liquidity is managed. BI plans to introduce non-USD domestic non-deliverable forwards (NDFs) in 2023 as part of its efforts to reduce the USD reliance. In addition, BI is also pursuing local-currency settlement agreements with South Korea, Australia, and China, in addition to existing deals with Malaysia, Thailand, and Japan.

- **Latest Fiscal and External Balance Outlook:** Tax revenues through end-Sep 2022 has reached IDR1310.5trn, reflecting 54.2% y/y growth. Buoyant commodity export volumes had contributed to the robust revenue increases. **House view looks for fiscal deficit to come in at 3.5% of GDP in 2022, vs. 4.7% of GDP prior, before narrowing further to 3.0% of GDP in 2023. Fiscal discipline is relatively intact for now.**

- FM Sri Mulyani note that social assistance budgeted at IDR24.17trn may help compensate for the expected decline in purchasing power among the poor as a result of recent fuel price hikes. Some fuel cash assistance will be offered to an estimated 18.4mn beneficiary families, but the resulting boost to domestic inflationary pressures could still lead BI on a continued rate hike path for now.

- Exports growth eased to +20.3%y/y in Sep as both commodities and manufactures exports moderated from the highs in previous months. However, Indonesia's exports remain among the strongest in the region as it is less exposed to the electronics downturn compared to Singapore, Vietnam, and Thailand. Trade surplus narrowed a tad from US$5712mn prior to US$4990mn. On net, house view looks for current account to come in at a mild surplus of +0.5% of GDP, versus surplus of +0.3% of GDP in 2021. **Outlook remains resilient for the year, which could help mitigate recent IDR drags.**

- **Key domestic events and issues to watch:** Oct PMI Mfg (1 Nov); Oct CPI (1 Nov); Oct Foreign reserves (7 Nov); 3Q GDP (7 Nov); Oct Trade (15 Nov); Oct Local auto sales (15-21 Nov); BI Monetary policy decision (17 Nov); 3Q BoP Current account balance (18 Nov).

- **Technical Outlook:** USDIDR last seen at 15,630, higher than the 15,230-levels seen in end-Sep, despite more two-way swings in broad dollar strength. Bullish momentum on daily chart has largely waned while RSI is in overbought conditions. Modest interim retracements lower not ruled out, given tentative signs of bearish divergence. Support at 15,450 (21-DMA), 15170 (50-DMA). Resistance at 15,800, 16,000.

PHP: Potential Line in the Sand Emerging

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDPHP	**58.50** (60.00)	**58.00** (59.00)	**57.00** (57.50)	**56.50** (56.50)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We adjust our USDPHP forecasts modestly lower to take into account two key developments. (i) Pockets of weakness in US activity data, smaller hikes from several DM central banks etc. have led to incremental bets on an earlier-than-expected Fed dovish tilt, in turn helping to cap broader dollar strength (even as we caution against chasing the peak Fed hawkishness narrative). (ii) Comments from President Marcos Jr, Finance Secretary Diokno as well as other officials suggest that authorities including BSP appear to be drawing a "line in the sand" for the extent of PHP weakness they are willing to tolerate, at around 59-60 region. These developments could help to restrain the extent of USDPHP upswing near-term, especially with end-year PHP support from remittances and outsourcing revenues. But a fuller recovery in PHP sentiments could take several quarters. PHP drags in the form of wider trade deficits, fiscal pressures, declining foreign reserves etc., are likely to remain intact into early 2023. Critically, a more sustainable phase of PHP recovery would likely involve a confluence of positive external triggers, including an eventual Fed dovish pivot, China reopening, and a more sustainable return of portfolio flows to Asia. Domestically, resilient growth momentum as well as implementation of investment-friendly policy prongs could also work to aid PHP sentiments next year.

