

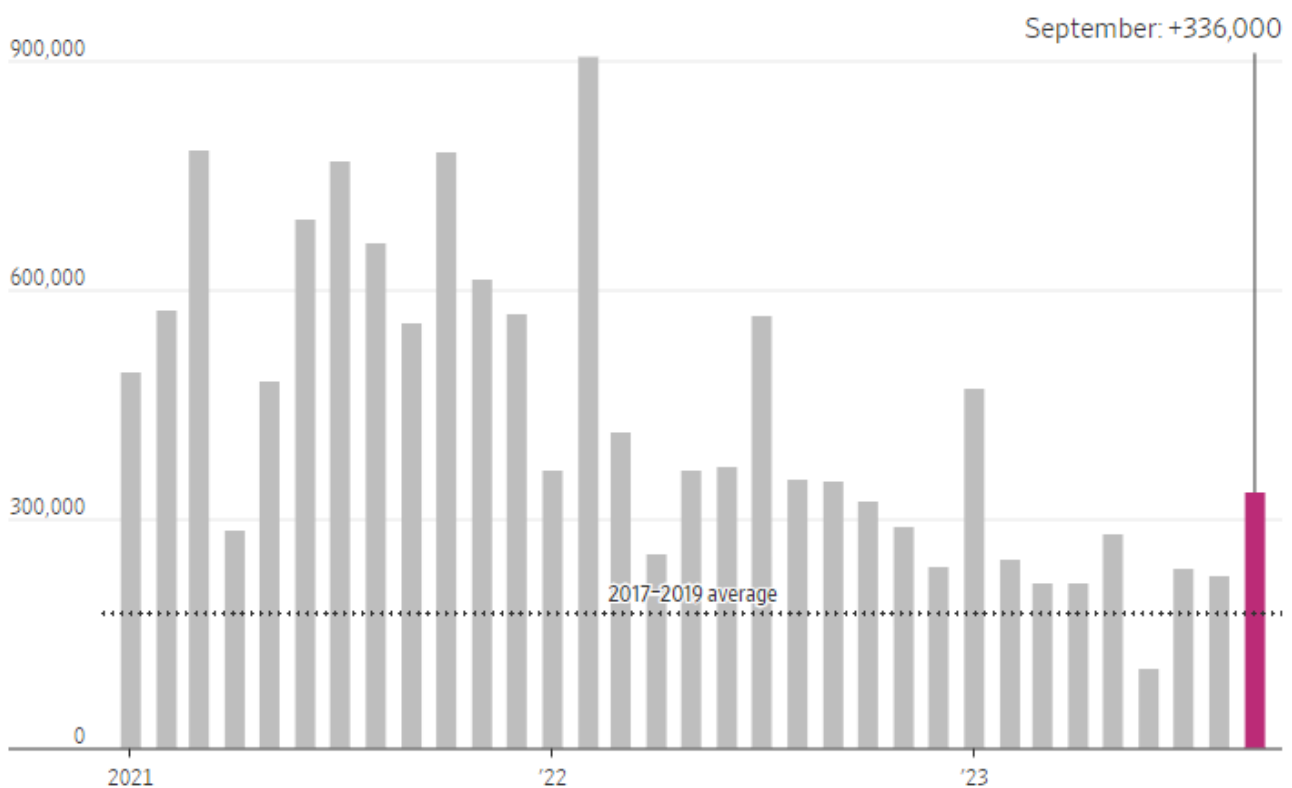
Lava-hot NFP helps Aussie dollar's revenge, inflation on radar

Good morning Traders,

1, Blockbuster NFP

Last Friday's Non-Farm Payroll was a blockbuster -- the job data came in lava-hot at 336,000 in September, nearly twice the number of what economists around the world estimated (170,000). Making matters worse was the previous reading from August was also revised 40,000 higher to 227,000.

