Asia Morning Bites

The MAS kept policy settings untouched to start a week that features regional PMI readings and GDP reports

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Global Macro and Markets

- **Global markets:** US Treasury yields rose steadily on Friday despite the softer-than-expected core PCE numbers (see below). 2Y yields rose 5.6bp, while those on the 10Y rose just 1.9bp taking them to 4.137%. Pushback on the March rate cut at this week's FOMC meeting could see rate cuts priced out further which could lift yields. The March cut is still slightly more than 50% priced in. EURUSD was a bit erratic on Friday, dropping below 1.0820 before pushing back over 1.0880 and then settling down again. It is currently 1.0846 – not much different than it was at this time Friday. G-10 currencies are also mostly not much different over the last trading session, though the JPY is a bit weaker at 148.03. There isn't much to report elsewhere in Asia, except for the PHP which made modest gains on Friday after a week of losses. It is currently 56.320. US stock markets failed to maintain forward momentum on Friday, and both the S&P 500 and NASDAQ remained roughly unchanged. US equity futures are currently indicating falls at today's open. Chinese stocks reverted to declines on Friday after several days of increases following RRR cuts and more talk of support including restrictions on lending certain shares for short selling. The Hang Seng fell 1.6%, while the CSI 300 fell 0.27%.
- **G-7 macro:** The US personal income and spending figures on Friday showed US households

continuing to spend freely, with spending growth in December (0.7% MoM) exceeding income growth (0.3% MoM), though the core PCE inflation rate fell more than expected on some helpful rounding, dropping to 2.9% YoY from 3.2%. There is not much of any relevance on the G-7 macro calendar today, though the week ahead is extremely busy, with both an FOMC meeting (more on that here) as well as non-farm payrolls and the usual payrolls-related high-frequency data (ADP, ISM etc).
- **China**: China released its industrial profits data over the weekend, ending 2023 at -2.3%. While this was still negative, it was the 10th straight month of improvement and there is hope that industrial profits have bottomed out. Among the 41 industries, 27 saw positive, while 14 saw negative profit growth. By ownership, SOEs saw a decline of -1.2%, foreign-owned enterprises saw profits drop by -6.7%, while private enterprises had a 2.0% gain. Overall, manufacturers' profits declined 2% in 2023, but there was significant divergence by industry. Chemicals (-35.1%), pharmaceuticals (-15.1%), and computer & communication equipment (-8.6%) reported significant declines in profit, while petroleum (26.9%), nonferrous metals (28.0%), and electrical machinery and equipment (15.7%) managed solid profit growth.
- **Singapore:** The Monetary Authority of Singapore (MAS) kept settings untouched today, a move widely expected by market participants. The MAS remains wary of inflation pressures but we could see some adjustments before the end of the year should core inflation moderate.

What to look out for: Regional PMI and US NFP

- US Dallas Fed manufacturing activity (29 January)
- Japan unemployment (30 January)
- Australia retail sales (30 January)
- US JOLTS and Conference board consumer confidence (30 January)
- South Korea industrial production (31 January)
- Japan retail sales and industrial production (31 January)
- Australia CPI inflation (31 January)
- China PMI manufacturing and non-manufacturing (31 January)
- Philippines GDP (31 January)
- Singapore unemployment (31 January)
- Taiwan GDP (31 January)
- US ADP employment (31 January)
- US FOMC meeting (1 February)
- South Korea trade (1 February)
- Regional PMI (1 February)
- Indonesia CPI inflation (1 February)
- China Caixin PMI (1 February)
- BoE meeting (1 February)
- US initial jobless claims and ISM manufacturing (1 February)
- South Korea CPI inflation (2 February)
- Australia PPI inflation (2 February)
- US NFP and University of Michigan sentiment (2 February)

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com