Asia Morning Bites

Japan's December inflation is in line with expectations. Malaysia is set to release trade and GDP data

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Global Macro and Markets

- **Global markets:** US Treasuries had a fairly quiet session on Thursday after recent swings. The 2Y yield is almost unchanged at 4.352%, while the 10Y yield edged 4bp higher to 4.142%. Fed funds futures still have more than 140bp of easing by the year-end and more than a 50% chance of a March hike, so there is still likely some unwinding of this to go before we can start thinking again about easing. The Atlanta Fed's Raphael Bostic joined the ranks of Fed speakers urging a cautious and pragmatic approach to easing. He suggested a 3Q start to easing. Bostic is a Fed voter this year. EURUSD has pushed slightly higher in the last 24 hours, getting above 1.09 at one point before settling back at just under 1.088 now. The AUD has also crept slightly higher to 0.6578 and Cable is also stronger at 1.2708, while the JPY has also made some gains, dropping to 148.06. The KRW is the best performer of the rest of the Asia FX pack at 1340. The THB was at the other end of the spectrum rising to 35.6 currently. There wasn't much action elsewhere. US stocks had a decent day. The S&P 500 rose 0.88% and the NASDAQ rose 1.35%. Chinese stocks were also brighter. The Hang Seng rose 0.75% and the CSI 300 gained 1.41% amid rumours of official support.
- **G-7 macro:** It was a pretty quiet day for macro releases yesterday, although there was a noticeable drop in US weekly jobless claims. Today we get the University of Michigan

consumer sentiment numbers and inflation expectations. The US also has existing home sales figures for December. The consensus expects marginal gains for both series.

- **Japan:** CPI inflation eased for a second month to 2.6% YoY in December (vs 2.9% in November, 2.5% Market consensus) mostly due to continued government subsidies for utilities and energy and a high base last year contributing as well. Core-excluding fresh food and Core-excluding fresh food & energy moved down to 2.3% and 3.7% YoY respectively, and were in line with the market consensus. The government's energy/utility subsidy programs have been the main reason for the recent inflation decline over the past two months and utility prices dropped even further to -13.2% in December (vs -11.4% in November). But we expect inflation to pick up again from February, mainly due to one-off utility price cuts last year. In a monthly comparison, inflation rose 0.1% MoM sa with goods and services all up by 0.2% and 0.1% each. We still see that underlying inflationary pressures are alive with the most notable rise in entertainment. But, the cooling inflation and the earthquake in Ishikawa will probably give the BoJ a reason to hold at its January meeting.
- **Malaysia**: 4Q23 GDP is published later today. The consensus 4.1% YoY estimate will deliver a 4% full-year growth rate, which is not too far below where we would estimate trend GDP to be, which, if it happens this way, won't be a bad outcome in what has been a difficult year.

What to look out for: Malaysia GDP and US University of Michigan sentiment

- Japan CPI inflation (19 January)
- Malaysia trade balance and GDP (19 January)
- US University of Michigan sentiment and existing home sales (19 January)
- Fed President Daly speaks (19 January)

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