

Asia Morning Bites

Australian inflation drops. Philippine trade data is also set for release today



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Global Macro and Markets

- **Global markets:** It was a very quiet day in global markets on Tuesday. US Treasury yields lost one or two basis points across the curve, leaving the 10Y yield still just above 4% at 4.013%, though the 4% level doesn't seem like particularly rigid resistance. EURUSD drifted lower to 1.0932, and that has dragged many of the G-10 currencies weaker. AUD is back below 67 cents at 0.6684. Cable has dropped back to 1.2710 and the JPY has risen to 144.37. In Asia, the THB recovered a little of the ground it has lost in recent days, and the MYR also gained. But the bulk of the Asia pack was weaker against the USD on Tuesday. At the bottom of the pack was the PHP, now trading at 56.03. The CNY is also looking weaker at 7.1687, and the SGD has risen back above 1.33. Equity markets were also quiet. Both the S&P 500 and NASDAQ traded sideways for most of yesterday, ending close to the previous day's closes. Chinese stocks didn't do much either The Hang Seng fell 0.21%, but there was a 0.2% gain in the CSI 300.
- **G-7 macro:** Financial markets' quietness on Tuesday may have reflected an economic calendar that was devoid of any big headline numbers. The US NFIB survey headline index rose more than expected though, which ties in with those looking for a US soft landing. And the US November trade deficit was also a bit narrower, at -USD63.2bn. German industrial

production fell 0.7%MoM, a worse reading than predicted, undermining hopes that the Eurozone may be exiting recession. Today is also pretty light for data, with nothing likely to shake markets. US MBA mortgage applications may be the main release to watch for.

- **Australia:** November CPI inflation showed a sharp decline from October, dropping from 4.9% YoY to just 4.3%. This is mainly a result of base effects as November last year recorded a sharp upwards spike in food and energy prices following an unseasonably cold and wet period. Month-on-month, we calculate the CPI index rose by 0.35%, much lower than the 0.9% MoM gain this time last year. However, this is still too high to be consistent with the RBA's inflation target, so we'd be more cautious than those market participants who are taking this as confirmation that RBA rates have peaked. Next month should also bring further base-effect-driven inflation declines.
- **Japan:** Weaker-than-expected earnings data provide another reason for the BoJ to stay pat at their January meeting. Labour cash earnings grew only marginally by 0.2% YoY in November (vs 1.5% in October) mainly due to a sharp decline in bonus payments (-13.2%). On the positive side, contracted earnings rose steadily (1.2%) for a second month, suggesting that underlying wage gains are still intact. Real earnings showed an even steeper decline, dropping by -3.0% (vs -2.3% in October, -2.0% market consensus), and possibly weakening consumption in the near term.
- **South Korea:** The jobless rate rose more than expected to 3.3% in December (vs 2.8% in November, 2.9% market consensus) partially due to increases in labour participation (64.6% in December vs 64.3% in November). By industry, service employment declined, particularly in low-income jobs such as business facilities and support services (-46K) and recreation services (-14k). But other major services – wholesale and retail trade (-3k), transportation (-13k), and scientific & technical activities (-23k) – also shed jobs. Oddly, despite the continued weakness of the property market, construction jobs gained strongly (25k). With some confusing details and higher headline jobless figures in December, we'd like to wait to see the outcomes over the coming months before making a clearer evaluation of labour market conditions.
- **Philippines:** November trade data is set for release today. We expect the trade deficit to remain substantial at roughly \$4bn with both exports and imports likely to stay in contraction. A deep trade deficit indicates that the current account will likely stay in deficit which should translate to sustained depreciation pressure on PHP in the coming months.

What to look out for: Australia inflation and Philippine trade

- South Korea unemployment (10 January)
- Australia CPI inflation (10 January)
- Philippines trade data (10 January)
- Fed's Barr speaks (10 January)
- US MBA mortgage application and wholesale inventories (10 January)
- Australia trade data (11 January)
- Bank of Korea policy (11 January)
- US CPI inflation and initial jobless claims (11 January)
- Fed's Williams speaks (11 January)
- Japan BOP current account balance (12 January)
- China CPI inflation and trade data (12 January)
- India CPI inflation (12 January)
- US PPI inflation (12 January)

- Fed's Kashkari speaks (12 January)

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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