

Asia Morning Bites

A press briefing from China's Ministry of Finance is announced - raising hopes for more detail on fiscal support



Asia Morning Bites

Global Macro and Markets

- **Global Markets:** US Treasury yields kept rising yesterday as the recent Fed minutes suggested that some of the attendees felt a 25bp cut would have been more appropriate. The Fed's Daly overnight has suggested that another one or two 25bp cuts this year would seem likely. 2Y yields rose 6.3bp and are now 4.022%. The implied Fed funds rate by the end of the year is now 4.373%, and the expectations for the chances of two additional cuts by year-end have dropped further. 10Y yields are up 6.1bp to 4.073%. EURUSD has dropped as US yields have risen. EURUSD is now 1.0940. Other G-10 currencies are also softer. The AUD has declined to 0.6714, Cable is down to 1.3065, and the JPY has risen to 149.25. Other Asian FX is also looking weaker. USDCNY is back up to 7.0808 and the SGD has risen to 1.3077. Further weakness likely beckons today. US stocks were up yesterday. The S&P 500 and NASDAQ rose 0.71% and 0.6% respectively. China's stocks tumbled on their return from vacation. The CSI 300 fell 7.05% while the Hang Seng fell a further 1.38%. That still leaves both bourses registering healthy year-to-date gains.
- **G-7 Macro:** Besides the Fed minutes, it was fairly quiet for Macro yesterday, though today we have US CPI data for September. The headline index is expected to rise 0.1% MoM, which

will take inflation down from 2.5% to 2.3% YoY. The core rate is expected to hold up a bit more and rise 0.2% MoM, leaving the core inflation rate unchanged at 3.2% YoY. Weekly jobless claims are the other fixture for Thursday.

- **China:** After an NDRC press conference left many market participants underwhelmed, there has been an announcement of a Ministry of Finance briefing scheduled for 10 am GMT+8 on Saturday which should shape up to be an important event determining the direction of Chinese markets.
- As the Ministry of Finance is in charge of bond issuance, investors anticipate potential measures relating to special bond issuance to be discussed at the briefing. The Ministry of Finance is also responsible for strategies involving taxation and public finance, where markets may be hoping for tax relief measures and additional spending plans. It's uncertain if administrative procedures for these moves are complete, as major deviations from the budget or deficit target typically need to be approved by the National People's Congress (NPC). The range of market estimates is very broad but a majority appear to be expecting a package of RMB 2tn or above.
- Regardless, it's likely that if and when we get more details on the scale of spending, other policymakers will be better able to start to roll out supportive policies relevant to their functions; while it may take more time compared to monetary policy, we continue to expect a fiscal stimulus push in the coming weeks and months and have upgraded our 2025 growth forecast from 4.6% to 4.8% YoY in anticipation of stronger policy support.
- **Philippines:** Trade data for August probably won't make for very encouraging reading. Exports have been fairly soggy this year, and some slight pullback from the USD62.48bn July figure is likely in August. That will leave the year-on-year growth rate negative. The trade balance has held quite steady despite this, but mainly as imports have remained weak. Imports may also drop back slightly in August, leaving the trade deficit at about USD44bn.

What to look out for: Japan PPI, US CPI

October 10th

Japan: September PPI

US: September CPI

October 11th

S Korea: October BoK base rate

India: August industrial production, October foreign exchange reserves

US: September PPI, October U. of Mich. sentiment

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

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