Total nonfarm payrolls, change from a month earlier



Note: Seasonally adjusted
Source: Labor Department

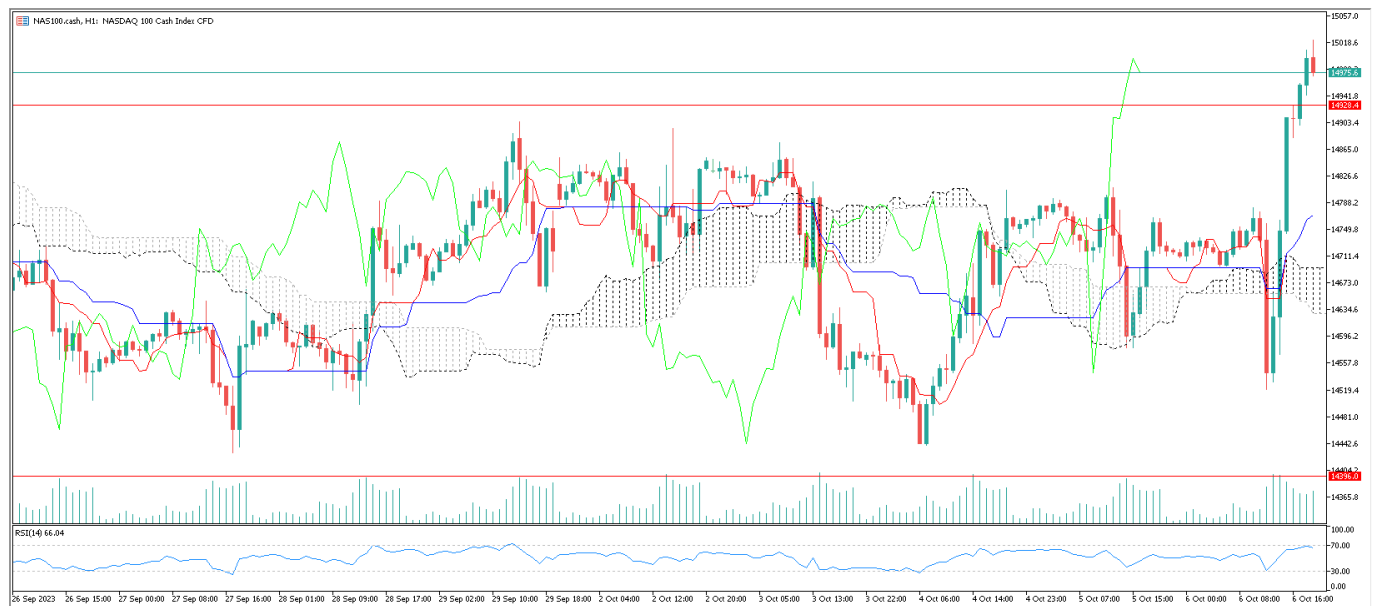
This incredibly strong data once again defied expectations that US economy would be headed to a recession. US President Joe Biden later said in press conference that he has created a total of 13.9 million jobs since taking office.

Most of the jobs created in September concentrated in Hospitality and other Services, less so in Goods related positions.