- At the Sep FoMC, Fed managed to deliver another modest hawkish tilt despite choosing the smaller “jumbo” hike of +75bps (rather than +100bps), via upward revisions to the dot plot (peak rate now at 4.6% in 2023 versus 3.8% in the June dot plot). **Downward revisions to growth (2022 growth now seen at 0.2% versus Jun’s 1.7% projection) also showed Fed’s willingness to bring down inflation at the expense of incremental weakness in the economy**. Treasury yields headed higher on net, with UST10Y yield hitting 4.3%-handle. But towards late Oct, we note a slight shift in overall market narrative. While Fed officials broadly agree on the need to keep US policy rate in restrictive territory for some time alongside elevated core price pressures, some recent Fedspeaks sounded a tad less hawkish. For instance, Evans commented that there’s “great uncertainty” about where peak Fed rate should be, while Brainard highlighted that policy tightening tends to work with a lag, and there could be reason to be more cautious. UST yields have headed lower recently on net, with UST10Y yield coming closer to the 4%-handle. **Further dollar rallies could be somewhat constrained, even as DXY is likely to remain in buoyant ranges on net near-term**.

- While oil is not the dominant factor for PHP in this complex risk environment, rise or decline in energy import bills could continue to influence PHP. Brent has fallen from around US$124/bbl in early Jun to US$94/bbl at last seen. While some support to oil prices could emerge on latest OPEC+’s 2mn b/d supply cut from Nov, we also note potential return of Iran supply if ongoing talks with US conclude on a positive note. Upside risks to energy prices should also be more manageable on (i) mounting concerns over softening global aggregate demand, (ii) signs of interest in Russian oil from parts of Asia, including China, India. **On net, drags from elevated energy prices might remain intact, but could ease a tad in extent versus 2Q 2022.**

- On Covid, we note that 7-day average in cases is modestly above 1k in late Oct, versus lows near 200 in May. Towards late Sep, Metro Manila has been classified as “moderate risk” for COVID-19 transmission amid an upswing in cases. But we note that President Ferdinand Marcos pledged earlier that the country will no longer implement COVID-19 lockdowns. Instead, efforts will be made to ensure that the healthcare system does not get overwhelmed. **This could constrain the extent of drags on PHP sentiments from the Covid front**.

- OFWR growth picked up in Aug 2022 to +4.3%y/y (Jul 2022: +2.3%), continuing to see swings in the pace of monthly growth since Apr 2022. 8M2022 growth was +3.0%y/y to US$21.0bn. Our economist team’s 2022

OFWR value and growth forecast are US$32.2bn and +2.8% respectively (2021: US$31.4b; +5.1%). **But we note seasonal year-end strength for remittances.** Diokno mentioned that overseas remittances and outsourcing revenues can bring US$15.8bn in inflows between Oct and year-end, and ~US$10bn can be used to defend the PHP.

- Nonetheless, **weakness in foreign reserve buffers could continue to be a source of market concern**. Foreign reserves for Sep declined to US$95.0bn from revised US$97.4bn prior, a two-year low.

- Despite global growth concerns (more discernible in Europe and China and emerging jitters in US), **PHP could also see relative resilience on this front given the more domestic-oriented nature of the Philippines economy**. As of 2020, share of exports to GDP is relatively low for Philippines at 25%, versus 61% for Malaysia, 176% for Singapore, 52% for Thailand. While Indonesia has a lower share at 17%, it is more sensitive to global commodity trends given its pre-dominantly commodity-linked exports.

- **Growth and Inflation Outlook:** Philippines' real GDP in 2Q 2022 expanded +7.4%y/y (1Q 2022: +8.2%, revised from +8.3%; MIBG 2Q 2022F: +7.0%; 1H 2022: +7.8%), on firm domestic demand amid easing of movement restrictions and improved labour market conditions. **Our economist team maintains 2022 growth forecast at +6.5% but with heightened external risks and BSP's interest rate hikes, the team cut 2023 growth forecast to +5.2% from +6.2% previously**.

