

# Asia Morning Bites 29 November 2022

Fed speakers dial up hawkishness ahead of Powell on Wednesday



## Asia Morning Bites

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### Macro outlook

- **Global Markets:** Fed speakers were turning up the hawkish dial on Monday ahead of Fed Chair Powell's speech on Wednesday, at which there is a good chance he will dial it up to 11. John Williams told reporters he was raising his expectations for rates. James Bullard, who has already gone on record as saying that rates could go up to 7%, said he thinks markets are underpricing the risks of a more aggressive Fed. Loretta Mester added that the Fed was nowhere near a pause in their rate-hike campaign, and Lael Brainard said that the Fed needed to lean against the risk of inflation expectations becoming unanchored. Coupled with protests in China over the zero-Covid policy and the prospects for this and rising Chinese Covid cases and lockdowns resulting in probable further supply constraints, and it is no wonder US stocks fell by a about 1.5% yesterday. Bond markets, which tend to be a bit more cerebral and a bit less emotive, are not buying into this hawkishness just yet though. 2Y US Treasury yields dropped 1.4bp and the 10Y yield remained roughly unchanged at 3.681%. EURUSD went on a roller coaster ride yesterday, and came close to 1.05, before retreating to 1.0345, a little lower over the whole 24 hour period. It was more of a straight line slide for the AUD, which is now back to 0.6654, and the GBP also dropped precipitously to 1.1964. The JPY followed the EUR's moves, dropping at one point to 137.50 before rising back to 138.75, though remains a little stronger than a day ago. The Asia FX pack were broadly weaker vs the USD yesterday. The CNY recovered slightly after its very weak start to

end at 7.2069. while the KRW gapped up to 1340 from 1325.

- **G-7 Macro:** Preliminary German inflation data for November is due out today, and could show a slight decline from the October harmonized index rate of 11.6%YoY. That said, ECB President, Christine Lagarde, is adopting the same playbook as the Fed right now, saying that she would be surprised if Eurozone inflation had peaked. Her comments were echoed by Governing Council member, Klaas Knot, who said that the risks to inflation were entirely skewed to the upside. Other releases today include 3Q22 Canadian GDP and September US house price data.

## What to look out for: Fed speakers and US jobs report

- Japan labour data and retail sales (29 November)
- Taiwan GDP (29 November)
- US Conference board consumer confidence (29 November)
- South Korea industrial production (29 November)
- Japan industrial production (29 November)
- Fed's Williams and Bullard speak (29 November)
- China PMI manufacturing and non-manufacturing (30 November)
- Bank of Thailand policy meeting and trade (30 November)
- India GDP (30 November)
- US ADP employment and pending home sales (30 November)
- Fed's Bowman speaks (30 November)
- South Korea 3Q GDP and trade (1 December)
- Regional PMI (1 December)
- China Caixin PMI (1 December)
- Indonesia CPI inflation (1 December)

- US personal spending, initial jobless claims and ISM manufacturing (1 December)
- Fed's Cook, Bowman, Logan, Barr and Powell speak (1 December)
- South Korea CPI inflation (2 December)
- Fed's Evans speaks (2 December)
- US non-farm payrolls (2 December)

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