

Asia Morning Bites

It is a relatively quiet day for macro in Asia, though the focus will be on Indonesia which holds national elections



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** Higher-than-expected US CPI inflation for January gave the US Treasury market a bad case of indigestion (see more below). 2Y yields rose 18.4bp, and the market is now only pricing in 37.4% of a 25bp easing in May and only fully pricing in a full cut by June/July. There are now only 3 and a half 25bp cuts priced in by the end of 2024. The US 10Y Treasury yield has risen to 4.31%, [reaching the level our rates strategy team has been calling for in the short-term](#).

The rise in US yields has provided the USD with additional support, and EURUSD is now down to 1.0710, and has bounced off 1.07 a couple of times. The AUD has taken a pounding, dropping to 0.6453. Cable also dropped sharply but was marching higher ahead of the CPI result, helped by strong UK wages data, and has only fallen back to 1.2592. The JPY has pushed up through 150 to 150.65 currently and verbal intervention has already started. In the rest of Asia, the SGD took the brunt of the USD strength, and the SGD has weakened by more than half a per cent, trading up to 1.3511. The SGD was pushing down through 1.32 at the end of December, showing how much has changed. China is still out for the Lunar New Year holidays. Not surprisingly, US equities did not take well to the CPI data. The S&P 500 fell 1.37% and the NASDAQ fell 1.8%. Equity futures show the rout continuing today.

- **G-7 macro:** [Here is James Knightley on yesterday's US CPI data.](#)

The short story on CPI is as follows: Both the headline increase in CPI (0.3% MoM) and the core (0.4%) were not only worse than expected but considerably above what is needed for inflation to fall consistently towards the Fed's target goal. Airfares, shelter, recreation and medical costs all helped push the figures higher. The good news, and there is none in this report, is that the actual target measure of inflation, core PCE, has been dropping very nicely so far. We don't yet have the January PCE figures, and they usually reflect the CPI numbers to a large degree. But there has to be some risk that we also see a slowdown in the progress of the Fed's preferred measure of inflation too. In any case, the divergence in the various inflation measures makes it even more doubtful that the Fed is going to be rushing headlong into easing any time soon. Today, there is no US data apart from mortgage applications. In the UK, we get January CPI inflation. This may also show that progress on getting inflation lower has stalled. 4Q23 Eurozone GDP should be confirmed at 0.0% QoQ.

- **Indonesia:** Indonesia holds elections today. Polls will be open for 6 hours with roughly 200 million expected to vote. Exit polls could give an early indication of who could come out on top but counting will be done manually so it could be some time before we see the official results.

What to look out for: Indonesia elections and India WPI

- India wholesale price (14 February)
- US mortgage application (14 February)
- Fed's Barr speaks (15 February)
- Japan GDP and industrial production (15 February)
- Singapore GDP revision (15 February)
- Australia labour report (15 February)
- Indonesia trade balance (15 February)
- Philippines BSP meeting (15 February)
- US retail sales and initial jobless claims (15 February)
- Fed's Waller, Bostic and Barr speak (16 February)
- South Korea unemployment (16 February)
- Singapore NODX (16 February)
- US housing starts and building permits (16 February)
- Fed's Daly speaks (17 February)

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