- On higher frequency indicators, PMI Mfg for Sep improved modestly to 52.9 versus 51.2 prior. Unemployment rate was stable at 5.3% in Aug 2022 (Jul 2022: 5.2%; 8M2022: 5.9%) as employment was up +1.0%m/m (Jul 2022: +1.7%) and labour force participation rate (LFPR) improved to 66.1% (Jul 2022: 65.2%). Our economist team maintains 2022 and 2023 unemployment rate forecasts at 5.5% and 5.0% respectively (2019: 5.1%; 2020: 10.4%; 2021: 7.8%). **Overall outturns point to some resilience in the domestic economy.**

- Headline inflation rate accelerated to +6.9%y/y in Sep 2022 (Aug 2022: +6.3%; 9M2022: +5.1%) on larger rise in FNAB costs. Core inflation eased marginally to +4.5%y/y (Aug 2022: +4.6%). As our economist team expects Typhoon Karding (disruptions to agriculture in the Cordillera Administrative Region) to keep FNAB costs firm in coming months as well as the effects of a still-weak PHP vs USD, **2022 and 2023 headline inflation rate forecasts are adjusted to +5.5% (previous: +5.3%) and +4.1% (previous: +3.9%), respectively.**

- **Monetary Policy Forecast:** BSP raised its policy rate by another +50bps to 4.25% on 22 Sep 2022 - the fifth successive hike giving a total +225bps hike so far this year. With the latest move, together with "zero" output gap this year vs "negative" last year, pressure on PHP vs USD, and inflation rate expected to stay above BSP's target range of 2%-4% until mid-2023, **our economist team now expects BSP to raise its benchmark interest rate to 4.50-4.75% by end 2022 and stay there in 2023**. The cumulative +225bps rate hike by BSP so far this year is the biggest since 2018, when BSP raised the policy rate by +175bps as inflation surged to +5.3% in 2018 (2017: +2.9%).

- BSP officials noted that the USD repo facility, the exporters' dollar and yen rediscount facility, and the enhanced currency rate risk protection program could also help in enhancing and managing FX liquidity.

- **Latest Fiscal and External Balance Outlook: There are early signs of increasing fiscal stresses.** Average monthly budget deficit from Jan to Sep 2022 is around –PHP113bn, vs. the pre-pandemic monthly average of -PHP55bn in 2019, reflective of the fiscal challenges associated with the pandemic. But in his state of the nation address in late Jul, **President Marcos vowed to overhaul the tax system,** introducing a 19-point legislative agenda to spur growth and attract new investment flows. A proposed VA tax on digital services is estimated to generate PHP11.7bn in revenues if implemented in 2023. He also pledged to bring down the fiscal deficit to GDP ratio to -3% by 2028 (Maybank estimate of -7.5% this year), while lowering debt-to-GDP ratio to less than 60% by 2025. In Oct, **Finance Secretary Diokno also mentioned that the government plans to cap foreign loans to 25% of total borrowing. These developments could work to mitigate fiscal risks**.

- Aug 2022's exports fell -2.0%y/y, with the contraction moderating in pace from -4.1% prior. Nonetheless, imports continued to see double-digit growth of +26.0%y/y (vs. prior 22.2%) amid higher import prices and softer PHP. Trade deficit widened slightly to –US$6.00b (vs. US$5.99bn prior), widest on record. On net, **house view looks for current account deficit this year to come in at 3.5% of GDP, versus 1.7% prior, before narrowing a tad to 2.8% in 2023. Pressures from widening deficit could remain intact near term.**

- **Key domestic events and issues to watch:** Oct PMI Mfg (2 Nov); Oct CPI (4 Nov); Sep Trade (4 Nov); Oct Foreign reserves (7-15 Nov); Sep Unemployment rate (8 Nov); 3Q GDP (10 Nov); Sep Overseas Remittances (14-17 Nov); BSP Policy decision (17 Nov); Oct BoP Overall (18-23 Nov); Oct Budget balance (25 Nov).

- **Technical Outlook:** USDPHP last seen near 58-handle, modestly lower versus end-Sep, given modest dollar softening and BSP intervention operations in Oct. Momentum on daily chart is bearish, while RSI is on a dip lower. Risks could be skewed modestly to the downside near-term, but pair could find support on dips. Key area of resistance at 59.0-60.0, before 62.0. Support nearby at 57.8 (50-DMA), 56.5 (100-DMA).

