

Asia Morning Bites

Korean inflation rebounds but remains low enough to keep rate-cut thoughts alive for early 2025



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Global Macro and Markets

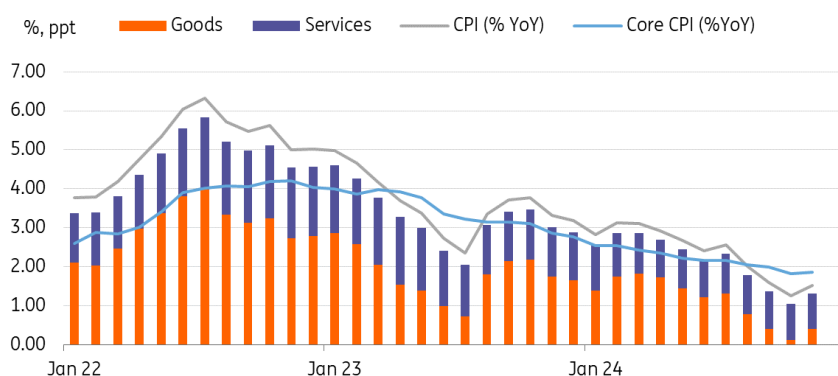
- **Global Markets:** On an inconclusive data day, markets read what they wanted to into some comments from Fed speakers and the macro releases. Treasury bond yields rose slightly, despite the Fed's Christopher Waller and John Williams suggesting they leaned towards another cut in December. The dataflow was from the manufacturing ISM, and was a positive surprise, though it also contained elements suggesting price moderation, so it could have been read either way. EURUSD tracked back to 1.05 and most of the G-10 currencies were also softer against the USD. The JPY remained steadier than most at just under 150 as markets continued to react to the hints from Governor Ueda that December may see further rate hikes from the Bank of Japan. Other Asian FX was weaker across the board. USDCNY rose to 7.2740 and the INR rose to 84.7. The THB and KRW were towards the bottom of the Asian pack. US equities managed to make small gains. The S&P 500 rose 0.24% and the NASDAQ rose 0.97%. It was a better day for Chinese stocks too. The Hang Seng rose 0.65% and the CSI 300 rose 0.79%.
- **G7 Macro:** The latest US manufacturing ISM index rose to 48.4 from 46.5, and there was a similar rise in the S&P PMI index. Both indices remained below the threshold 50 level though, signalling that both remain in contraction, though at a more moderate pace. There was better news in the prices paid component, which dropped sharply, probably reflecting softer

energy prices. There is not much to watch out for today – just the backwards-looking JOLTS job opening data from the US.

- South Korea:** Korean inflation rebounded but less than expected and has been below the BoK's target since September. Consumer price inflation picked up 1.5% YoY in November (vs 1.3% in October, 1.7% market consensus) mainly due to last year's low base. On a monthly basis, inflation dropped -0.3% MoM NSA (vs 0% in October, -0.1% market consensus). Meanwhile, core inflation excluding food and energy also rose 1.9% (vs 1.8% in October, 1.9% market consensus). The downside surprise mainly came from a sharp stabilization of fresh food prices. The decline was partially offset by higher gas prices as fuel tax cuts were reduced.

Looking at recent data releases, export momentum is slowing, domestic activity remains quite weak, and inflation remains below 2%. Inflation looks like it will be subdued for a considerable time. All this points to further rate cuts by the BoK. After a total of 50bp of cuts in Q4, we expect the BoK to pause in January and resume its rate cuts in February.

Korean consumer inflation is expected to stay below the BoK's target for a considerable time



Source: CEIC, ING estimates

What to look out for: Australia account balance, Japan monetary base, South Korea CPI

December 3rd

Australia: 3Q BoP current account balance

Japan: November monetary base

S Korea: November CPI

December 4th

Australia: October GDP

S Korea: November foreign reserves

December 5th

Australia: October imports, exports, trade balance

Philippines: November CPI

Singapore: October retail sales

S Korea: 3Q GDP

Taiwan: November CPI, PPI, foreign reserves

US: Fed releases Beige Book

December 6th

Australia: November foreign reserves

Indonesia: November foreign reserves

India: December RBI repurchase rate, RBI cash reserve ratio, November foreign exchange reserves

Japan: October labour cash earnings, leading index CI, coincident index

Philippines: October unemployment rate, November foreign reserves

Singapore: November foreign reserves

S Korea: October BoP current account balance

US: December U. of Mich sentiment

China: November foreign reserves (November 7th)

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

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