Asia Morning Bites

Japan's inflation quickens to 3.3% but misses forecasts. Singapore reports industrial production later on, which is expected to contract

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Global macro and markets

- **Global markets:** With the US out on holiday yesterday, global markets aren't very exciting today. European government bond yields pushed higher by about 6-7bp at the 10Y part of the curve. 2Y European government bond yields rose about 2-4bp. The USD was a little softer yesterday, and EURUSD drifted up to 1.0906. Other G-10 FX was also slightly stronger vs the USD, except for the JPY which remained flattish at about 149.53. USDCNY also moved lower and is now 7.1476. European stocks made small gains yesterday in the region of 0.2%. Chinese stocks also gained. The Hang Seng was up nearly a per cent and the CSI gained 0.48%.
- **G-7 macro:** The main releases yesterday were a swathe of European PMI numbers, which broadly speaking edged higher, but remained in contraction settings. Our European Economist, Bert Colijn, writes that he believes the Eurozone is in a shallow recession. Germany will also release its Ifo business survey later today. The consensus of forecasts looks for a small gain, which would be in line with yesterday's PMI data. There is very little out for the US, only the S&P PMIs.
- **Japan:** Consumer price inflation reaccelerated to 3.3% YoY in October (vs 3.0% in September, 3.4% market consensus), for the first increase in four months. On a monthly

comparison, inflation rose 0.7% MoM (sa), the fastest growth ever (except during periods when indirect taxes are raised), with increases in both goods (1.3% MoM sa) and service prices (0.2% MoM sa). The price gains were across almost all items. The reduced government subsidy for utility bills was a major reason for the sharp rise. Accommodation and entertainment also rose meaningfully thanks to strong demand from inbound tourists while tight room supply continued. Lastly, the rise in import prices due to the weak JPY is probably also leading to the overall domestic price increases. Today's outcome fell short of the market consensus but was clearly against the BoJ's projection that inflation would slow by the year-end. Also, although most of the upward pressures came from supply-side factors, service prices also increased meaningfully. Both the government and the BoJ will be concerned about higher-than-expected inflation. The government's efforts to curb price increases will continue with an extension of energy subsidies until next April and they are also suggesting tax benefits for low-income households. Meanwhile, we believe the BoJ will move away from its super-accommodative stance next year. We believe that the BoJ may scrap the Yield Curve Program as early as 1Q24, as JGBs appear to have stabilized, following the UST trend, then begin its first rate hike in 2Q24 if wage growth continues to accelerate next year.
- **Singapore:** October data on industrial production is set for release today. Industrial production is expected to remain in annual contraction by about 2.3% YoY and lower by 0.4% from the previous month. Production has largely tracked the struggles of the export sector and we will only likely see a meaningful rebound once global demand recovers.

What to look out for: Singapore industrial production

- Japan Jibun PMI 24 (November)
- Malaysia CPI inflation (24 November)
- Singapore industrial production (24 November)

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