THB: Tentative Signs of Turnaround in Current Account, But Recovery Likely Gradual

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDTHB	38.50 (38.80)	38.00 (37.80)	37.00 (36.50)	36.00 (35.50)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** USDTHB remains near YTD high around 38-handle at last seen. Mix of drags including widening Fed-BoT policy stances, elevated UST yields, declining foreign reserves etc., could continue to weigh on THB sentiments in the interim. But we note a bright spot in current account dynamics, with a turnaround in Sep trade balance and climbing tourist arrivals helping the current account to see a modest surplus reading in Sep. YTD peak near 38.5 could be a key resistance and we adjust our forecasts mildly to reflect this. But even as we are likely nearer to the trough in risk sentiments, recovery could take time. We note risk assets (including AxJ FX) receiving support from incremental bets for peak Fed hawkishness of late, but we are careful not to chase this narrative excessively. Dollar could remain in buoyant ranges into early 2023 on slow pace of decline in US price pressures and sustained haven demand (i.e., geopolitical tensions in Europe, between US-China). Developments on the Covid-zero policy stance is also key Thailand's tourism receipt outlook. On net, THB sentiments may only see a more discernible turnaround from 2Q next year, particularly if there are incremental signs of easing in Covid-zero stance in China by then.

- At the Sep FoMC, Fed managed to deliver another modest hawkish tilt despite choosing the smaller "jumbo" hike of +75bps (rather than +100bps), via upward revisions to the dot plot (peak rate now at 4.6% in 2023 versus 3.8% in the June dot plot). **Downward revisions to growth (2022 growth now seen at 0.2% versus Jun's 1.7% projection) also showed Fed's willingness to bring down inflation at the expense of incremental weakness in the economy**. Treasury yields headed higher on net, with UST10Y yield hitting 4.3%-handle before retracing lower. At last check, Fed futures pricing also suggests that peak rate is anticipated to be just below 5% by mid-2023, with rates remaining above 4.5% even into end-2023. **Concomitantly, dollar could continue to see interim support from hawkish Fed stance, barring clearer signs of a dovish pivot**.

- For THB, trends in portfolio flows might be a key indicator to watch. Both equity (-US$655mn net outflows) and bond flows (-US$447mn net outflows) saw adverse performance in Sep. But equities saw a turnaround in flows in Oct (+US$227mn net inflows), while the pace of outflows from TH bonds moderated a tad (-US$371mn). **This suggests some modest easing in THB drags on the portfolio flow front, even as risks remain intact.** Foreign reserves was last seen around US$200.7bn (28 Oct), versus peak of US$259bn around Jan 2021. **Pace**

of FX reserves decline has notably accelerated since Aug this year, adding to concerns over adequateness of buffers in defending the THB.

- THB continues to be impacted by oil price swings, given its role as an net oil importer. **But there are tentative signs that the energy import burden could be easing, albeit modestly.** Brent has declined from US$124/bbl in early Jun to US$94 at last seen, even as OPEC's decision to cut output by 2mn b/d starting Nov likely adds a dimension of resilience to oil prices. While some support could emerge on latest OPEC+ supply cuts, upside risks to energy prices should be more manageable as well, on (i) mounting concerns over softening global aggregate demand, (ii) signs of interest in Russian oil from parts of Asia, including China, India.

- **Absence of Chinese tourists may continue to weigh on THB sentiments.** Tourist arrivals rose to 1,309k in Sep (vs. 1,175k in Aug), or 45% of pre-pandemic levels. Visitors from Malaysia, India, and Singapore continued to be the 3 main sources. While continued climb in tourist counts is helping to provide incremental support to the current account, sentiments are likely constrained while Chinese tourists stay away. Towards late Oct, we note reports of more partial lockdowns across Chinese cities, including in Wuhan, parts of China's east coast industrial belt, as well as some Beijing and Shanghai districts. There were also reports of Foxconn's workers fleeing its Zhengzhou plant, as well as lockdowns in the MGM resort in Macau and Disney resort in Shanghai. **These strengthened market expectations for Covid-zero to be around for longer initially, but we note unconfirmed social posts on 1 Nov which described committees being formed to assess scenarios for Covid-zero exit. If an easing in policy stance does materialize, the THB could see concomitant positive spillovers**.

- **Growth and Inflation Outlook**: 2Q GDP growth (+2.5%) came in below expectations as the widening trade deficit and decline in investment offset the pickup in private consumption.