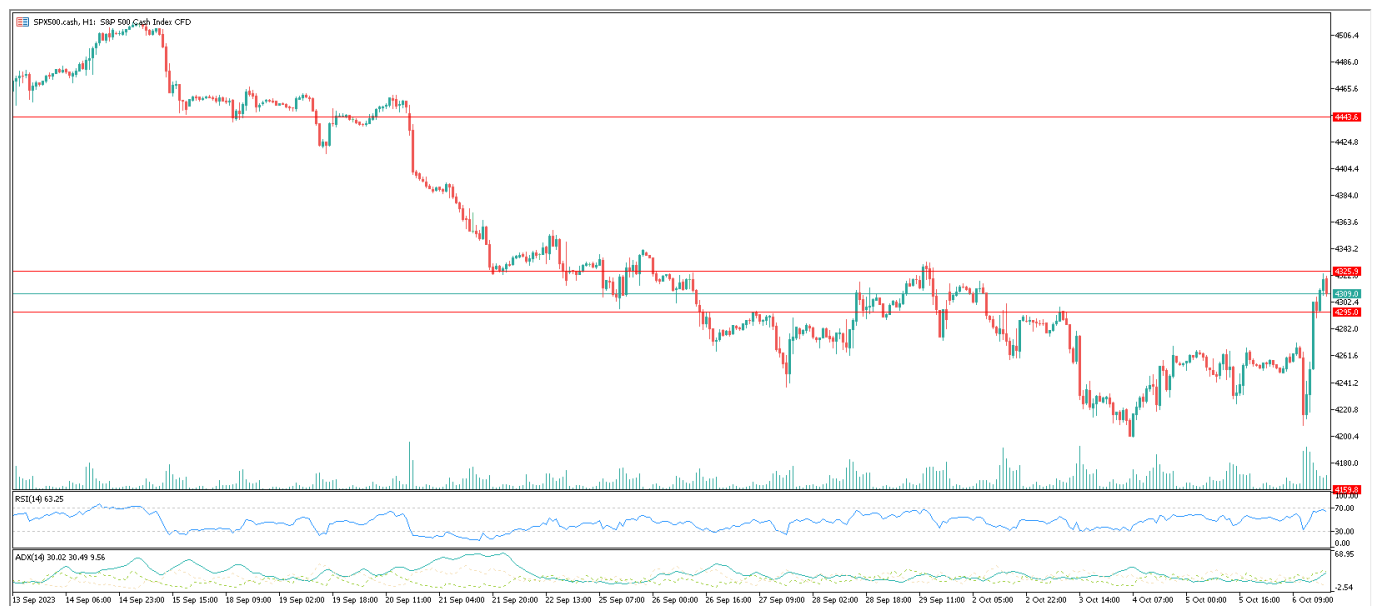
2, Wall Street's new narrative

In the pre-pandemic setting, a strong job report was generally good news for the economy and financial markets. Why? Because solid economic conditions translate to healthy spending and investment that will benefit markets. What changed after the pandemic, or should we say, after the QE, was that strong labour market conditions would translate into excessive earnings that would fuel inflation.

So, the narrative snapped -- good news became bad news for markets. This is why we saw countless crashes when NFP/ADP brought upward surprises to investors.



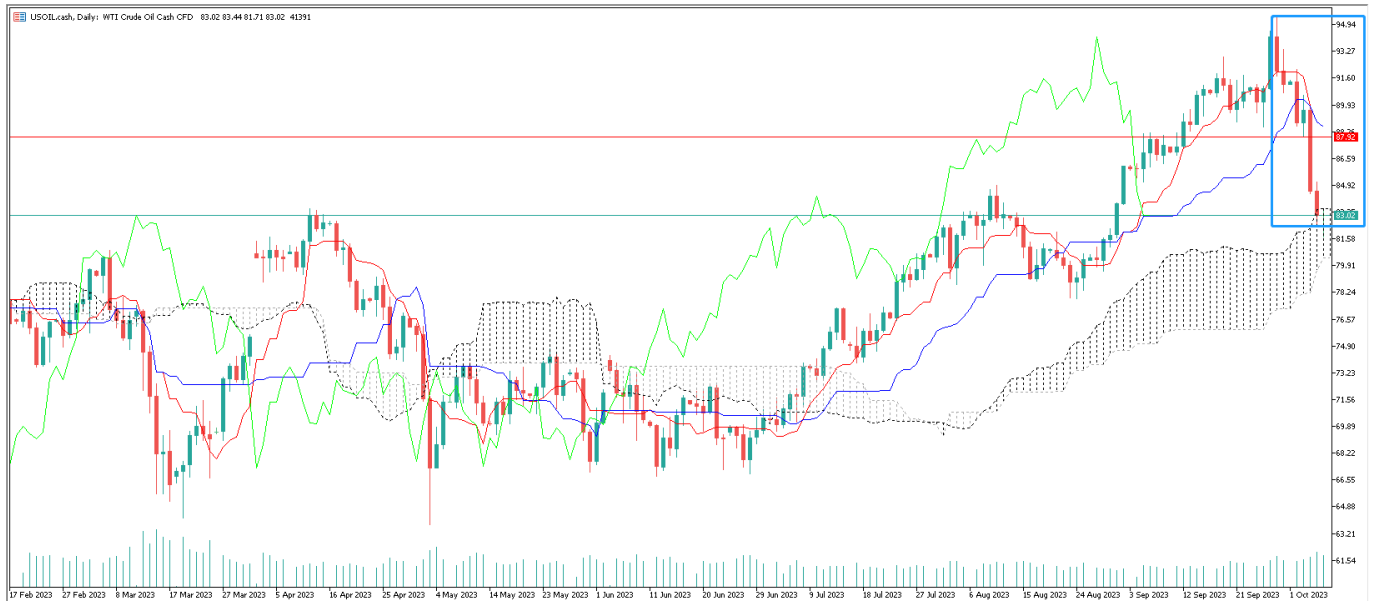
NAS100.cash H1



SPX500.cash H1

But on Friday, it seems this logic has changed again, evidently, Wall Street marched higher after the blockbuster NFP. The reason is a hard one to find right now, but a possible answer is that markets are changing their perspective -- if inflation is edging closer to Fed's target (2%) and the economy is staying strong...then why is this bad news?

Don't forget, crude prices had collapsed last week, both UKOIL and USOIL have recorded their weekly losses this year. In other words, inflation could improve again in Q4.



