

## Asia Morning Bites

The Bank of Korea will likely leave policy rates unchanged again later today - but the outlook is less certain



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### Global Macro and Markets

- **Global Markets:** 10-year Treasury yields declined about 5bp to about 4.26%, while the 2 year yield was down by 3bp to 4.22%. The Bloomberg Dollar Spot Index fell 0.7%, but the US equity rally took a breather after a seven-day rally. The S&P 500 was down 0.4% and Nasdaq down 0.6% while the “Magnificent Seven” mega caps slid nearly 1%, with Nvidia Corp., Tesla Inc. and Microsoft Corp. leading losses. Asia markets fared netter. Some of the Asian currencies posted an impressive comeback. The PHP was 0.5% stronger at 58.7 and the KRW and MYR both gained about 0.4% vs the USD. On equities both China (CSI 300) and Hong Kong (Hang Seng) equities were up about 2%.
- **G7 Macro:** The data in focus was the US October core PCE deflator, which came in at 0.3% MoM, and 2.8% YoY - in line with the Bloomberg consensus and our expectations. Other data was also solid. Weekly applications for US unemployment benefits came in lower than expected. The market moves then appear to indicate that with inflation coming in line with expectations, the market expects the Fed will cut 25bps in December rather than not.
- **Australia:** [The latest October monthly inflation figures for Australia delivered a 2.1%YoY inflation rate](#), lower than expected. Markets weren't particularly moved by the numbers,

likely because electricity subsidies had a big role to play (about 1.3pp contribution to headline) in the softer reading. Core inflation, where the RBA is probably focused more than headline rates inched higher to 3.5% (from 3.2%). Bottomline – the RBA won't be in a rush to cut rates, and we think 1Q25 is the earliest they can ease, with a good probability that this gets pushed out further. Governor Michelle Bullock will speak later today.

- **South Korea:** The Bank of Korea (BoK) meets today, and we expect them to keep the key rate at 3.25%. Looking at the market consensus, 18 out of 22 economists call for a rate hold and just 4 are calling for a 25bp cut. Although the majority of market participants expect no rate action today, overall market views on the BoK outlook are mixed. One side argues that the BoK should act preemptively before global headwinds hit the economy, as domestic demand conditions are already weak with inflation now below 2%. The other side argues that cutting rates too quickly could put more depreciation pressure on the won. We are in the latter camp. We believe that the BoK will closely monitor both capital flows and real economic conditions for now.

## What to look out for: South Korea BoK base rate,

### 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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