- Our economist team expects 3Q GDP (released on 21 Nov) at around +4%, a pickup from the +2.5% in 2Q partly due to last year's low base caused by the Delta wave outbreak. Both private consumption and private investment will likely drive growth in 3Q. Net exports of goods & services will likely register a smaller deficit with the rebound in tourism and resilience in exports. On a q/q SA basis, house view expects growth to continue rising by +0.3% in 3Q (vs. +0.7% in 2Q).

- **Our economist team maintains GDP growth forecast at +3.2% in 2022 (and 3.8% in 2023)**, as the uptick in tourist arrivals and rebound in private consumption could offset easing goods exports.

- Headline inflation eased to a 5-month low in Sep, falling from the peak in Aug, as declining energy prices offset a pickup in food prices. Headline inflation fell to +6.4% from a year ago (vs. +7.9% in Aug), while rising by +0.2% from the previous month (vs. flat growth in Aug). This was due to energy prices (+16.1% vs. +30.5% in Aug) slowing to a 13-month low, both due to softening global oil prices and a high base effect. Core inflation (excluding raw food and energy) came in at +3.1%, while rising by +0.1% on a m/m basis, similar to the pace in Aug. **Our economist team maintains headline inflation forecast at +6.3%** (9M22: +6.2%), implying that 4Q inflation will ease to +6.5% (vs. +7.3% in 3Q). While global energy prices are easing, upside inflation pressures remain, including the persistently weak THB, flooding impact on foo prices, and increase in minimum wages from 1 Oct.

- **Monetary Policy Forecast:** On monetary policy, the BoT voted unanimously to raise the policy rate by +25bps for the second straight meeting (to 1.00%) on 28 Sep to curb inflation. The committee was of the view that a gradual policy normalization remains appropriate, given the overall growth (+3.3% in 2022, +3.8% in 2023) and inflation outlook (+6.3% in 2022, +2.6% in 2023). **Our economist team expects the BoT to hike by another +25bps on 30 Nov, to narrow the interest differential versus the Fed**.

- **Latest Fiscal and External Balance Outlook**: In recent months, fiscal efforts largely revolve around managing cost-of-living pressures, involving cash assistance, discounts or excise-tax cuts for products such as retail diesel, cooking gas purchases, electricity. Contributions under the social security system were also lowered (from 5% to 1%) for both employers and workers.

- Parliament passed a US$89bn budget bill for FY2023 (starting 1 Oct), with an estimated deficit of US$19.3bn. 258 members supported the bill, while 180 voted against. On borrowing, authorities plan to borrow ~ THB2.23trn (US$60bn) in the FY starting 1 Oct. This is ~3% less than the target in the prior year. THB793.6bn will be utilized to meet the fiscal deficit and THB1.44trn will be for refinancing and restructuring existing debt. House view is for fiscal deficit to narrow towards 4.3% of GDP in 2022 from 4.8% prior, before narrowing further to 3.8% of GDP in 2023. **While efforts to maintain fiscal discipline are largely positive for THB sentiments over the long-run, there could be near-term concerns on potentially more constrained support to growth from fiscal policy**.

- The current account swung to a small surplus of US$623mn in Sep (from $3.5bn deficit in Aug), as the goods trade balance registered a US$1.9bn surplus (vs. US$1bn deficit in Aug) and the deficit narrowed in net services, income & transfers (US$1.2bn vs. US$2.5bn in Aug)—mainly due to lower freight cost. For the whole of 3Q, the current account deficit narrowed slightly to US$7bn (vs. US$8.1bn or 6.6% of GDP in 2Q). The current account may post a small surplus in 4Q with lower global oil prices (Thailand is a net oil importer), larger inflow of tourists for the year-end season, and continued easing of freight rates. For the full year, **our economist team projects 2022 current account to come in at a deficit of around 2.2% of GDP, on par with developments in 2021. But some cautious optimism is in store for 2023, with a potential fuller recovery in tourism to support a turnaround in current account to reach surplus of 2.0% of GDP.**

- **Key domestic events and issues to watch:** Oct PMI Mfg (1 Nov), Oct CPI (4 Nov); Oct Consumer confidence (4-9 Nov); 3Q GDP (21 Nov); Oct Customs trade (23 Nov); Oct Manufacturing Production (25-30 Nov); BoT Policy decision (30 Nov); Oct BoP Current account (30 Nov).

