

Asia Morning Bites

High-level communication to resume between the US and China as Biden hails meetings with Xi as making "real progress". Taiwan's main opposition parties are reported to be combining forces for the upcoming Presidential Election.



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Global Macro and Markets

- **Global markets:** A mixed run of US data yesterday resulted in Treasury yields pushing higher again. 2Y yields rose 7.6bp to 4.912%, while yields on 10Y US Treasuries rose 8.4bp taking them back above the 4.50% level to 4.531%. EURUSD has dropped slightly following this yield reversal but remains at 1.0849 for now. The AUD is reasonably stable at just over 0.65, but the GBP and JPY have both lost more ground. USDJPY is now 151.29. Most of the Asian FX pack made decent gains yesterday, but will probably revert to a weakening bias today. US stocks made only very small gains yesterday. Chinese stocks did far better. The Hang Seng rose 3.92% while the CSI 300 rose 0.7% [on the slight improvement in activity data](#).
- On the political front, a resumption of high-level dialogue as President Biden hails talks with President Xi as making "real progress", is probably the main win from the Pre-APEC session. Elsewhere, the Financial Times reports that the two main opposition parties in Taiwan will join forces against the DPP for January's Presidential elections. It remains to be seen which party's candidate will stand for the Presidential role. This, it is reported, will be determined

by a third-party analysis of how the parties are polling. These parties are viewed as being more open to dialogue with Mainland China, so they could usher in a less tense election period than has historically been the case.

- **G-7 macro:** Yesterday's US data stuck with the theme of price pressures waning, but activity remaining more resilient ([see here for a more detailed note from JK](#)). PPI inflation dropped to 1.3% YoY following a 0.5% MoM decline, and core PPI inflation also slowed to 2.4% YoY from 2.7%. Retail sales, however, were expected to fall 0.3% MoM in October, but only fell 0.1%. The control group of sales which strips out volatile items, rose 0.2% MoM – in line with expectations. [UK inflation released yesterday showed a larger-than-expected fall. The CPI inflation rate tumbled to 4.6% from 6.7%](#). The news flow today won't be quite as interesting. US export and import price data is rarely a market mover. Although we do also get industrial production, which is forecast to decline by 0.4% MoM, as well as the Philly Fed business survey and usual weekly jobs figures.
- **Japan:** Exports for October rose 1.6% YoY – beating the forecast 1.0% gain, while imports were also a little less negative than expected at -12.5% YoY, though not enough to dent the trade balance. In adjusted terms, the deficit shrank to -JPY462bn. Alongside the trade figures, core machine orders data for September showed a decent 1.4% increase, beating expectations, though still leaving the annual rate down 2.2% YoY
- **Australia:** October employment was fairly strong. The total employment change from the previous month was +55,000, up from +7,800 in September. Most of the gain was due to a 37,900 rise in part-time jobs, so the total figure flatters the positive impact this will have on domestic demand. Full-time employment rose 17,000. There was a much bigger than usual increase in unemployment, which helped lift the unemployment rate to 3.7% from 3.6%.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) is expected to keep rates unchanged today at 6.5%. BSP hiked policy rates by 25bp two weeks ago in an off-cycle move so they are expected to hold today. BSP Governor Remolona however could retain his hawkish rhetoric should inflation projections for 2024 point to another year of above-target inflation.

What to look out for: Australia jobs data and BSP meeting

- Japan trade balance (16 November)
- Australia labour report (16 November)
- Philippines BSP policy (16 November)
- US initial jobless claims and industrial production (16 November)
- Singapore NODX (17 November)

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