Asia Morning Bites

Risk aversion is the main driver in Asian markets today - Indonesian trade data out later

Source: shutterstock

Global Macro and Markets

- **Global markets:** US 10Y Treasury yields seem to be taking a breather from what had seemed an unrelenting march towards 5%. It is hard to be sure whether this is just a pause in that journey, or whether the "fed has peaked" view is now the prevailing force on yields, bolstered by rising risk aversion due to Middle East tensions. Fed speakers since Friday have given a mixed message on the rates outlook. 10Y yields dropped a further 8.5bp on Friday to 4.612%. 2Y yields were down just 1.5bp to 5.054%. Falling stock prices on Friday probably fed into the more bullish bond environment. The S&P 500 fell 0.5% on Friday. The NASDAQ dropped 1.23%. The USD remains well bid though. EURUSD is at 1.0520, the AUD is back just above 63 cents, and Cable has dropped to 1.2150. The JPY is alone in looking slightly stronger against the USD at 149.64. Asian FX lost ground to the USD on Friday. The KRW propped up the bottom of the pack, dropping 0.86% to 1350. The MYR was also weak.
- **G-7 macro:** It wasn't a particularly busy day for macro last Friday, but the University of Michigan consumer sentiment survey makes interesting reading. There was a sharp decline in confidence in the October reading, with both current conditions and expectations falling. Added to this picture, was a steep pick-up in both the 1Y and 5Y inflation expectations surveys. While this is not a game changer for the Fed, inflation expectations are something

that all central banks take very seriously. And if these figures were corroborated by other indicators of inflation expectations, then it might just put rate hikes back on the table. Today is quiet on the macro front, with a lot of second-order and therefore, probably not market-moving data. Nothing to focus on particularly.

- **Indonesia:** Indonesia reports trade numbers today for September. Exports and imports are expected to remain in contraction but the overall trade surplus could narrow from $3.1bn to roughly $2.5bn. Smaller trade surpluses mean the current balance is also reflecting a smaller surplus, meaning less support for the IDR. With this trend likely extending for the rest of the year, we expect the pressure on IDR to persist given the relatively narrow interest rate differential with the US Fed.

What to look out for: China data dump later in the week

- Indonesia trade balance (16 October)
- Japan industrial production (16 October)
- Philippines remittances (16 October)
- South Korea export price index (17 October)
- Singapore NODX (17 October)
- Australia RBA minutes (17 October)
- US retail sales and industrial production (17 October)
- China data GDP, retail sales industrial production (18 October)
- US building permits and housing starts (18 October)
- Japan trade balance (19 October)
- Australia labor data (19 October)
- Bank Indonesia policy (19 October)
- Bank of Korea policy (19 October)
- US initial jobless claims and existing home sales (19 October)

- China loan prime rates (20 October)

- Japan CPI inflation (20 October)

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com