- **Technical Outlook**: USDTHB last seen mildly below 38-handle, seeing more two-way swings in Oct alongside signs of dollar strength being capped. On technicals, momentum on daily chart is modestly bearish, while RSI is on a gentle dip. Risks could be skewedly modestly to the downside in the interim, even as pair could find support on dips. Resistance at 38.5 (Oct high), before 40.0. Support at 37.2 (50-DMA), 36.4 (100-DMA).

VND: Risks Still Skewed to the Downside, Eyes FOMC

Forecast	4Q 2022	1Q 2023	2Q 2023	3Q 2023
USDVND	**25000** (23500)	**24800** (23500)	**24700** (23400)	**24500** (23400)

Previous Forecasts in Parentheses

- **Motivation for the FX View:** We downgraded the VND in line with our economist's call for caution amid fast declining FX reserves. Thus far, SBV had raised its policy interest rates by an accumulative 200bps in order to support the VND and mitigate imported inflation. With the USDVND close to the upperbound of the +/-5% USDVND trading band, there are concerns that SBV would run down their reserves further to keep the currency within the trading band. Much of this depends on the Fed's policy trajectory of course. Should Fed continue to maintain the same degree of hawkish stance on inflation at the upcoming FOMC policy meeting with clear priority on inflation vs. growth, it is possible for SBV to allow more room for USDVND to rise via a more market-sensitive reference rates fixings or to widen the SBV trading band by another 1%.

- Dong has been hurt not just by broader market sentiments that favour the safe haven USD but also the weakness in the equities. Vietnam saw an outflow of $133.3mn from its equity markets for the first ten months this year. The Vietnam HCM stock index fell >30% thus far this yea while the Hanoi index is down >55%. Saigon Commercial Bank (SCB) was faced with a threat of a bank run after the Chairman of Real Estate Conglomerate Van Thinh Phat Holdings Group Truong My Lan was detained along with other company officials for obtaining property through fraudulent means. Trung My Lan and the firm were reportedly major stakeholders of Saigon Commercial Bank. **Since 11 Oct, the bank had noted that the operations are now "stable" with the return of depositors.**

- Registered FDI has been rising steadily with a 11% increase in Aug, albeit slowing from previous 16% gain in Jul. That has offset the drags on the VND posed by the net-equity outflows. In addition, current account deficit is last seen around $6.3bn for 2Q and could deteriorate further as external demand weakens. From that perspective, the VND seems a tad vulnerable now. The risks to the USDVND remain skewed to the upside and is very much tied to broader USD sentiment. Expect some buoyancy in the USDVND that could last into 1Q of next year.

- **Growth and Inflation Outlook:** Key to the VND view could be the inflation outlook: Oct CPI rose to 4.30%y/y from previous 3.94% with sequential rise of 0.15% (vs. previous 0.4%). Headline was underpinned by food & food services at 5.4%y/y (vs. previous 4.4%), housing & construction materials as well as education. Core inflation has also accelerated to 4.5%y/y from 3.8% in Sep. The reduction iDn domestic fuel taxes have enabled the transport inflation to ease to 1.8% from previous 6.9% in Sep. Annual average CPI is now 2022 projected to come in at a lower 3.2% according to our economist with inflation expected to remain above 4.0% for the rest of the year. 2023 CPI is expected to be around 4%. With inflation expected to be below SBV's inflation target of 4% this year, SBV may allow VND to depreciate further instead of using up more of its forex reserves (estimated to have 3months of import cover) to prop the VND up within the trading band.

- Retail sales remained strong on +1.5% for Oct, buoyed by strong international visitor arrivals that rose 12.1% in Oct. Household spending seems to be steady and is another underpinning factor for inflation pressures to persist. Exports too had a strong growth of 4.5%y/y, albeit a deceleration from previous 9.9% due to bease effects. However, global growth slowdown may start to leave a more discernible impact on exports receipts into the end of the year.

- Our economist maintained growth forecast at 8% for 2022 and 6% for 2023 which takes into account softer GDP growth at 5.7% for 4Q as favourable base effects fade and external demand slows. This would fall within the SBV forecast range of 6.7-8.5% range provided on 23 Sep.

