

Asia Morning Bites

Bank of Korea meeting likely to keep rates unchanged. Australian trade report shows a widening surplus as imports fall. US CPI later.



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Global Macro and Markets

- **Global markets:** Wednesday was another really quiet day for US Treasuries, perhaps again reflecting the absence of any major macro releases ahead of today's US CPI release. 10Y US Treasuries traded in a 6bp range, and are just 1.5bp higher than this time yesterday at 4.028% currently. 2Y yields managed to decline 0.6bp. The Fed's Williams pushed back at the suggestion that discussions should begin about the end of quantitative tightening and also suggested that the bar would be very high for a March Fed cut. But he felt that rates were restrictive enough to bring down inflation. After a lot of speculation, the US SEC authorized ETFs that invest directly in Bitcoin. XBT had a choppy day but is roughly unchanged from this time yesterday at about \$46740. EURUSD nudged back up to 1.0972. The AUD has crept higher to 67 cents. Likewise, Cable is a touch higher at 1.2743. But the JPY is weaker following yesterday's disappointing wage figures and has risen to 145.66. In other Asia, most currencies had a quiet day, but the PHP, TWD, KRW and IDR all lost ground to the USD. US equities managed a modest up day. The S&P 500 rose 0.57% and the NASDAQ rose 0.75%. Chinese stocks continued to lose ground. The Hang Seng fell 0.57% and the CSI 300 was down 0.47%.
- **G-7 macro:** After a very quiet start to the week, things should begin to heat up today.

December core CPI inflation is forecast to show a further decline to 3.8% YoY from 4.0%, though the headline rate may edge up to 3.2% from 3.1%. Month-on-month moves are forecast at 0.3% for the core and 0.2% for the headline. A high December 2022 CPI change (0.4%MoM) is doing most of the work in bringing the core rate down this December.

- **Australia:** A 1.7%YoY gain in exports, and a 7.9% MoM decline in imports together with upward revisions to last month's export figures and downward revisions to last month's imports have resulted in a big widening of the trade surplus to AUD11.4bn, up from AUD7.7bn in October. The gains were mostly for non-agricultural exports, and by country, Germany and Hong Kong saw the largest increases over the previous month, while exports to China declined slightly.
- **South Korea:** We expect another hawkish hold from the Bank of Korea (BoK) today. Firstly, inflation remains above the 3% range. Secondly, growth conditions are holding up relatively well for now with the recent recovery in semiconductor exports. And lastly, the BoK is probably concerned about a fast pace of private debt growth. For these reasons, we think the BoK will likely continue to keep its monetary conditions tight for a few more months. We don't expect to see any dissenting votes at today's meeting, but a few members may be vocal about the rising default risks in the property market. Going forward, the policy stance may shift a little further toward easing if private consumption and investment dampen further and financial market unrest prevails.

What to look out for: BoK decision and Australia trade figures

- 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)

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