

Asia Morning Bites

Risk sentiment improves - but that could change rapidly. Reserve Bank of Australia minutes and Singapore NODX are out today



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** We questioned yesterday whether the US bond market was just pausing or doing more than that in what had been a fairly relentless march higher in yield. Today, with another 9.4bp on the 10Y to 4.706%, against a backdrop of fairly uninteresting macro, it feels like the ascent may be back on. The risk-off tone that permeated markets a few days ago seems to be dissipating thanks to a lot of shuttle diplomacy by Blinken and others in the region. However, all of this is before Israel mounts its ground offensive in Gaza, and that could turn sentiment rapidly sour again. US stocks also rose in what may be viewed in retrospect as the "eye" of the sentiment storm. The S&P 500 and NASDAQ both rose more than a percentage point. Chinese stocks had another off day, and the Hang Seng and CSI 300 were both down around a percentage point. Higher bond yields but slightly weaker USD also tie in with the better risk sentiment hypothesis. EURUSD rose to 1.0555. Other G-10 currencies were also stronger against the USD, though the JPY was a little softer – again in keeping with a better risk sentiment. Most of Asian FX pack was weaker yesterday against the USD, but that will probably shift today as they re-position for overnight currency swings in the G-10.
- **G-7 macro:** US retail sales today are the key release to watch today. With credit card

delinquencies on the rise and the resumption of student loan repayments in September, it seems likely that the numbers come in a little softer than recently. The consensus expectation is still for a 0.3% MoM increase, though only 0.1% MoM for the control group, which would be the second straight month of 0.1% MoM if it happened. Still, this would hardly represent a collapse. Elsewhere, we have August wage growth in the UK, which (ex-bonuses) was still growing by 7.8% YoY in July and is not predicted to slow in August. And Germany's ZEW survey, which is already at almost its pandemic and GFC lows, is expected to decline further today.

- **Australia:** The Minutes of the RBA's October policy meeting are due later. The next meeting on 7 November could be an interesting one, as inflation will probably still be rising according to the monthly series, and the quarterly numbers won't look very good either. It is doubtful that these minutes will contain any clues as to the outcome of that meeting, but it won't harm to look.
- **Singapore:** Singapore reports non-oil domestic exports for September and we're expecting another month of contraction. This will take the streak of negative growth to 12 as NODX suffers from dissipating global trade. NODX could fall by 15%YoY although this would be up by about 3pp from the previous month. We could likely see this trend persist for a bit longer due to still soft global demand which should in turn feed into soft GDP numbers.
- **Korea:** Import prices declined by 9.6% YoY in September (vs revised -9.2% in August) mainly due to a high base last year. On a monthly comparison, import prices continued to rise for a third month, rising 2.9% MoM NSA (vs revised 4.2% in August). The recent rise in commodity prices together with the weak KRW is the main reason for the import price pick-up and this number hasn't yet reflected the recent price surge due to rising geopolitical tension. Thus, we believe that import prices are highly likely to accelerate in the coming months, which will put more upside pressures on domestic inflation with a time lag.

What to look out for: US retail sales

- 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)

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