

## Asia Morning Bites

China 1Y MLF rates and Indonesia trade data are due today. Markets are digesting the Taiwan election results



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### Global macro and markets

- **Global markets:** US Treasury yields lurched lower again on Friday, and with little on the data calendar, this was probably a reaction to Middle East developments as well as perhaps some precautionary positioning ahead of Taiwan's election. 2Y yields fell 10.1bp, and fell to 4.144%. There was less movement at the back end. 10Y yields fell just 2.7bp to 3.939%. Raphael Bostic suggested that further progress on reducing inflation was likely to be slow and cautioned against cutting rates too early. EURUSD hasn't responded yet to the lower yield environment and edged a bit lower to 1.0947, which is consistent with a market that has become more risk-averse. G-10 currencies were not much changed. The AUD lost a little ground. But Cable is fractionally higher, and the JPY is also a little stronger at 145.03. The APAC region has also not shown much movement outside some weakness of the VND. USDCNY is currently at 7.1675. US equities had another flat day on Friday. Both the S&P 500 and NASDAQ were more or less unchanged. Chinese stocks were slightly lower. The Hang Seng and CSI 300 both fell 0.35%.
- **G-7 macro:** Friday was pretty quiet on the macro front within the G-7. UK activity data was quite mixed, but there was a slightly better set of trade figures which may have helped sterling a little. US PPI for December was a little lower than expected which may have

helped to encourage bond yields lower. Today there is nothing of note from the G-7.

- **Taiwan:** As noted earlier, Taiwan re-elected a DPP President, and William Lai Ching-te was elected to the top job marking a third consecutive term for a DPP Presidency. Turnout was good, at 72% and President Lai received just over 40% of the vote. The more China-friendly KMT party got 33.49% of the vote, and the TPP got 26.45% of the vote. It wasn't all good news for the DPP though. The Legislative Yuan (parliament), which the DPP held in a narrow majority of its 113 members before the election, dropped to 51 seats, one less than the KMT, with the TPP picking up three seats taking their total to 8. This will make it harder for the DPP to pass new policies. Besides some slightly provocative language from both sides of the Strait of Taiwan, there don't appear to be any reports of anything more tangible as yet.
- **China:** Ahead of the activity data deluge later this week, China decides on its 1Y MLF rates today. Even though the CNY is still looking quite soft at 7.16-7.17, the consensus has pencilled in a 10bp cut of the rate from 2.5% to 2.4%. This follows some soft money supply figures at the end of last week.
- **Indonesia:** Indonesia reports trade figures today. Exports will likely remain subdued because of soft global demand but imports are tipped to show a modest gain due to capital goods imports. This should keep the trade balance in surplus, though the market consensus has the surplus slipping to roughly \$1.9bn. A smaller trade surplus would mean less support for the currency which could prompt BI to hold rates at 6% for longer.

## What to look out for: China lending rate and Indonesia trade

- China new loans CNY (9-15 January)
- Japan M3 and tool orders (15 January)
- China medium-term lending rate (15 January)
- Indonesia trade data (15 January)
- India trade data (15 January)
- Philippines remittance data (15 January)
- Australia Westpac consumer confidence (16 January)
- Japan PPI inflation (16 January)
- US empire manufacturing (16 January)
- Singapore NODX (17 January)
- China GDP, industrial production, retail sales (17 January)
- Indonesia BI policy (17 January)
- US retail sales, industrial production and the Fed's beige book (17 January)
- Fed's Waller speaks (17 January)
- Japan core machinery orders (18 January)
- Australia labor data (18 January)
- Japan industrial production (18 January)
- US initial jobless claims, housing starts and building permits (18 January)
- Fed's Williams and Bostic speak (18 January)

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