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ASIA MORNING BITES CHINA SOUTH KOREA

Asia Morning Bites

There is a Bank of Korea rate meeting today, and then attention will shift to China's Ministry of Finance communication due tomorrow. Market whispers of sizeable fiscal stimulus measures are circulating - scope for surprises both ways...



Asia Morning Bites

Global Macro and Markets

- **Global Markets:** Considering the disappointing CPI data yesterday, it is a slight surprise to see US Treasury yields heading lower again, though they had risen a fair bit in recent days, so perhaps yesterday's moves reflected a bit of re-positioning. Various Fed officials shrugged off the CPI data, though Raphael Bostic said he was comfortable skipping a meeting if the data suggested that was appropriate. 2Y yields fell 6.4 basis points. The 10Y Treasury yield only fell 1.2bp to 4.061%. EURUSD tested the downside at 1.09 yesterday, but partially recovered to 1.0933, only slightly down on the day. The AUD actually rose slightly to 0.6741, though Cable was also lower at 1.3057 and the JPY managed to make some gains, as USDJPY declined to 148.61. There was a similarly mixed picture for other Asian currencies yesterday. The SGD and CNY both followed the AUD and JPY stronger. But most SE Asian currencies lost between a quarter and half a per cent against the USD on Thursday. US stocks were slightly lower yesterday. But it was another good day for Chinese stocks as optimism again rose ahead of tomorrow's Ministry of Finance statement.
- **G-7 Macro:** US September CPI was higher than expected on both core and headline

measures. The headline index rose 0.2% MoM, (0.1% expected), and this meant that inflation only fell to 2.4% YoY (from 2.5%). The core measure rose 0.3% MoM, and the core inflation rate actually rose to 3.3% YoY from 3.2%. There is lots of detail and nuance to this report as well as some weaker weekly jobless claims figures to throw into the mix, and [James Knightley's note goes into all the gory details](#).

We also got minutes of the ECB's September meeting yesterday. [Carsten Brzeski pulls these apart in his note](#), where he lays out the risks to the October rate cut thesis.

Today's data includes the US September PPI numbers, some of which could be important for the upcoming PCE inflation release. We also have University of Michigan consumer confidence data. The UK releases a barrage of activity and trade data today.

- **South Korea:** The Bank of Korea meets today and the market is widely expecting the BoK to cut by 25bp. Inflation eased to 1.6% YoY in September, below the BoK's 2% target for the first time since March 2021. The housing market in the Seoul metropolitan area seems to be gradually cooling down thanks to tighter mortgage rules and other home purchase measures. These two factors support the BoK's easing. However, the BoK communications should remain hawkish and not commit to further rate cuts.
- Although the market consensus is for a 25bp cut, there is a slight chance that the BoK could surprise the market with a hold decision. The BoK may worry that the Middle East conflict could push up inflation again and signs of a cooling housing market may not be strong enough for the Bank to move.

What to look out for: Bank of Korea meeting, China Ministry of Finance (tomorrow) India IP, US PPI & U.Michigan sentiment

October 11th

S Korea: October BoK base rate

India: August industrial production, October foreign exchange reserves

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

October 12th

China Ministry of Finance statement

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