# Asia Morning Bites

Australian employment data bounces back, Singapore NODX flops, and markets are flailing around for direction


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## Macro outlook

- **Global Markets:** There doesn't seem to have been much improvement in sentiment following the revelation that the missile that struck Poland yesterday may not have been fired by Russia after all. But it's not clear to me that this was a major force for market moves anyway, as the EUR largely outperformed Asian FX, which doesn't tally with the missile narrative. And despite, or perhaps because of a fairly robust set of US retail sales figures for October (1.3%MoM vs 1.0% expected), coupled with some weak industrial production data (-0.1%MoM) and a slowdown in import price inflation (4.2%YoY down from 6.0%), US stocks took a turn for the worse yesterday. One newswire story put this down to diminished hopes for a Fed pause. This is nonsense. That has not been a strongly held market view for a while. Equity prices opened slightly lower and slowly lost further ground through the session. The S&P500 ended down 0.83% while the NASDAQ dropped 1.54%. Chinese stocks were also weaker again yesterday, the CSI 300 falling 0.82%, while HK's Hang Seng Index was down 0.47%. US equity futures are indicating a small gain at today's open, while China's stock outlook remains negative. The EURUSD exchange rate has clawed its way back within grasping distance of 1.04 as of writing despite the stock weakness. The AUD, in contrast, has retreated back to 0.6742 from its intraday high of 0.6793 yesterday. Cable has crept slowly higher to 1.1916 ahead of today's tax and spending announcements. And the JPY is pretty steady on a 24-hour view, though did test the weaker side early yesterday. Asian FX has mostly gone backwards in the last 24 hours. The CNY has pushed up to 7.0982 and pulled other currencies like the KRW with it. US Treasury markets aren't doing a lot. There was a small increase in 2Y US Treasury yields (+1.7bp), though the back end continued to rally and 10Y yields dropped 8bp to 3.69% - maybe helped by dovish comments from the Fed's Waller, who remarked that he was open to half point hikes from here on. Though I think the market was already fully on board for this.

- **G-7 Macro:** As mentioned, there was a mixed bag of macro data on Wednesday, some stronger-than-expected retail sales, weak industrial production and improving pipeline price pressures from imported goods. Taken together, these don't add a great deal to the picture of the US economy or rate expectations, though to the extent that they say anything at all, they tend to support the notion that price pressures are abating - something we wrote about in more detail yesterday, and which is backed up by industry data on falling residential rents. Today's G-7 data is mainly focused on the US housing market, with building permits and housing starts data for October, both of which are expected to show month-on-month declines.
- **Australia:** October labour market data rebounded after the weak September figures. Total employment rose by 32,200, though that understates the improvement which was entirely due to a 47,100 increase in full-time employment offsetting a 14,900 decline in part-time employment. The participation rate dipped slightly, which helped to nudge the unemployment rate down 0.1pp to 3.4%. We do not believe this data substantially affects the Reserve Bank's rate policy decisions. We expect them to continue hiking at a 25bp pace, with rates to peak early next year at 3.6%.
- **Singapore:** Non-oil domestic exports (NODX) data for October showed a second month of contraction. NODX fell by 5.6%YoY and was down by 3.7% month-on-month as signs of the slowdown in global trade become more evident. Shipments to China (-31%YoY) were the main reason for the slowdown after electronics exports dropped by -9.3%YoY. We can expect NODX to continue to struggle in the coming months as global trade is expected to be weighed down by probable recessions in Europe and the US.
- **Indonesia**: Bank Indonesia (BI) meets today to discuss policy. We expect BI to hike by 50bp to combat elevated headline and core inflation. The relatively sizable rate hike will also be needed to steady the currency which is the worst-performing regional currency for November.
- **Philippines**: Bangko Sentral ng Pilipinas (BSP) will follow through with its previously announced rate hike decision. BSP Governor Medalla pre-announced his intention to hike the policy rate by 75bp two weeks ago to match the Fed's own move. We do not expect any surprises from BSP today with the policy rate set to increase to 5%.

## What to look out for: Fed speakers and US housing data

- 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)
- Fed's Waller, Bullard, Bowman, Mester, Jefferson, Kashkari speak (17 November)
- Japan CPI inflation (18 November)
- US existing home sales (18 November)

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