

Asia Morning Bites

South Korea's inflation comes in below expectations. US non-farm payroll release later tonight. Powell slated to speak again at the weekend



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Global Macro and Markets

- **Global markets:** Despite some reasonably strong data, US Treasury yields dipped slightly on Thursday. 2Y yields were down less than a basis point, but only after dropping below 4.14% and then recovering later on. 10Y yields followed a similar pattern of decline and recovery taking them down 3.2bp to 3.97%. Jerome Powell has a TV interview scheduled for the weekend, which could be interesting if he deviates from the recent message at the FOMC. Currencies also had a choppy day. EURUSD dropped below 1.08 at one point but is back up to 1.0874 now. Likewise, the AUD came close to dropping through 65 cents but has recovered to 0.6575 now. Cable did even better, finishing up on the day after a [less dovish than expected Bank of England meeting](#). The JPY was roughly unchanged at 146.47. Other Asian FX were evenly split with half making small gains, led by the PHP and THB, and half making small losses. The CNY has drifted up to 7.1805. US equities recovered their losses from the previous day. The S&P 500 rose 1.25%, while the NASDAQ gained 1.3%. Equity futures also look quite positive. Chinese stocks had a slightly more positive day. The Hang Seng rose 0.52%, but the CSI only managed a 0.07% gain.
- **G-7 macro:** [It was an interesting day for US macro yesterday](#), delivering support for both

hawks and doves on the rates outlook. On the dovish side, non-farm productivity rose, and there was also a slight increase in jobless claims figures. On the other hand, the manufacturing ISM rose strongly, even though it remained below the breakeven 50 level and there was a jump in the prices paid component too which jumped up to 52.9 from 45.2. The new orders index was also strong. Later today, there is the US labour report. Following the soft ADP figure earlier this week, there may be some downside risk to the consensus view of a decline in employment growth from 216K in December to 185K in January.

- **South Korea:** Consumer inflation eased to 2.8% YoY in January (vs 3.2% in December, 2.9% market consensus), back to the 2% level for the first time in six months. But the decline was mainly due to base effects, caused by a one-off energy bill hike last January. Core inflation, excluding agricultural products and oils, also levelled down to 2.6% (vs 3.1% in December). In a monthly comparison, inflation rose 0.4% MoM nsa in January after staying flat in December. Fresh food, utility, and service prices rose, more than offsetting the decline of manufactured food and gasoline prices. The government has decided to freeze utility fees at least for the first quarter of the year and offered some tax cuts on imported goods. If the conflict in the Red Sea escalates further, the fuel subsidy program could be extended beyond March, so the upside risk is quite limited in the near term. Today's slower-than-expected inflation probably won't change the BoK's hawkish stance any time soon. As mentioned earlier, if there were no government subsidies on energy and public services, CPI inflation would have been higher than it is today, and once these programs end, there may be a price spike later this year. So, choppy inflation ahead is expected. The BoK will likely take a wait-and-see approach to gather more evidence about the continued cooling of inflation.

What to look out for: US NFP and Powell interview

- South Korea CPI inflation (2 February)
- Australia PPI inflation (2 February)
- US NFP and University of Michigan sentiment (2 February)

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