Asia Morning Bites

A tough day ahead for Asia as markets digest payrolls implications

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Macro outlook

- **Global markets**: Much of the US is off for Columbus day today, but Asian markets will still have to adjust to Friday's payroll-driven market ructions which led to a 2.8% decline in the S&P500 and a 3.8% decline for the NASDAQ. And with US equity futures still pointing to fairly sizeable declines for today's open (exchanges remain open), this looks as if it will be a tough day for Asian markets. The payrolls print, though not far off the consensus call (see below and also this note from our US economist) resulted in further gains in 2Y US Treasury yields (+5.2bp) and a 5.8bp rise in 10Y bond yields. On average, there were bigger gains in European bond yields on Friday, with 10Y Bund yields up 11bp. The USD strengthened further on Friday. EURUSD fell to 0.9736, the AUD fell to 0.6359, Cable dropped to 1.1073, and the JPY pushed above 145. Asian FX was also down against the USD on Friday, and further losses seem probable today, with the offshore CNH pushing back up to 7.1362 ahead of China returning from vacation today.
- **G-7 Macro**: The September non-farm payrolls gain of 263,000 was actually only slightly stronger than the consensus estimate of 255,000, and the drop in the unemployment rate to 3.5% from 3.7% was not hugely significant. Nevertheless, with the market seemingly grasping for excuses for a Fed pivot, this set of data didn't come close to delivering, resulting in a sell-off for risk assets ahead of the long weekend. It doesn't look all that likely that this week's CPI inflation release for September will help much either, with core inflation expected

to keep rising, even if the headline rate comes down. There isn't much out of the G-7 today, though the Autumn IMF meetings start today in Washington.

- **China**: The Caixin service-sector PMI fell to 49.3 in September, down from 55.0 a month ago, citing the impact of Covid measures in various cities. Demand for services offered by smaller firms was affected. This could happen again sporadically from time to time. Daily confirmed symptomatic Covid cases are nosing higher again, and at just over 500 are now on a par with the September peak.
- **Singapore**: 3Q GDP could be out as early today. 3Q GDP is expected to settle at 3.5%YoY, down from the 4.4%YoY growth posted in 2Q. Robust retail sales and non-oil domestic exports are expected to support growth although momentum is slowing as inflation accelerates and global trade slips. Meanwhile, the MAS is widely expected to tighten policy further, most probably on the 14th. This would be the 4th tightening this year, as inflation continues to heat up. The MAS may need to resort to aggressive tightening with adjustments for both the midpoint and slope of SGD NEER appreciation.

What to look out for: Inflation reports and the FOMC minutes

- Indonesia consumer confidence (10 October)
- Singapore 3Q GDP and MAS statement (10-14 October)
- Australia Westpac consumer confidence (11 October)
- Philippine trade balance (11 October)
- US small business optimism (11 October)
- Japan machine orders (12 October)
- India PPI inflation (12 October)
- US PPI inflation (12 October)
- Bank of Korea decision (12 October)
- FOMC minutes (13 October)
- Japan PPI inflation (13 October)
- US CPI inflation and initial jobless claims (13 October)

- China trade balance, CPI and PPI inflation (14 October)
- Korea unemployment (14 October)
- US retail sales and University of Michigan sentiment (14 October)

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