

## Asia Morning Bites

Core Australian inflation rises in October, and IDR comes under pressure as tariff concerns grow



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### Global Macro and Markets

- **Global Markets:** Monday's dramatic rally in bond prices saw a mild reversion on Tuesday. 10Y yields were up 2bp to 4.30% while yields on the 2 year UST were down 1bp to 4.256%. This still leaves yields well off the highs seen in previous weeks. And we continue to anticipate a market preference to do some more downside testing for yields in the coming weeks. Trade talks are clearly heating up with president-elect Trump tweeting that he will impose tariffs of 25% on all goods from Mexico and Canada and additional tariffs of 10% on goods from China (already subject to tariffs). This has shifted the risk of more action coming sooner than end of 4Q - which we were previously expecting. EURUSD fell below 1.05 and the USD strengthened against most currencies especially the Mexican peso and IDR. The IDR might flirt with 16K levels today. Equity markets were buoyed by some US consumer confidence data that rose to the highest in a year and markets appeared to look past the tariff talk. The S&P 500 and NASDAQ were both up about 0.6%, with gains led by consumer discretionary and software.
- **G7 Macro:** FOMC minutes showed broad support for a careful approach to future rate cuts. The Conference Board's confidence gauge rose 2.1 points to 111.7 this month. The figure was in line with the median estimate. November's increase was mainly driven by more positive consumer assessments of the present situation, particularly the strong labour

market. Today we get another data point that will impact the Fed's thinking – the core personal consumer expenditure deflator. This favoured measure of inflation incorporates contributions from both the CPI report and the PPI report, and given the data we have had, it points to a 0.3% MoM outcome. We need the MoM rate to average 0.17% MoM over time to bring the annual rate down to 2%, so a 0.3% outcome is too hot for the Fed to be completely comfortable with the inflation story.

- **Australia:** A mixed bag for Australian October, inflation, as the headline inflation rate remained at 2.1% for a second month (lower than expected) but the trimmed mean rate rose from 3.2% to 3.5%. All in all, there is nothing in this to shake our thoughts that the RBA will remain on the sidelines until next year.

## What to look out for: Australia CPI, China industrial profits, Philippines budget balance

### November 27th

Australia: October CPI

China: October industrial profits

Philippines: October budget balance PHP

### November 28th

S Korea: November BoK base rate

November 29th

India: 3Q GDP, October fiscal deficit

Japan: October jobless rate, retail sales, industrial production November Tokyo CPI, consumer confidence index

Taiwan: 3Q GDP

China: November composite and manufacturing PMI (November 30th)

S Korea: November imports, exports, trade balance (December 1st)

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