

Asia Morning Bites

Asian market sentiment is so far shaking off the worsening geopolitical tension



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Global Macro and Markets

- **Global Markets:** Despite Ukraine launching an ATACMS missile launch against a target inside Russia, and following the lowering of Russia's nuclear response threshold, plus damage (deliberate?) to some undersea data cables linking Germany to Finland and Sweden, global markets held their nerve yesterday. US Treasury yields were little changed over the day, and US equities managed some respectable gains ahead of the NVIDIA earnings announcement today. Gold and Bitcoin both made some gains, though overall, market sentiment was not convincingly "risk-off". EURUSD dropped to 1.0524 but quickly recovered to 1.06. Cable and the JPY followed the same path as EURUSD, strengthening before returning to roughly their starting position for the day. The AUD made steadier gains as [the latest RBA minutes continued to pour cold water on early rate cut thoughts](#). AUDUSD is now 0.6536.

Asian FX had a mixed day on Tuesday. The THB led the pack, gaining more than half a per cent. There were also smaller gains for the TWD and KRW. But the PHP lost ground and the RMB was also slightly weaker. USDCNY is now 7.2394.

- **G-7 Macro:** Yesterday was very quiet for G-7 Macro releases. The US published some weaker-than-expected housing starts and permits numbers for October, but there wasn't

much else to focus on. Today isn't much better. UK inflation may be the pick of the day for G-7 Market releases, along with German PPI data. Progress on core CPI in the UK is slow, though some further improvement is forecast for this latest figure for October. The Eurozone also publishes some wage data today.

- **Japan:** Japan exports rebounded a stronger than expected 3.1% YoY in October (vs -1.7% in September and 1.0% market consensus). By region, exports to Asia grew 7.6% while exports to the US and EU dropped -6.2% and -11.3% respectively. By items, semiconductor machinery jumped 42.6% while motor vehicle exports declined -0.9%. The export data suggest that global demand for IT and semiconductors remains strong, but the weakness in car exports raises concerns about weakening consumer demand. However, we read this auto data cautiously as we believe the weakness was partly due to supply disruptions in Japan. The stronger-than-expected growth signals 4Q24GDP will stay on a recovery path.
- **China:** China will announce its loan prime rates this morning. With no cuts to the benchmark 7-day reverse repo rate this month, the 1-year and 5-year LPR are widely expected to be held unchanged at 3.1% and 3.6% respectively. The odds of another rate cut within 2024 have declined, and we expect the PBOC to stand pat as the last two months of economic data have shown signs of stabilisation. Our current global scenario predicts that US tariffs on China will not start until 3Q25 at the earliest (and potentially as late as 1Q26) and are phased in. As a result, we are looking for just 20bp of cuts in 2025, with room for more cuts in the case of a full-blown trade war breaking out earlier than expected.
- **Indonesia:** Bank Indonesia (BI) will conclude its rate-setting meeting today. Policy rates are currently 6.0%, which is high relative to both regional norms and the prevailing inflation rate which is below 2%. But the IDR has been fairly weak since early October, and until that changes, we probably won't see any more easing from them. That said, there are a couple of forecasters taking a punt on a 25bp rate cut, so a cut remains a tail risk.

What to look out for: Australia Westpac leading index, Indonesia BI-rate, South Korea PPI

November 20th

Australia: October Westpac leading index

China: November 5-Year loan prime rate, 1-Year loan prime rate

Indonesia: November BI-rate

Japan: October exports, imports, trade balance

S. Korea: October PPI

Taiwan: October export orders, 3Q BoP current account balance

November 21st

Indonesia: 3Q BoP current account balance

S. Korea: November exports 20 days, imports 20 days

November 22nd

India: November HSBC India manufacturing PMI, composite PMI

Japan: October national CPI, November Jibun Bank manufacturing PMI

Taiwan: October unemployment rate

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