

Asia Morning Bites

Japan's labour report sends mixed signals, and Australia's retail sales rebound strongly downwards in December



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Global Macro and Markets

- **Global markets:** Markets: US Treasury yields have been bumping around recently, and yesterday they took a turn lower. The 2Y yield dropped 3.1bp while the 10Y yield fell 6.3bp to 4.074%. The fall in yields, especially at the back end, may have been helped by lower estimates for net Treasury issuance which were released yesterday. This appears to owe to stronger tax revenue receipts which are being buoyed by the robustness of the US economy. The re-funding schedule also was weighted towards the front end of the yield curve, which will have helped 10Y yields to drop. More details on re-funding will emerge on Wednesday morning US time. EURUSD pushed sharply lower through most of yesterday but recovered most of its decline in late trading and is now 1.0836. The AUD has pushed higher though, rising to 0.6615. The JPY is also stronger. The JPY is now down to 147.40, while Cable is not much changed. other Asian FX was mostly stronger on Monday, led by the KRW and THB. US stocks rediscovered their mojo on Monday, probably helped by the weaker yields backdrop. The S&P 500 rose 0.76% and the NASDAQ rose 1.12%. Equity futures look positive currently, though they were a misleading indicator yesterday. Chinese stocks were mixed yesterday. The Hang Seng rose 0.78%, but the CSI 300 fell 0.9%.
- **G-7 macro:** While yesterday's macro calendar was a non-event, today's will be much more

eventful. There will be a lot of GDP releases in Europe, including France and Germany and the Eurozone aggregate, and the numbers could show Germany and Europe in a technical recession. Eurozone confidence figures out as well won't do much to improve the mood, and are expected to stay downbeat. The US has house price data from CoreLogic which will show house price growth continuing. And there is also the US Conference Board's consumer confidence report and JOLTS job openings. The tone of US data should be markedly more upbeat than that from Europe.

- **Japan:** The jobless rate edged down to 2.4% in December (vs 2.5% in November and market consensus) suggesting that labour market conditions remain tight. But the details are not as good as the headline suggests. The jobless rate fell as people dropped out of the labour force (-220k). Employment also declined (-120k). The jobs-to-applicants ratio, which measures labour demand, also inched down to 1.27 in December (vs 1.28 November, market consensus), recording a second monthly decline. To sum up, we don't think labour market conditions have improved in December but remain relatively good. We still see solid wage growth potential for FY 2024, especially boosted by various policy support measures and we expect the BoJ's first rate hike in 2Q24.
- **Australia:** Retail sales for December staged a bigger-than-expected statistical rebound following their 1.6% MoM increase in November (which itself was revised down from an initial 2.0%). The headline sales figure fell 2.7% MoM, which was more than the 2.0% fall expected. Together with the weaker recent jobs figures and with a big fall likely at this week's release of December inflation, this could encourage thoughts of more easing by the Reserve Bank of Australia this year.

What to look out for: Australia retail sales

- 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)

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