

## Asia Morning Bites

Sentiment lifts stocks for a second day, but conviction on the next move seems lacking



## Asia Morning Bites

Source: shutterstock

### Macro outlook

- **Global Markets:** A second consecutive day of gains for US stocks has taken the S&P500 to the 23.6% retracement level of its drop from December. Gains from here could signal a more significant recovery, though equally, this could mark the top in the latest move and set up stocks for a renewed push lower. Equity futures are not sending a strong directional signal. And the US Treasury market is also providing very few pointers. 10Y US Treasury yields are fairly steady at just below 4.25%, while yields on 2Y US Treasuries have dropped back from nearly 4.65% on Friday to just over 4.50% now following weaker US data. Markets have responded positively to news of the new UK Prime Minister, Rishi Sunak. 10Y and 30Y Gilt yields are down about 30bp, while the 2Y Gilt yield is about 24bp lower. Cable has also rallied back to just above 1.13, while EURUSD has climbed back to 0.9888 and the AUD is roughly where it was at this time last Friday at 0.6328, having taken a brief peek above 64 cents yesterday. The JPY is sharply lower at 148.85 with occasional spikes lower consistent with Bank of Japan intervention starting soon after the yen looked like it would breach 152. Asian FX was mostly soft against the USD on Monday. The Offshore Renminbi led yesterday's declines in Asia.
- **G-7 Macro:** Widespread weakness was evident in the PMI indices published yesterday across

the developed markets, though perhaps the sharp decline in the US service sector PMI is a silver lining in this bad news if it means slower Fed hikes and perhaps a lower peak Fed funds rate? This could be one reason that equity markets are finding some support. Today, US house price inflation data for August should show the decline in house prices accelerating and the year-on-year house price inflation data dropping. October's US Conference Board consumer confidence data may also point to some cracks in the household sector.

- **China:** After President Xi's power consolidation, it seems that the market is worried that Xi may continue with restrictive policies. We have [commented that there should be no big change in policy direction](#) with the new top government team. We also expect the yuan to be weaker.
- **Taiwan:** The TWD is also likely to be weaker following weak Industrial production data at -4.83%YoY in September. Semiconductor manufacturing growth is set to contract in the coming months with an expected drop in orders for laptops and weaker orders for smart devices.
- **South Korea:** The composite consumer sentiment index slid to 88.8 in October (vs 91.4 in September) with all sub-components falling except for spending plans. Among the expectation components, household income and the domestic economic situation declined the most. Inflation expectations over the next 12 months increased to 4.3% in October (vs 4.2% in September). It seems like inflation expectations peaked in July (4.7%), but are still anchored above 4%. We think this will justify the Bank of Korea hiking 25bp next month. The possibility of another 50bp hike has lowered on the back of stabilizing inflation expectations and signs of tightening financial market conditions.
- **Singapore:** September inflation data is set for release today. The market consensus points to headline inflation steady at 7.5%YoY while core inflation could accelerate further to 5.3%. Elevated core inflation should keep the Monetary Authority of Singapore (MAS) on a hawkish bias. After a string of moves, the MAS will continue to monitor price developments to determine whether additional tightening would be necessary.

## What to look out for: ECB meeting and US GDP

- Singapore CPI inflation (25 October)
- Hong Kong trade (25 October)
- US conference board confidence (25 October)
- Australia CPI inflation (26 October)
- South Korea GDP (27 October)
- China industrial profits (27 October)
- ECB meeting (27 October)
- US durable goods, initial jobless claims and 3Q GDP (27 October)
- Tokyo CPI inflation (28 October)
- Australia PPI inflation (28 October)
- Taiwan GDP (28 October)
- US personal spending, core PCE and Univ of Michigan sentiment (28 October)

## Authors

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.