

Asia Morning Bites

Japan's January inflation exceeds expectations, raising expectations for an April rate hike. Taiwan export orders and retail sales figures from Korea are also out today



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** After declining last Friday, US Treasury yields edged higher yesterday, though not by much. The 2Y yield rose 2.9bp to 4.718% and the 10Y yield rose 3.1bp to 4.28%. EURUSD has jumped higher despite the increase in US yields and is now 1.0849. For once, the AUD has not followed, and lost ground yesterday, sliding to 0.6538. Cable was choppy, but finished a little higher at 1.2681. The JPY on the other hand was weaker, rising to 150.70. Most of the Asia FX pack was weaker yesterday. The PHP and IDR lost between 0.2-0.3%. The CNY was roughly unchanged at 7.1975. US equities traded a little softer yesterday, in line with the futures indication. US equity futures look slightly negative again today. Chinese stocks reverted to a declining path again yesterday. The Hang Seng lost 0.54% on the day while the CSI 300 dropped 1.04%.
- **G-7 macro:** There was nothing particularly noteworthy out from the G-7 yesterday. Today, the US releases a variety of house price data as well as the Conference Board's consumer confidence survey and some regional business surveys. There are two Fed speakers on the calendar later today. Only one of them (Schmid) will talk about the monetary policy outlook, while the other (Barr) will talk about counterparty credit risk.

- **Japan:** Consumer prices rose 2.2% YoY in January (vs 2.6% in December, 1.9% market consensus). Headline inflation eased in January, but less than expected. This will support market speculation for an April rate hike and the JPY's moves this morning reflect the market expectations. In contrast to the earlier Tokyo inflation data, national inflation showed a pick-up in services prices. On a monthly basis, the seasonally adjusted CPI was unchanged, with goods prices down -0.1% and service prices up 0.4%. We expect inflation to rebound to close to 3% in February due to last year's government energy subsidy program. As a result, inflation for the next few months will be quite choppy and it will be difficult to read the underlying trend in inflation. We will see more trend-like inflation moves from the April data, which is one of the reasons why the BoJ is likely to review the April inflation outcome (to be released in May).
- As for the BoJ's rate decision, today's result increases the likelihood of an April hike. Moreover, Governor Ueda mentioned last week that he believes that the Japanese economy is in a virtuous cycle where inflation will rise and wage growth and employment will strengthen, sending signals to the market that the BoJ is preparing to exit Yield Curve Control (YCC) and the negative interest rate policy (NIRP). We expect the data to be mixed – weak consumption vs strong exports. We expect consumption data to be on the soft side in the coming months, which should be a key concern for the BoJ and delay its first rate hike to June instead of April.
- **Taiwan:** Export orders data will be released this afternoon. We anticipate export orders seeing a smaller contraction on the month, up from -16.0% YoY in Dec to -2.0% in Jan. The strength of export orders could confirm if relatively strong trade growth in January will be sustainable. The 4Q23 current account balance as well as Jan money supply data will also be released in the afternoon.
- **Hong Kong:** Trade data will also be released in the afternoon. Due to a favourable Lunar New Year effect, markets are expecting a sharp acceleration in both exports and imports to over 20% each. Hong Kong's export data is usually of minor importance to markets as it is released relatively late, but this month's data may be useful in gauging how China's January exports performed via the re-exports.

What to look out for: Taiwan export orders and Hong Kong trade

- Taiwan export orders (27 February)
- Hong Kong trade (27 February)
- US durable goods orders and Conference board consumer confidence (27 February)
- Australia CPI inflation (28 February)
- New Zealand RBNZ (28 February)
- Hong Kong GDP (28 February)
- US GDP and core PCE (28 February)
- Japan retail sales and industrial production (29 February)
- Australia retail sales (29 February)
- Thailand trade (29 February)
- Taiwan GDP (29 February)
- India GDP (29 February)
- US initial jobless claims and PCE (29 February)
- Japan labour data (1 March)
- South Korea trade (1 March)
- Regional PMI (1 March)

- China PMI non-manufacturing and manufacturing, Caixin PMI (1 March)
- Indonesia CPI inflation (1 March)
- US ISM and University of Michigan sentiment (1 March)

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