

Asia Morning Bites

Presidents Xi and Biden strike unexpectedly constructive tone at G-20 summit in Bali



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Macro outlook

- **Global Markets:** Perhaps the most unexpected development yesterday, was a surprisingly positive meeting between President Xi and President Biden at the G-20 summit in Bali. The two talked about Taiwan, where Biden noted that the US position on Taiwan and the "One China – two systems" stance, had not changed. That was helpful. For his part, President Xi openly spoke out against the use of nuclear weapons by Russia. That was also helpful. The meeting will be followed up by a visit by Secretary of State, Blinken, to visit senior Chinese officials later in the year. This was far more progress than we, or indeed most commentators had expected, and dominates what may otherwise turn out to have been a fairly irrelevant G-20 summit. That said, the feel-good factor that had been driving markets following the softer-than-expected October CPI release in the US evaporated on Monday. Stocks had been trading higher after a slightly weaker open, but tailed off sharply in late trading, leaving the S&P500 and NASDAQ down about a per cent. There had been more optimism in Asian bourses yesterday following the announcement of measures to reduce the impact of zero-Covid and to prop up the property sector. However, the CSI 300 finished only slightly higher on the day, while the Hang Seng Index put in a more solid 1.7% gain. Equity futures point to a turnaround today with US futures markets suggesting a positive

open, while Chinese markets may open lower. Currencies haven't done a lot. EURUSD is at 1.0317, not much changed from this time yesterday, the same goes for the AUD, though both the GBP and JPY have lost some ground. Asian FX had a mixed day yesterday. The KRW and INR both dropped back about half a per cent, while there was better news for the TWD and CNY. US Treasury yields pushed higher again, and really don't seem to know which way to go. The 2Y yield is 5.7bp higher, while the 10Y is 4.1bp higher at 3.854%. Lael Brainard got in on the act talking about the Fed soon beginning to moderate the pace of tightening, though noting that they still had work to do. At least she didn't say they had "...a ways to go" which despite being ungrammatical is becoming quite a cliché.

- **G-7 Macro:** Second-tier releases dominate the G-7 Macro calendar today. UK labour market figures, Germany's ZEW business survey and US PPI indices are not likely to provide much for markets to base directional trades on.
- **China:** at 10.00 SGT/HKT today we have China's October data dump, including industrial production, retail sales, fixed asset investment, residential property investment and the surveyed jobless rate. On balance, we don't think the numbers will be particularly uplifting, in spite of the Golden Week holidays, which ought to have provided some support to retail spending.
- **Japan:** 3Q22 GDP fell 0.3%QoQ, weaker than expectations for a 0.3% QoQ increase. This marks a sharp slowdown from the 0.9% QoQ increase registered for 2Q22. Private consumption grew 0.3%QoQ, down from 1.2% in 2Q22. But the biggest drag on growth came from net exports, which subtracted 0.7pp from the total GDP growth figure, while inventories nicked off a further 0.1pp. Private business investment was a bit stronger, rising 1.5%QoQ and contributing 0.2pp to overall growth, and public investment also added a further 0.1pp to overall GDP growth. Today's weaker data add downside risk to our 2022 and 2023 GDP forecasts of 1.6% and 1.1% respectively.
- **Indonesia:** Trade data for October is due for release today. We expect another month of strong gains for imports and exports with the trade balance still likely in surplus. Export growth however has slowed, which should translate to a less sizable trade surplus. Record high trade surpluses have supported the IDR for most of 2022 but the gradual decline of this buffer suggests that a key support for the currency may be fading going into 2023.
- **India:** Indian inflation came in at 6.77%YoY for October, which was marginally higher than had been forecast by the consensus (6.7%) but still a decent pull back from the September reading of 7.41%. Inflation will remain at about this level in November, before spiking higher again on base effects in January and February before moving lower again. So the RBI's job isn't over yet, even if they can probably take a more laid-back approach to rate hikes from here on.

What to look out for: China activity data and G-20

- Japan GDP and industrial production (15 November)
- Australia RBA minutes (15 November)

- China activity data (15 November)
- Indonesia trade balance (15 November)
- US empire manufacturing and PPI inflation (15 November)
- Fed's Williams, Harker Cook and Barr speak (15 November)
- Japan core machine orders (16 November)
- Australia Westpac leading index and wage price index (16 November)
- US retail sales (16 November)
- Japan trade balance (17 November)
- Australia labor data (17 November)
- Singapore NODX (17 November)
- Malaysia trade (17 November)
- Bank Indonesia policy meeting (17 November)
- Bangko Sentral ng Pilipinas policy meeting (17 November)
- US housing starts and initial jobless claims (17 November)
- Japan CPI inflation (18 November)
- US existing home sales (18 November)

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