

Asia Morning Bites

Korean business sentiment slides further, Singapore 3Q22 GDP revised lower, Taiwan exports likely to contract



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Macro outlook

- **Global Markets:** Despite yet another barrage of Fed comments that fit into the “higher-for-longer” category, equity markets re-found their mojo on Tuesday. Both Esther George and Loretta Mester gave fairly mainstream speeches highlighting the Fed’s commitment to curbing inflation, with George noting that the relatively high level of US household savings meant that the Fed may have to raise rates more than otherwise. That didn’t stop the S&P500 and NASDAQ both gaining 1.36% on the day, though equity futures are suggesting that this might be enough for now, with small losses indicated at the opening. Some small declines in bond yields won’t have hurt risk-market sentiment. 2Y US Treasury yields edged down 1.7bp while the 10Y dropped 7.1bp taking it back down to 3.756%. Nor at all surprisingly given all the above, the USD has lost ground to the G-10 currencies. EURUSD is back above 1.03, the AUD is up to 0.6645, Cable is higher at 1.1884, and the JPY has pulled back to 141.22. Asian FX has mostly followed suit, led by the THB (36.1145) and CNY (back down to 7.1399). Catch-up for some of the laggards is probable this morning.
- **G-7 Macro:** Today we get a slew of purchasing manager data from Eurozone countries as well as the US, and also the University of Michigan consumer sentiment survey for November, complete with inflation expectations and then new home sales. In the early

hours of tomorrow morning Asia time, we get the minutes of the November FOMC meeting.

- **Taiwan:** Industrial production for October will probably contract on a year-on-year basis. This is due to weak demand for semiconductors, which these days are an early indicator of demand for goods in general. Our estimate is -8.5%YoY, vs the consensus of -2.75%YoY. Export orders have been in contraction for two consecutive months. Industrial production in the coming months should remain in contraction as we expect the US and Europe to slow further, while the Chinese economy still needs time to recover.
- **South Korea:** Business sentiment for manufacturers hit a two-year low in December, with the Bank of Korea's (BoK) survey index falling to 69 (vs 73 for November), while sentiment for services also declined slightly, down by 1pt to 77 (vs 78 for November). Small/medium-sized companies and exporters have a darker business outlook compared to large companies and domestic demand-focused companies. Recently-released data taken together (weak early November export data, weak consumer and business sentiment and slowing inflation expectations) support our call for only a 25bp hike by the BoK tomorrow and a contraction in GDP this quarter.
- **Singapore:** October inflation data is set for release today. The market consensus points to core inflation staying flat at 5.3%YoY although the headline number could soften to 7%YoY (from 7.5%) as base effects kick in. Despite the dip in the year-over-year number, prices may have picked up by 0.2% from the previous month suggesting that price pressures remain persistent. Elevated core inflation should keep the Monetary Authority of Singapore (MAS) hawkish while the MAS monitors the impact of its recent string of tightening.
- Meanwhile, 3Q GDP was revised down to 4.1% from the initial estimate of 4.4%YoY. The downward revision reflects softer global trade activity and the negative impact of high inflation.
- **Australia:** The Preliminary November PMI indices have all weakened. The manufacturing index is down from 52.7 to 51.5, but more importantly, the service sector PMI, which had just drifted below the threshold 50 mark to register 49.8 in October, has fallen further to a weak-looking 47.2. This results in a composite PMI for November of 47.7. It looks as if the Australian economy is finally slowing in response to the Reserve Bank of Australia's (RBA) tightening.
- **New Zealand:** The Reserve Bank of New Zealand (RBNZ) meeting due at 0900 SGT/HKT is widely expected to deliver a 75bp increase to the cash rate, taking the target rate to 4.25%. CPI inflation is currently 7.2%YoY (3Q22).

What to look out for: Fed minutes and US data dump

- RBNZ cash rate (23 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)

- Fed meeting minutes (24 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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