

Asia Morning Bites

Malaysia to try to form a coalition government after the General Election results in a hung parliament



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Macro outlook:

- **Global Markets:** Friday did not mark a convincing spell for US equities, and although bourses opened up, they quickly lost ground, before staging a turnaround which left the S&P500 up by less than 0.5%, and the NASDAQ virtually unchanged. Equity futures are similarly lacking in a convincing directional steer today. US Treasury yields were more emphatic, with sizeable increases in yields across the curve, which may in time become the driver for a new down-leg in risk assets. 2Y Treasury yields gained 8.1bp while the 10Y rose 6.3bp to 3.829%. It's not clear what if anything is driving this latest pick-up in yields. The main quoted Fed speaker over the latest period was Raphael Bostic, whose thoughts of a slower pace of tightening ahead and peak Fed funds rate of 4.75%-5% is hardly game-changing. G-10 currencies are a mixed bag. The EUR lost a little ground to the USD in the face of these higher bond yields and Fed rate hike expectations. EURUSD is now 1.0327, down from about 1.0360 this time Friday. The AUD is only slightly weaker, at 0.6679, while Cable has picked up slightly to 1.1886 though the JPY has weakened back above 140 and is now 140.31. Asian FX rates haven't done a lot. The CNY is a bit stronger against the USD following Friday's moves which have brought it back down to 7.1198, and that has probably helped pull along the THB for the ride, which is now 35.814.

- **G-7 Macro:** It was a quiet end to the week for G-7 Macro, and the existing home sales figures for the US showed further declines, but were roughly in line with expectations, so didn't change the story much. Today is equally devoid of macro interest, with a quick glance only merited for the Chicago Fed national activity index, which is likely to signal a slightly sub-trend growth reading.
- **China:** We expect banks in China to keep the 1Y and 5Y Loan Prime Rates (LPR) unchanged at 3.65% and 4.30%, respectively, given that the PBoC stayed put on the 1Y Medium-term Lending Facility (MLF) rate at 2.75% a week ago.
- Covid cases have climbed again. This increases the risk of more localised lockdowns even though Covid measures have been eased. This is because quarantine still depends on the number of positive Covid cases. With more relaxed Covid measures it is not surprising to see the number of cases increase. However, this should not trigger a reversal of the policy direction towards further easing of Covid policies in 2023.
- **Taiwan:** Export orders should remain in year-on-year contraction as demand for semiconductors reflects softer demand in the US and Europe and uncertainty in China.
- **South Korea:** Preliminary (first 20-day) export data has shown exports falling to their weakest since the April 2020 pandemic-induced slump. 20day November exports were 16.7% lower than a year ago, reflecting the weakness of demand in China, Europe, and to some extent the US, as well as the downturn in global semiconductor demand. Imports also fell by 5.5%YoY, which sends a downbeat message about the state of domestic demand, which could yet influence the BoK's rate-setting intentions.
- **Malaysia:** The General Election has not resulted in a clear majority for any party, and today, we will see if talks between former Prime Minister Muhyiddin Yassin's Perikatan Nasional (PN) Party, which came in second place, and a number of other smaller parties, will be enough to form a coalition government, or whether Anwar Ibrahim's Pakatan Harapan (PH) coalition, which gained the most seats, can draw in enough support to form a government. Newswires expect a decision later today. The MYR is currently being sold on concerns about a lack of stable government.

What to look out for: Chicago Fed national activity indicator and South Korea's trade balance

- South Korea advance trade balance (21 November)
- China loan prime rate (21 November)
- Thailand GDP (21 November)
- Taiwan export orders (21 November)
- South Korea consumer confidence (22 November)
- Taiwan unemployment (22 November)

- US Richmond Fed manufacturing index (22 November)
- Singapore 3Q GDP final and core inflation (23 November)
- Thailand trade balance (23 November)
- US durables goods orders, new home sales, University of Michigan sentiment and initial jobless claims (23 November)
- Japan PMI (24 November)
- Korea BoK policy meeting (24 November)
- Japan Tokyo CPI inflation (25 November)
- Malaysia CPI inflation (25 November)

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