Asia Morning Bites

Japan and Korea show stronger export data thanks to chip-making equipment, semiconductors and cars. Australia's wage price index comes in a bit higher than expected in 4Q23 and Bank Indonesia will likely leave rates unchanged today

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Global Macro and Markets

- **Global markets:** The lack of any notable macro data on Tuesday led to a very subdued Treasury market. 2Y Treasury yields traded just 2.9bp lower, while the 10Y yield fell 0.4bp to 4.275%. EURUSD has risen back above 1.08 and was up to almost 1.0840 at one point yesterday before settling lower to its current level. The AUD and GBP both followed a similar path, ending up stronger on the day, though off their highs. The JPY has also benefited from USD weakness and is back below 150. Other Asian FX was pretty quiet on Tuesday. The CNY benefited from the USD weakness and is down to 7.1925, despite yesterday's unexpected 25bp cut to the 5Y LPR. The MYR and TWD bucked the regional trend and both made slight losses against the USD. The IDR was also a little softer ahead of today's Bank Indonesia rate meeting. US Equities continue to struggle. The S&P 500 lost 0.6% and the NASDAQ fell 0.92%. Chinese stocks rose. The Hang Seng rose 0.57% and the CSI 300 rose 0.21%.
- **G-7 macro:** It is another very quiet day for Macro in the G-7. The US has nothing out of note. The UK releases public finance data for January.
- **Australia**: The 4Q23 wage-price index rose 0.9%QoQ, in line with the market view, though

the year-on-year rate came in a little higher thanks to positive rounding, at 4.2% rather than the 4.1% expected. The Reserve Bank of Australia (RBA) will probably be more comforted by the quarterly slowdown in wages (the 3Q23 wage price index rose 1.2% QoQ), rather than the year-on-year figures. That said, it was notable that the RBA talked about a possible further rate hike in the minutes of their February meeting, so we shouldn't write off the wage growth data entirely. The next couple of months could see inflation creeping higher again, and conversations about possible further rate hikes may get a little louder

- **Japan:** Exports rose more than expected in January, rising by 11.9% YoY (vs 9.7% December, 9.5% market consensus) with encouraging signs in the detail of the report. By destination, exports to China rose the most (29.2%) mostly driven by chip-making machinery, while strong auto exports resulted in solid export gains to the US (15.6%) and EU (13.8%). By export item, chip-making equipment (8.1%), semiconductors (6.8%), and motor vehicles (16.1%) rose notably. Imports dropped -9.6% YoY in January (vs -6.9% in December, -8.7% market consensus) partially due to falling commodity prices. The seasonally adjusted trade balance recorded a surplus for the first time since May 2021, supporting our view that 1Q24 GDP will rebound smartly led by exports.
- **South Korea:** In the first 20 days of February, exports declined by -7.8% YoY. But this decline was due to the lunar new year holiday and daily average exports rose 9.9% YoY indicating that the underlying trend continues to improve. Despite unfavourable calendar effects, chip exports jumped 39.1%.
- Other than export data, business surveys suggest strong exports will continue in the coming months. Following yesterday’s upbeat consumer survey results, today’s business survey also gave a positive message for manufacturing. The seasonally adjusted manufacturing BSI outlook rose firmly by 4 pts to 76 with an improved outlook for both exports and domestic demand. Despite this, financial conditions were expected to worsen, reflecting tight credit availability. The outlook for the non-manufacturing BSI edged down 1 pt to 70, declining for a second month.
- In a separate report, the producer price index rose 0.5% MoM nsa and 1.3% YoY in January. Fresh food prices rose the most (9.8% YoY), but service prices also accelerated (2.2% YoY). Fruit and vegetable prices led the jump in food prices ahead of the Lunar New Year holiday while higher telecommunications and media subscription fees were the main reason behind the service price gain. Based on pipeline price data, we expect CPI inflation to rise in February.
- **Indonesia:** Bank Indonesia (BI) is widely expected to keep rates unchanged today. Governor Warjiyo has preached patience on potential rate cuts although he did share that he would be open to easing policy by the second half of the year. BI will likely keep rates untouched for as long as IDR remains pressured.

What to look out for: Australia wage data and Bank Indonesia meeting

- South Korea PPI and 20-day exports (21 February)
- Japan trade balance (21 February)
- Australia wage price index (21 February)
- Indonesia BI policy (21 February)
- US MBA mortgage applications (21 February)
- Fed’s Bostic speaks (21 February)
- Fed minutes (22 February)

- Australia Judo PMI (22 February)
- Japan Jibun PMI (22 February)
- India PMI (22 February)
- BoK policy meeting (22 February)
- US initial jobless claims and existing home sales (22 February)
- Fed's Jefferson speaks (22 February)
- Malaysia CPI inflation (23 February)
- Singapore CPI inflation (23 February)
- Fed's Bowman, Harker, Cook, Kashkari, Waller speak (23 February)

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