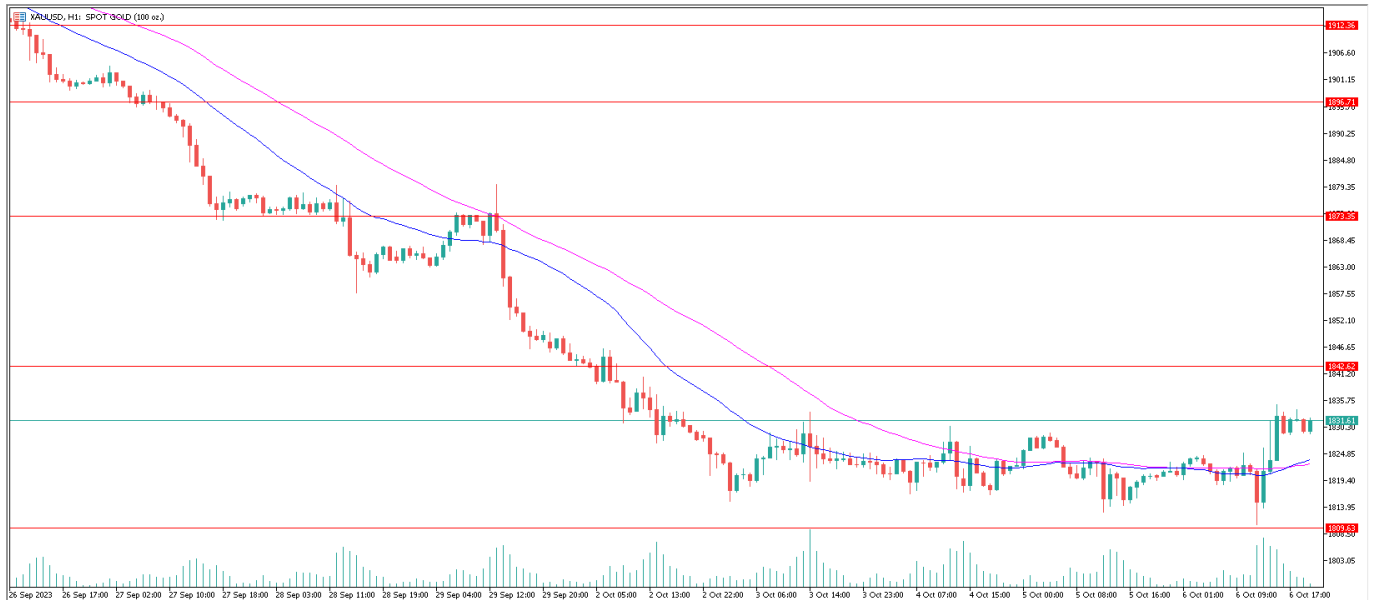
USOIL.cash Daily



UKOIL.cash H1

3, Gold may shine amid Israel Palestine War

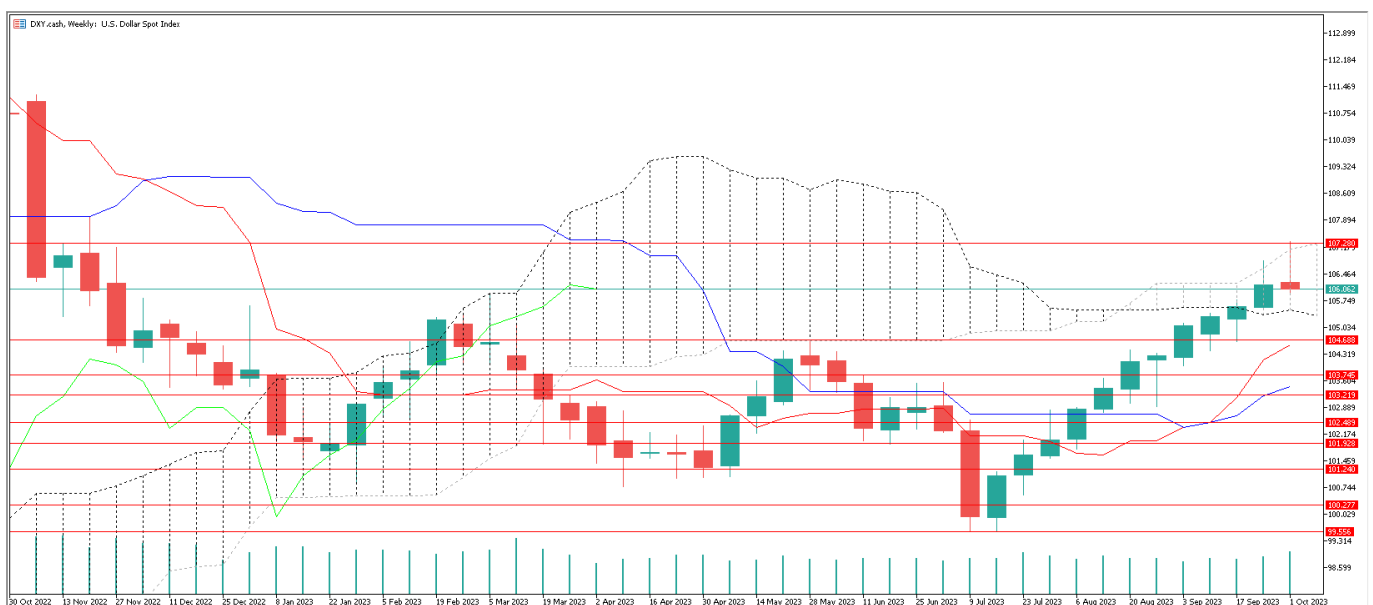
Gold (XAUUSD) swiftly dipped below the \$1,815 temporary support level to touch the \$1,809 support (as I flagged a week ago). One good development for Gold bulls is that price managed to stay afloat and even moved marginally higher to \$1,831. Traders should watch out for potential increases in demand for Gold after the Israeli and Palestini war broke out on Saturday.



