

Asia Morning Bites

China keeps markets waiting for firm details on fiscal support. MAS keeps SGD NEER appreciation path unchanged at its October meeting



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Global Macro and Markets

- **Global Markets:** After all the recent volatility, Friday was a quiet day for US Treasuries. The 2Y Treasury yield declined by just 0.2 basis points, while the 10Y rose 3.9bp and is now 4.10%. EURUSD was also fairly subdued and is 1.0925, only slightly lower than at this time on Friday. It was a similar story for most of the G-10, though the JPY has weakened a little further to 149.30. Asian FX had a mostly positive day on Friday, led by the SE Asian currencies. USDCNY is also a little lower at 7.0668. USDINR has pushed up through 84 and is now 84.0712 – a small move but a noteworthy one when you consider how tightly the INR trades to the USD. US stocks had a decent day on Friday. The S&P 500 and NASDAQ both rose (0.61% and 0.33% respectively). It is Columbus Day in the US, but exchanges will be open. Chinese stocks had a poor day on Friday ahead of the Ministry of Finance announcement (see below). Hong Kong was out on Friday, but the CSI 300 fell 2.77%.
- **G-7 Macro:** There wasn't too much macro interest from the G-7 on Friday. Core US PPI data rose slightly less month-on-month than had been expected (0.1% MoM), but there must have been some revisions to past data as many of the year-on-year measures came in slightly higher than expected. At first glance, it is not readily apparent what this means for

the upcoming PCE numbers. And the University of Michigan confidence numbers came in weaker than expected. The G-7 calendar is pretty bare today.

China: The Ministry of Finance held a press briefing on Saturday, where it maintained a proactive and supportive tone while signalling that the central government had "large room for increasing the fiscal deficit," but did not give any new specifics on the upcoming scale of fiscal stimulus. At the briefing, the MoF primarily focused on property market stabilization and resolving local government debt issues, signalling that special bonds will be issued to support bank recapitalization and real estate stabilization, and mentioned debt replacement tools to ease local government fiscal pressure. While markets may be impatient for a quick headline number and resolution, the more complicated process behind fiscal stimulus likely means it will still take some time. It appears likely that markets may need to wait for the NPC's approval before a solid number and more detailed procedures are announced; this NPC meeting is expected to take place toward the end of October. However, the signalling remains positive and we expect more details to continue to roll out in the coming weeks and months.

On Sunday, the National Bureau of Statistics published China's CPI data release which came in well short of forecasts, falling unexpectedly to 0.4% YoY despite a favourable base effect, as non-food prices tipped into deflation at -0.2% YoY. As we can see, absent of stimulus the deflation threat is clearly growing, but if we have a strong enough fiscal stimulus push it should be sufficient to ensure this weakness is relatively short-lived. Regardless, there looks to be ample room for further monetary policy easing.

Today we get China's trade data, where we're looking for export growth of around 5.7% YoY and import growth of around 1.3% YoY. Auto exports, which have come under some recent pressure and are expected to slow further this month, will be watched closely for whether China's overall surprising export strength can persist.

- **Singapore:** As well as the GDP data for 3Q24, which came in roughly in line with expectations at 2.1% QoQ and 4.1% YoY, we also got the MAS statement. This left the slope, mid-point and range of the SGD NEER band unchanged. The MAS expects core CPI to decline to around 2% by the end of 2024 and to be around 1.5% to 2.5% in 2025 – the same range as for headline inflation. We had expected to see some slight flattening of the SGD NEER path, as interest rates have fallen substantially since the middle of the year, indicating that the MAS was leaning against SGD strength, and on a real effective exchange rate basis, the SGD is now looking a bit of a regional outlier and much stronger than its peers. Any change is now not likely until next year.
- **India:** A bit of food price inflation, but mainly base effects from last year's price falls will take September inflation higher. We anticipate an increase to 5.3% YoY, a little higher than the consensus forecast of 5.11%. We don't expect this to last, and we should see inflation dropping back again in October.

What to look out for: China trade data, India CPI, Singapore GDP

October 14th

China: September imports, exports, trade balance

India: September wholesale prices, CPI

Singapore: 3Q GDP, MAS monetary policy statement

October 15th

China: October 1-year medium-term lending facility rate

India: September imports, exports, trade balance

Indonesia: September imports, exports, trade balance, August external debt

Japan: August industrial production, capacity utilization

Philippines: August overseas cash remittance

S Korea: September import price index, export price index

October 16th

Australia: September Westpac leading index

Indonesia: October BI-Rate

Japan: August core machine orders, Tokyo dept. store sales

Philippines: October BSP overnight borrowing rate

S Korea: September unemployment rate

US: September import price index, export price index

October 17th

Australia: September employment change, unemployment rate, participation rate

Japan: September imports, exports, trade balance, August tertiary industry index

Singapore: September non-oil domestic exports, electronic exports

US: September industrial production

October 18th

China: 3Q GDP, September industrial production, retail sales, surveyed jobless rate

India: October foreign exchange reserves

Japan: September national CPI

Philippines: September BoP overall

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