

Asia Morning Bites

China markets reopen after the lunar new year holidays.
Tech earnings could drive trading direction ahead of major central bank meetings later this week



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Macro outlook

- **Global Markets:** Helpful US PCE inflation data on Friday helped offset mixed earnings news to enable the S&P500 to make some small gains on Friday (+ 0.25%). The NASDAQ gained 0.95%. Chinese markets re-open today after the Lunar New Year Holidays, and the government's aims to boost consumer spending this year could further help stocks in associated sectors. The Hang Seng Index finished 0.54% higher on Friday. India's stock markets bucked the positive trend across the region in response to a now well-publicized short-seller report and subsequent rebuttal by one of India's biggest stocks. Bond markets were fairly quiet on Friday ahead of this week's [big central bank meetings](#) and [debt ceiling talks](#). The 2Y US Treasury saw yields rise 1.6bp while the 10Y bond yield rose less than a basis point to 3.503%. EURUSD has also been fairly steady, currently at 1.0870. Other G-10 currencies are fairly steady too, though there was quite a lot of volatility in the GBP on Friday ahead of this Thursday's [Bank of England rate decision](#). Asian FX was mixed on Friday, but outside the THB and IDR, which lost some ground to the USD, moves were mostly very slight.
- **G-7 Macro:** As mentioned, the PCE deflator data on Friday helped to quell inflation fears. The

December core PCE inflation figure dropped to 4.4% from 4.7%, taking the 4Q average to 4.7%, below the Fed's forecasts from the December FOMC meeting. [See more here from James Knightley on this and the slowdown in consumer spending](#). Germany releases preliminary 4Q22 GDP data today. The median forecast for this is for zero growth quarter on quarter.

- **China:** The Netherlands and Japan will join the US on export controls of advanced chip manufacturing equipment to China. In the short term, China does not have the capacity to expand or upgrade semiconductor chip manufacturing. But at the same time, it means that China knows that it must put R&D of semiconductors and equipment at the core of its national strategy. Also on policy, the government wants growth, and primarily, it wants it from consumption. Local governments are being encouraged to implement measures to increase employment and therefore consumption. We also do not rule out preferential consumption policy, e.g. consumption of household appliances. The PBoC has also extended its re-lending programme for clean coal for this year. This is to ensure sufficient power supply during the economic recovery.

What to look out for: FOMC meeting

- New Zealand trade balance (30 January)
- South Korea industrial production (31 January)
- Japan retail sales and industrial production (31 January)
- Australia retail sales (31 January)
- China manufacturing and non-manufacturing PMI (31 January)
- Taiwan export orders (31 January)
- US Conference board consumer confidence (31 January)
- New Zealand unemployment (1 February)
- South Korea trade balance (1 February)
- Japan Jibun PMI (1 February)
- Regional PMI manufacturing (1 February)
- China Caixin PMI manufacturing (1 February)

- Taiwan industrial production (1 February)
- Hong Kong GDP (1 February)
- Indonesia CPI inflation (1 February)
- US ADP employment change (1 February)
- ISM manufacturing (1 February)
- FOMC meeting (2 February)
- South Korea CPI inflation (2 February)
- ECB policy meeting (2 February)
- US initial jobless claims, durable goods orders and factory orders (2 February)
- Japan Jibun PMI services (3 February)
- China Caixin PMI services (3 February)
- Singapore retail sales (3 February)
- US non-farm payrolls and ISM services (3 February)

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