

Asia Morning Bites

After the FOMC, Bank Indonesia and BSP also meet to discuss rates - though neither is expected to hike today.



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** The Fed's hawkish pause last night has given US Treasury yields a further upward push. 2Y yields rose 8.6bp to 5.176%, while the 10Y rose just 4.8bp to 4.407%. The questions now are, is this as far as it gets? Does this "higher for longer" pricing that the markets have now embraced crack under some weaker macro news? Or does it persist? And if it persists, can it go much higher? There is still some room for upside, as markets only have a 58% probability of a rate hike priced in this year, and of course, that could go to 100% if the Fed actually hikes. And there is still room to remove easing priced into 2024 - though there isn't much left here. So the topside is clearly getting a bit squashed, and it does feel that there is now a lot more downside possible. [Read here for JK's update on last night's FOMC and why he still believes that there won't actually be another hike.](#)
- Equity markets didn't like Powell's message, and the S&P 500 and NASDAQ both dropped, falling 0.94% and 1.53% respectively. Equity futures suggest further declines at today's open. Chinese stocks were also down yesterday. The Hang Seng fell 0.62% and the CSI 300 fell 0.4%.
- The Fed meeting did cause the USD to rally against the EUR, but it had been weakening in

the run-up to the meeting, and the swing downwards has only taken it slightly stronger than it was this time yesterday, at 1.0652. That picture also holds for the AUD, which is only slightly lower than yesterday. The GBP is more meaningfully weaker at 1.2329 following some lower-than-expected inflation figures yesterday, which have cast doubt on thoughts of a further Bank of England rate hike at their meeting today. [See this from James Smith for more on the BoE meeting.](#) The JPY is also weaker at 148.30, shrugging off yesterday's verbal interventions. Other Asian FX mostly saw small losses against the USD yesterday. The CNY actually made some slight gains – with investors perhaps anticipating some pushback from the PBoC after the FOMC's hawkish pause.

- **G-7 macro:** With the exception of the FOMC meeting, which we noted above, there wasn't much else going on in macro-land yesterday. Today, is also relatively quiet. We do have the Bank of England meeting, where a pause is looking more likely than it did after a slight undershoot to the August inflation numbers. We also have weekly jobless claims figures from the US, 2Q23 US current account data and US existing home sales for August. There isn't much else going on.
- **Indonesia:** Bank Indonesia (BI) meets later today to decide on policy. We expect BI to keep rates unchanged at 5.75% with Governor Warjiyo looking to support the IDR. The pause may also be justified by the sharp uptick in food inflation in August. We expect BI to be on hold for the rest of the year unless the Fed decides to hike again before the end of 2023.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) also holds a policy decision today. BSP Governor Remolona appeared to signal a pause today although we believe he prefers to project a hawkish leaning. A surprise flare-up in inflation in August should prompt a "hawkish hold" from Remolona who vowed to tighten should conditions warrant further action.

What to look out for: Regional central bank decisions

- New Zealand GDP (21 September)
- South Korea trade (21 September)
- Bank Indonesia policy (21 September)
- Bangko Sentral ng Pilipinas policy (21 September)
- Taiwan CBC policy (21 September)
- Bank of England policy (21 September)
- US initial jobless claims and leading index (21 September)

- Japan CPI and PMI (22 September)
- Australia PMI (22 September)
- Malaysia CPI (22 September)
- BoJ policy (22 September)

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