- **Monetary Policy Forecast:** SBV lifted financing rates by another 100bps in order to prop up the VND. The refinance rate was raised to 6%, discount rate is now at 4.5% with effect from 25 Oct. The central bank said that the action was meant to "help restrain inflation, stabilize the dong and maintain stable macro ecnomy and ensure the banking system's operational safety." The central bank continues to "interevene in the foreign exchange market" to meet the dollar requirement of banks and keep the money market stable. The latest move is likely to add to the headwinds for the economy and our economist looks for another 50bps hike in 1Q 2023. That could likely end the tightening cycle.

- **Latest Fiscal and External Balance Outlook: Right at the start of the year, the National Assembly has approved a $15bn economic recovery package for 2022-**2023. This package includes upgrading healthcare capacity and pandemic resilience (VND60 trn), ensuring social welfare and employment (VND53.15trn), businesses and cooperatives aid (VND 110trn), infrastructure development

(VND113.85trn) alongside other reforms. VAT for certain goods and services will also be lowered by 2% to 8%. More recently, PM Chinh had urged for the swifter deployment of solutions that encompass the Jan-launched PSRD to support growth and boost public investment. Our economist expects fiscal deficit to be 4% of GDP. Public debt ratio remains modest at around 43-44% of GDP in 2022 (vs. 43.7% of GDP in 2021), well below the debt ceiling of 60% of GDP.

- **Key domestic events and issues to watch:**Nov CPI, Industrial production, trade, retail sales [25- 30 Nov] before Nov Mfg PMI [1 Dec].

FX Forecasts

	End Q4-22	End Q1-23	End Q2-23	End Q3-23
USD/JPY	150.00	150.00	144.00	140.00
EUR/USD	0.9800	0.9800	1.0000	1.0200
GBP/USD	1.1300	1.1300	1.1500	1.1600
AUD/USD	0.6300	0.6400	0.6500	0.6800
NZD/USD	0.6000	0.6000	0.6100	0.6200
USD/CAD	1.3300	1.3300	1.3100	1.3000
USD/SGD	1.4000	1.3900	1.3700	1.3600
USD/MYR	4.8000	4.7500	4.6500	4.6000
USD/IDR	15400	15300	15100	14900
USD/THB	38.50	38.00	37.00	36.00
USD/PHP	58.50	58.00	57.00	56.50
USD/CNY	7.30	7.28	7.25	7.20
USD/CNH	7.30	7.28	7.25	7.20
USD/HKD	7.85	7.85	7.80	7.80
USD/TWD	31.50	31.00	30.50	30.00
USD/KRW	1420	1410	1360	1330
USD/INR	81.50	81.00	80.00	80.00
USD/VND	25000	24800	24700	24500
DXY Index	111.96	112.07	109.44	107.72
SGD Crosses	End Q4-22	End Q1-23	End Q2-23	End Q3-23
SGD/MYR	3.43	3.42	3.39	3.38
JPY/SGD	0.93	0.93	0.95	0.97
EUR/SGD	1.37	1.36	1.37	1.39
GBP/SGD	1.58	1.57	1.58	1.58
AUD/SGD	0.88	0.89	0.89	0.92
NZD/SGD	0.84	0.83	0.84	0.84
CAD/SGD	1.05	1.05	1.05	1.05
SGD/IDR	11000	11007	11022	10956
SGD/THB	27.50	27.34	27.01	26.47
SGD/PHP	41.79	41.73	41.61	41.54
SGD/CNY	5.21	5.24	5.29	5.29
SGD/HKD	5.61	5.65	5.69	5.74
SGD/TWD	22.50	22.30	22.26	22.06
SGD/KRW	1014	1014	993	978
SGD/INR	58.21	58.27	58.39	58.82
SGD/VND	17857	17842	18029	18015
	End Q4-22	End Q1-23	End Q2-23	End Q3-23
JPY/MYR	3.20	3.17	3.23	3.29
EUR/MYR	4.70	4.66	4.65	4.69
GBP/MYR	5.42	5.37	5.35	5.34
AUD/MYR	3.02	3.04	3.02	3.13
NZD/MYR	2.88	2.85	2.84	2.85
CAD/MYR	3.61	3.57	3.55	3.54
MYR/IDR	3208	3221	3247	3239
MYR/THB	8.02	8.00	7.96	7.83
MYR/PHP	12.19	12.21	12.26	12.28
MYR/CNY	1.52	1.53	1.56	1.57
MYR/HKD	1.64	1.65	1.68	1.70
MYR/TWD	6.56	6.53	6.56	6.52
MYR/KRW	296	297	292	289
MYR/INR	16.98	17.05	17.20	17.39
MYR/VND	5208	5221	5312	5326

