Asia Morning Bites

As equity sell-off slows, bond sell-off accelerates

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Macro outlook

- **Global Markets**: Smaller falls in the US equity market yesterday suggest the selling momentum may be running out of steam again, with equity futures pointing to slight gains in the S&P500 and NASDAQ at today's open. Asian bourses were mostly in the red yesterday, and they may slide further today judging by futures markets. Bond developments were once again dominated by a sell-off in the UK Gilts market, where fears about pension fund liquidity are leading to a vicious cycle of selling. The Bank of England's bond purchasing scheme failed to calm markets yesterday, nor did a brought-forward date for the Chancellor's fiscal plans or announcement of a new head for HM Treasury. 2Y Gilt yields rose 18.6bp, while those on 10Y Gilts rose a whopping 23.6bp to 4.465%, not far off Greece's 4.845% yield, and almost double German 10Y Bund yields (2.331%), which also saw yields rising sharply as Chancellor Scholz apparently indicated his willingness to use common EU bond issuance to help solve the energy crisis. US Treasury markets return today. EURUSD fell a little further yesterday, reaching 0.9711, and the AUD likewise lost further ground to stand at 0.629 currently, last seen just after the March 2020 pandemic lows of 0.55. Cable hasn't fallen much further, surprisingly given the problems in Gilts markets, but the prognosis isn't good. The JPY remains above 145 today, suggesting that the previous red line for the MoF may have been washed away. No one likes throwing money away. Most of the Asian FX pack fell slightly yesterday, with median falls of about

0.3%. Though the THB dropped almost 1.4% to 37.92 as foreign funds sold Thai notes and equities.
- **G-7 Macro**: There's not much on the G-7 calendar today, though, given the problems in Gilts markets, the UK labour market data due out later may be of more than passing interest. The extent of the looming UK slowdown will need to be factored into taxation and spending assumptions and will help to determine whether the UK's soon-to-be-released amended spending plans stack up or not. The US releases NFIB data today, which has been painting a more encouraging picture of the inflation outlook recently. That may be today's glimmer of hope for those wanting to dabble with a positive risk outlook.
- **Philippines**: August trade data is set for release this morning. Imports will likely post strong double-digit gains while exports are forecast to contract. Imports could expand by 22%YoY, driven partly by a bloated energy bill as well as by rising consumer imports as economic reopening continues. Meanwhile, exports could contract for another month as global demand for electronics stalls. The overall trade balance should test record lows, adding depreciation pressure on the Peso.

What to look out for: Philippine trade balance, US NFIB, Fed speakers

- Australia Westpac consumer confidence (11 October)
- Philippine trade balance (11 October)
- US small business optimism (11 October)
- Fed's Mester and Kashkari speak (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)

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com