

Asia Morning Bites

Central banks in action in Asia today - BSP expected to cut a further 25bp while Bank Indonesia will likely hold rates at 6%



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Global Macro and Markets

- **Global Markets:** In the US, earnings data was the key driver of markets. Weak earnings for ASML, which makes the world's most advanced chipmaking machines, triggered a fall in tech stocks. ASML fell 16% and NVIDIA dropped 4.5%. The S&P 500 slipped 0.9% to around 5815. Former President Trump defended proposals to raise tariffs dramatically, triggering a rally in USD and a fall in treasury yields. 10-year UST yields fell 7bps to 4.03% and 2-year yields fell 1bp. The curve-flattening rally left the 2s10s spread more than 6bp tighter on the day. Asia FX and stocks were generally weak. AUD and NZD underperformed G-10 peers. The CSI 300 fell 2.7% and the Hang Seng was down 3.8% as the market continued to question the sustainability of China's stimulus. WTI crude oil futures ended off session lows on reports that Israel may not target Iran's crude infrastructure impacting supply disruption.
- **G-7 macro:** The key data yesterday was from the UK and Germany. The German ZEW survey was mixed with the Economic Sentiment Index rebounding higher than expected, likely driven by prospects of further cuts by the ECB, but the current situation index fell. The EUR/USD pair held ground after the German and Eurozone ZEW surveys. UK employment data was mixed as well. The unemployment rate fell but wage growth slowed. GBP/USD was marginally down. Today's inflation figures for September will be crucial for BoE's November and December rate decisions. In the US, San Francisco Fed president Daly

said she's open to skipping a rate cut at one of the two remaining Fed meetings this year.

- **Indonesia:** [Yesterday, Indonesia's September trade figures missed market expectations](#), with exports and imports falling in USD from the previous month, and annual growth rates falling, likely reflecting the very difficult global demand environment for many of Indonesia's commodity-heavy exports. The IDR was weaker before and immediately after these numbers. Bank Indonesia is expected to stay on hold today
- **Philippines:** We expect BSP to cut rates by 25bp today. The real policy rate at 4%+ has hit a fresh high at a time when GDP growth is expected to remain below the government's target of 6-7%, cementing our view
- **South Korea:** The unemployment rate rose to 2.5% in September (vs. 2.4% in August, 2.6% market consensus). The labour participation rate rose to 64.3% (vs. 64.2% in August). By industry, manufacturing (-22k) shed jobs for a third consecutive month, while construction (5k) gained jobs, albeit modestly. For services, major services such as wholesale & retail trade (-30k) and transportation (-12k) dropped while accommodation & eating out (21k) and real estate (16k) added jobs. We are concerned that employment in manufacturing and some of the major services is weak, but this might be due to the Chuseok holidays. Also, with the unemployment rate still below 3% and the labour force participation rate rising, the Bank of Korea will not be too concerned about labour market conditions. We expect the BoK to take a pause for a while and resume its cuts in April 2025.
- **Japan:** Japan's core machinery orders unexpectedly dropped -1.9% MoM in August sa (vs -0.1% in July, 0.1% market consensus). The weak orders data suggest investment in the coming quarter might not improve as much as we had expected, which adds some downside risks for our current GDP forecast of 0.2% QoQ sa growth for 3Q24.

What to look out for: Australia Westpac leading index, Indonesia BI-rate, Philippines BSP overnight borrowing rate

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

EU: ECB Meeting

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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