XAUUSD H1

4, DXY snaps 11-week winning streak

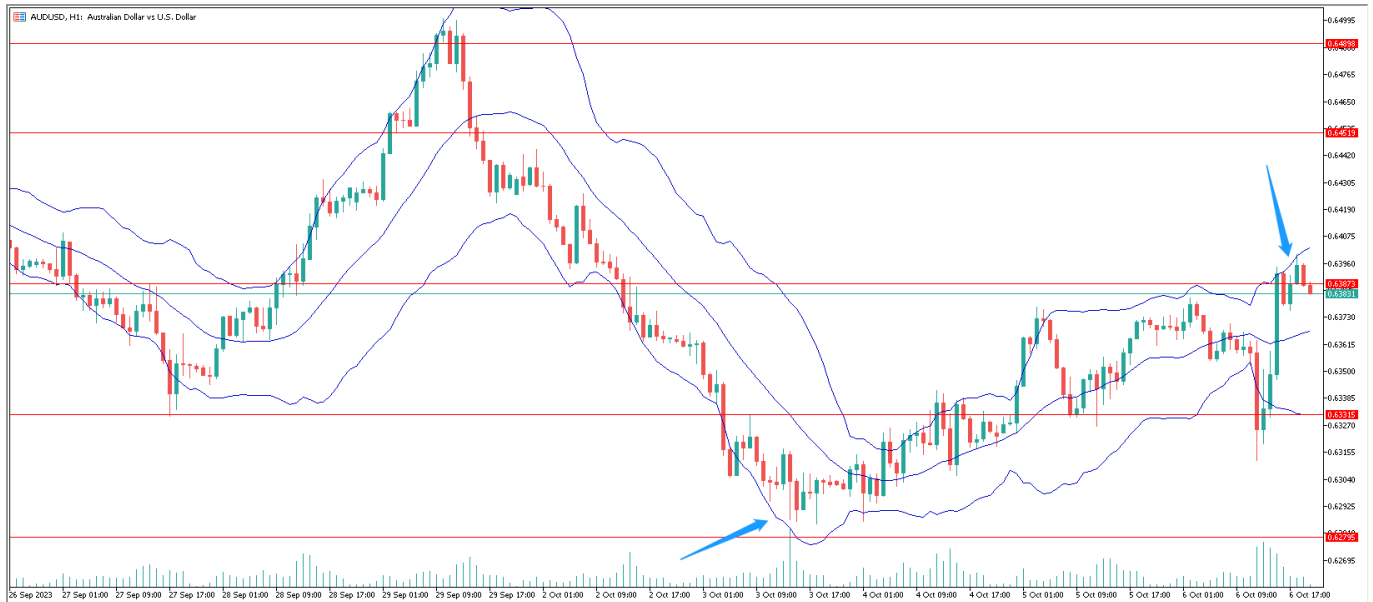
The extremely bullish USD has lost an easy battle on Friday despite the presence of a robust job data. The DXY ended the week on an inverted hammer candle (huge upper wick and little lower wick), creating a sign of trend reversal.



DXY.cash Weekly

5, EUR, GBP, AUD fight back

Naturally, other major currencies fought back against the weakened dollar. EURUSD, GBPUSD and AUDUSD all scored a three-day winning streak. AUDUSD moved above 0.63873 (roughly 1,078 points since I flagged this opportunity to buy the dip ahead of last Tuesday's RBA decision).



AUDUSD H1





GBPUSD Daily

6, Key data this week

Venturing into this week, we'll have US PPI, CPI as well as FOMC minutes, all of which are likely to promote recalibration on USD and Treasury and will in turn affect the broader markets.

Stay tunes traders!

Head of Research and Analysis

Glenn Yin

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