

Asia Morning Bites

Asia eases into holiday mode, as the US possibly eases into government shutdowns



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Global Macro and Markets

- **Global markets:** US Treasury yields fell yesterday, and that, perhaps, provided stocks with some support, and they rallied. Yields on 2Y US Treasuries fell 7.7bp, reversing the previous days increases. Yields on the 10Y UST also fell by 3.3bp to 4.575%. A government shutdown is looming, and there don't look to be many avenues to a resolution without at least some temporary shutdown, and that may be weighing on US Treasury yields. [Our NY team have written a very good note](#) detailing what this means for the economy and markets. The S&P 500 rose 0.59%, while the NASDAQ rose 0.83%. EURUSD moved a little higher after briefly pushing below 1.05 yesterday, and is now back up to 1.0562, and the AUD has followed it back above the 64 cent level to 0.6428. GBP has also risen back above 1.22, though only just, and the JPY has nosed slightly down, but at 149.30, is still worryingly close to the 150 level which it feels the Bank of Japan wants to avoid crossing. Asian FX was mostly slightly down against the USD yesterday, but it may move in line with overnight G-10 moves today. The CNY came down to 7.298 ahead of extended holidays, and China is out now until the week after next.
- **G-7 macro:** Final US GDP data didn't cause too much disruption. The main annualised growth figure for 2Q23 was unchanged at 2.1%, though within this there was much weaker

consumption growth (0.8%), and the core quarterly PCE index was unchanged at 3.7% (saar). Initial jobless claims dropped back to just over 200 thousand which doesn't look like it is consistent with a slowing economy, at least not yet. The UK also releases final 2Q23 GDP data today. The earlier estimated 0.2% QoQ growth rate is expected to be maintained. We get monthly PCE deflator data for the US later today. The core PCE inflation rate is expected to decline to 3.9%YoY from 4.2% - further progress, but still almost twice as high as it is supposed to be. The headline PCE inflation rate will likely increase from 3.3% to 3.5%. University of Michigan consumer confidence data finishes up the week in the G-7. After the earlier sharp dip in expectations from the Conference Board data, it will be interesting to see if this is echoed in these figures.

- **Japan:** Tokyo CPI data for September, which provides a reliable steer for later national CPI data, showed the headline inflation rate declining marginally to 2.8% from 2.9% the previous month. This decline was less than had been forecast. The core rate was a bit better though. Excluding fresh food and energy, inflation declined to 3.8% from 4.0%. Japan also released jobs data. The jobless rate remained unchanged in August at 2.7%, and the job offers to applicants ratio was also unchanged at 1.29. Retail sales for August grew by 7.0% YoY, which is unchanged from July, but better than had been expected, and although August industrial production growth declined to -3.8% YoY, this was also not as bad as had been predicted. So all in all, this was a respectable set of data for Japan.
- **India:** Deficit data for August is due later tonight. As ever, the key will be how they compare to similar data last year when the deficit reached INR2tr. India's deficit target of 5.9% GDP is still on target, with growth holding up well and no surprises as yet on the deficit front.

What to look out for: US Michigan sentiment and India fiscal deficit

- Thailand trade (29 September)
- India fiscal deficit (29 September)
- US University of Michigan sentiment, personal spending (29 September)

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