

Asia Morning Bites

China's 20th Party Congress remains in focus - delays to data



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Macro outlook

- **Global markets:** US stocks erased their losses from Friday's session, opening higher and then trading quite flat until the close. The S&P500 rose 2.65% and the NASDAQ was up 3.43%. Falling bond yields may have helped restore some confidence, and this may have been helped by tailwinds from the UK Gilts market, where new Chancellor, Jeremy Hunt, took an axe to the previous mini-budget and put the UK's finances on a sounder footing. 30Y UK Gilt yields fell 40.2bp, the 10Y dropped 35.7bp and 2Y Gilt yields declined by 33.3bp. 10Y European government bond yields declined by about 8bp on average, while the 10Y US Treasury yield was down just 0.8bp. Equity futures suggest that the positive tone will persist into today's trading, and this could help lift the EUR further. EURUSD rose to 0.9843 yesterday from about 0.972 and could be buoyed further if risk sentiment holds up. The AUD is trading just below 63 cents, after touching 0.6189 briefly yesterday. Cable has recovered all the way to 1.1356, though it looked as if it might hit 1.145 at one point yesterday. But the JPY seems to be looking at further weakness, missing out on the G-10 rallies, and edging ever closer to 150. The BoJ will be getting anxious after their recent jawboning seems to have fallen on deaf ears. Asian FX has lagged behind the G-10 rally, and will likely pick up the slack today. Yesterday, the VND was the weakest of the Asia pack, dropping as the central bank widened the trading band to 5% (from 3%) on either side of the fixing rate.

- **G-7 Macro:** It is very quiet on the G-7 calendar today. Germany's ZEW business survey is probably the main pick of the day. The expectations component of the survey is not far above the Global Financial Crisis low of -63.9, and could well push below that today. The consensus expects it to fall to -66.5.
- **China:** There are some delays to the economic data scheduled for release during the Party Congress. These include the customs export and import numbers, which were scheduled for release yesterday, as well as GDP, retail sales, industrial production, and fixed asset investment, which were previously scheduled for release today. We aren't concerned that the release in the data is because it is particularly weak. Although we don't expect it to paint a particularly positive picture of the Chinese economy when it is eventually released. Rather, the delay suggests that the government believes that the 20th Party Congress is the most important thing happening in China right now and would like to avoid other information flows that could create mixed messages.

What to look out for: RBA minutes and China's Communist Party Congress

- New Zealand inflation (18 October)
- Australia RBA minutes (18 October)
- China GDP and activity data (18-31 October)
- US industrial production (18 October)
- Malaysia trade balance (19 October)
- US building permits and housing starts (19 October)
- Fed's Bostic and Kashkari speak (19 October)
- Japan trade balance (20 October)
- Australia labour market data (20 October)
- China loan prime rate (20 October)
- Taiwan export orders (20 October)

- Bank Indonesia policy meeting (20 October)
- US initial jobless claims (20 October)
- Fed's Evans, Bullard and Kashkari speak (20 October)
- New Zealand trade balance (21 October)
- Japan CPI inflation (21 October)
- South Korea advance trade data (21 October)
- Fed's Jefferson, Cook and Bowman speak (21 October)

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