

Asia Morning Bites

Expectations for a CNY2tr support package for China's beleaguered stock market have halted the downward momentum for now. Japan's trade data showed exports beating expectations



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Global Macro and Markets

- **Global markets:** HK and Mainland China equities rallied yesterday after reports emerged of state support, with rumours of a 2 trillion CNY or (~278 USDbn) stabilisation fund. The timing of market stabilisation is not unexpected, as the Hang Seng Index (HSI) was approaching (and the SHCOMP and CSI 300 already dipped below) 2022 lows. What is new is the quantifying of the potential scale of intervention, which helped boost markets. HSI finished the day up 2.6%, with smaller gains in the CSI 300 and SHCOMP of around 0.4% and 0.5% respectively. USDCNY and USDCNH both strengthened slightly to around 7.17. Other Asian FX was mixed. The KRW was probably lifted by the stronger CNY. In our view, if the Chinese support funds are indeed mobilised, we will get a short-term positive impact that will help to arrest the downward momentum, but it may be difficult to mobilize the entirety of the proposed CNY 2tn target. Furthermore, for a more sustainable rally, we likely need to see further clarity on potential stimulus policies to be released later in the year. Sentiment remains fragile for now. US Treasuries had another quiet day on Tuesday. 2Y yields dropped just 2.3bp, while their 10Y counterparts rose by the same amount taking the 10Y yield to 4.128%. EURUSD fell sharply towards the 1.0820 level before bouncing and is currently

around 1.0859. G-10 currencies followed a similar pattern, which left Cable and the JPY a little weaker over the last 24 hours but the AUD ended slightly stronger at 0.6583. US stocks made further slight gains on Tuesday. Both the S&P 500 and NASDAQ rose by less than 0.5%. US equity futures look quite positive today.

- **G-7 macro:** Tuesday was a pretty quiet day for macro with the exception of the BoJ meeting, where [Governor Ueda left the door open to some normalisation later this year](#). There is a raft of PMI data out from the G-7 today.
- **Japan:** Japan's exports rose by 9.8% YoY in December (vs -9.2% November, 9.2% market consensus). Exports to major destinations such as the US (20.4%), the EU (10.3%), and China (9.6%) all increased quite sharply. Base effects for Japan's exports were positive, but we think the recovery in semiconductors and solid auto exports were the main reasons for the strong outcome. What is remarkable is that exports to China rebounded for the first time in 13 months. Earlier, Korea's December exports to China also rebounded. We think regional trade with China is slowly recovering. Given the weak economic conditions in China, the recent export improvement could be related to the global semiconductor cycle. Meanwhile, imports declined by 6.8% YoY (vs -11.9% in November, -5.4% market consensus), with the trade balance recording a small surplus of JPY 62.1bn. Today's better-than-expected trade outcome will likely be translated into improvements in 4Q23 GDP.
- **South Korea:** Consumer sentiment unexpectedly improved for a second month and the index climbed to 101.6, above the long-term average of 100. Domestic asset markets, including both equities and properties underperformed and news of restructuring of a construction company could also be affecting sentiment. But consumer confidence appears to have recovered, perhaps on expectations of interest rate cuts and inflation falling in the coming months. Five out of the six sub-indices rose, except for spending plans, which stayed unchanged. Inflation expectations, watched closely by the BoK, dropped to 3.0% (3.2% in December), and will likely help ease some of the BoK's concerns about inflation and enable them to operate their monetary policy more flexibly. However, we still doubt that the upbeat CSI will lead to a private consumption recovery in the near future.

What to look out for: Japan trade balance and BNM policy

- Australia Westpac leading index (24 January)
- Japan trade balance and Jibun PMI (24 January)
- Malaysia BNM policy (24 January)
- US MBA mortgage applications (24 January)
- South Korea GDP (25 January)
- Japan department sales (25 January)
- ECB policy meeting (25 January)
- US GDP, durable goods orders, initial jobless claims, new home sales (25 January)
- Japan Tokyo CPI inflation (26 January)
- Philippines trade (26 January)
- Singapore industrial production (26 January)
- US PCE deflator, pending home sales and personal spending (26 January)

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