

Asia Morning Bites

Fed easing can open the door for Asian central Banks to follow.
Australian labour data today



Asia Morning Bites

Global Macro and Markets

- **Global Markets:** After all the anticipation, the Fed did not disappoint, and delivered the 50bp cuts the markets had been pushing for. The market reaction was fairly muted, which is probably a good indication that the cuts were neither too excessive to needlessly juice risk assets nor too little to dispel recession concerns. The 50bp cut was, however, slightly odd given the run of recent data, which hasn't been all that bad, and even the Fed's assessment of the economy, which they view as having grown "at a solid pace". [Here is our longer note on the decision and what it all means for policy ahead.](#)

The Fed is now forecasting the Fed funds rate to decline to 4.4% by the year-end (a further 50bp of easing) and to cut a further 100bp in 2025 and another 50bp in 2026, taking rates down to 2.9%. This is a little lower than our house forecasts, though we acknowledge that the risks to our view probably lie on the downside. Longer-term rate expectations have, however, been revised higher.

[Here is a link to the Fed statement and projections.](#)

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The Fed's bold action should make it a lot easier for central banks in Asia to follow suit. The BSP in Manila has led the charge on this with a pre-Fed 25bp cut, and more is certainly possible before the end of the year. India's Reserve Bank and Bank Indonesia are probably the next most likely to follow suit quickly, as inflation remains well below policy rates. We also have an MAS meeting in October, where the chances of a shift to a shallower SGD NEER appreciation path looks quite likely.

The market reaction was, as previously noted, quite muted. Bond yields rose slightly. The 2Y US Treasury yield rose just 1.2bp yesterday, while the 10Y rose 5.8bp to 3.704%. Our strategists view curve steepeners as the way forward from here. EURUSD was fairly steady in the end at 1.1114 after an initial spike higher. Cable made some small gains to 1.32, but the JPY remained a little soft, and USDJPY rose to 142.53. Asian FX didn't show a lot of direction yesterday. Quite a few economies were still on vacation. China is back today, as is Hong Kong and South Korea so markets may be a bit more interesting. US equities did a bit of profit taking yesterday. The S&P 500 and NASDAQ were both down about 0.3%. Equity futures look more positive today.

- **G-7 Macro:** Besides the FOMC meeting, which we can now assign to history, it was a fairly quiet day for other G-7 Macro releases yesterday. There were no surprises from UK inflation data, which were in line with expectations. Final EU inflation was also in line. The US published housing starts and building permits, which were stronger than expected. The US publishes existing home sales data today.

Today, the Bank of England (BoE) meets. There is no expectation for any easing at today's meeting, which will leave Bank Rate at 5.0%. Recent inflation data have not shown enough progress for the BoE to ease again just yet.

- **Australia:** Labour data is due at 0930 today. As ever, this is something of a lottery. We are in the uncomfortable position of forecasting a figure close to the consensus median (ING f +30K, consensus +25K), which would be a slowdown from recent figures closer to 50K, but not a meaningful slowdown given the volatility of this data. The unemployment rate may edge higher though, which the consensus is not forecasting and that may be the more interesting element of today's release.
- **Taiwan:** Taiwan's Central Bank of China hosts its monetary policy meeting today. We are expecting that the benchmark interest rate will remain unchanged at 2.0%, given inflation has been relatively under control in the last few months. While no rate hike or cut is expected at this month's meeting, the odds are higher for a hike to the required reserve ratio or a tightening of lending criteria to cool the property market amid the recent surge of property prices.

What to look out for: US FOMC rate, UK Bank of England rate

September 19th

US: September FOMC rate decision, July total net TIC flows

Australia: August employment change, unemployment rate

UK: Bank of England Bank rate

Taiwan: September CBC Benchmark Interest rate

Philippines: August BoP overall

September 20th

Japan: August national CPI, September BoJ target rate

China: September 5-year and 1-Year loan prime rates

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