Source: Maybank FX Research and Strategy as of 1 Nov 2022.
*These forecasts are meant to be indicative of FX trends and not meant to be point forecasts.

DISCLAIMER

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy the securities or financial instruments referred to herein, or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy. Investors should note that income from such securities or financial instruments, if any, may fluctuate and that each security's or financial instrument's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities and/or financial instruments or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Malayan Banking Berhad and/or its affiliates and related corporations (collectively, "Maybank") and consequently no representation is made as to the accuracy or completeness of this report by Maybank and it should not be relied upon as such. Accordingly, no liability can be accepted for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Maybank and its officers, directors, associates, connected parties and/or employees may from time to time have positions or be materially interested in the securities and/or financial instruments referred to herein and may further act as market maker or have assumed an underwriting commitment or deal with such securities and/or financial instruments and may also perform or seek to perform investment banking, advisory and other services for or relating to those companies whose securities are mentioned in this report. Any information or opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward looking statements. Maybank expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

This report is prepared for the use of Maybank's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank. Maybank accepts no liability whatsoever for the actions of third parties in this respect. This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), MRPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Securities USA Inc ("MSUS"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by MSUS in the US shall be borne by MSUS. This report is not directed at you if Maybank IBG is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that MSUS is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Maybank Securities USA Inc. 400 Park Avenue, 11th Floor, New York, New York 10022, 1-(212) 688-8886 and not with, the issuer of this report.

UK

This document is being distributed by Maybank Securities (London) Ltd ("MSUK") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia ("PTMSI") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited ("MIBSI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057) **US:** Maybank Securities USA Inc is a member of/and is authorized and regulated by the FINRA – Broker ID 27861. **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 1 November 2022, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 1 November 2022, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 1 November 2022, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Published by:

Malayan Banking Berhad
(Incorporated In Malaysia)

Foreign Exchange

Singapore
Saktiandi Supaat
Head, FX Research
saktiandi@maybank.com.sg
(+65) 6320 1379

Fiona Lim
Senior FX Strategist
Fionalim@maybank.com.sg
(+65) 6320 1374

Yanxi Tan
FX Strategist
tanyx@maybank.com.sg
(+65) 6320 1378

Fixed Income

Malaysia
Winson Phoon Wai Kien
Head, Fixed Income
winsonphoon@maybank-ke.com.sg
(+65) 6340 1079

Se Tho Mun Yi
Fixed Income Analyst
munyi.st@maybank-ib.com
(+60) 3 2074 7606

Indonesia
Juniman
Chief Economist, Indonesia
juniman@maybank.co.id
(+62) 21 2922 8888 ext 29682

Myrdal Gunarto
Industry Analyst
MGunarto@maybank.co.id
(+62) 21 2922 8888 ext 29695

Sales

Malaysia
Zarina Zainal Abidin
Head, Sales-Malaysia, Global Markets
zarina.za@maybank.com
(+60) 03- 2786 9188

Singapore
Janice Loh Ai Lin
Head of Sales, Singapore
jloh@maybank.com.sg
(+65) 6536 1336

Indonesia
Endang Yulianti Rahayu
Head of Sales, Indonesia
EYRahayu@maybank.co.id
(+62) 21 29936318 or
(+62) 2922 8888 ext 29611

Shanghai
Joyce Ha
Treasury Sales Manager
Joyce.ha@maybank.com
(+86) 21 28932588

Hong Kong
Joanne Lam Sum Sum
Head of Corporate Sales Hong Kong
Joanne.lam@maybank.com
(852) 3518 8790