

Asia Morning Bites

Relatively quiet day in Asia in terms of data reports but Asian FX laggards could make up some ground following G-10 moves



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Global Macro and Markets

- **Global markets:** Fed Chair, Jerome Powell, tried to sound a hawkish tone at his speaking event on Friday, talking down the likelihood of rate cuts. But markets latched onto a remark that policy was now “well into restrictive territory” as a clue that there was a greater chance of rate cuts next year than Powell was letting on. 2Y Treasury yields plunged 14.2bp to 4.538%, while the yield on 10Y Treasuries dropped 13.1bp to 4.196%. So far, there has been no obvious response from EURUSD, which you’d imagine would rise given the magnitude of this fall in US bond yields. However, the falls were matched very closely by falls in European bond yields on Friday too, as markets seem to be swinging around to the idea of meaningful ECB cuts as well. The AUD rose sharply though, rising to 0.6687. Cable was also up to 1.2721. And the JPY has plunged to 146.33, its strongest since 11 September. Asian FX was mixed on Friday, though we can expect the laggards (KRW, TWD and MYR) to make up ground today. The rest of the pack will also likely follow the G-10 lead. Rising rate cut expectations gave US stocks another reason to rally on Friday, though the gains were relatively muted. The S&P 500 and NASDAQ rose slightly over half a per cent.
- **G-7 macro:** Friday’s main data release was the manufacturing ISM index. This was unchanged at 46.7, a weaker outcome than had been expected. With non-farm payrolls

due on Friday, the drop in the employment index from 46.8 to 45.8 probably carried more weight than the increase in the new orders index from 45.5 to 48.3. Both indices, as well as the headline, remain in contraction territory. Today is relatively light for macro data. We get the final US durable goods orders figures for October, along with the October factory orders figures which are derived from them.

- **China:** China Evergrande Group is due to have its future determined today by a Hong Kong court hearing to determine whether a creditor request for the company to be wound up will be granted. The Group has outstanding liabilities of around \$327bn. Liquidation will place China's housing market, which has been showing signs of declining at a more rapid pace in recent months, under further downward pressure.
- **India:** Ahead of next year's lower house elections, India's ruling BJP party has won three state elections at the weekend, taking two of them from opposition parties.

What to look out for: South Korea GDP and China Caixin PMI services later in the week

- US durable goods and factory orders (4 December)
- South Korea GDP (5 December)
- Japan Tokyo CPI inflation and Jibun PMI services (5 December)
- Philippines CPI inflation (5 December)
- China Caixin PMI services (5 December)
- RBA meeting (5 December)
- Singapore retail sales (5 December)
- US JOLTS and ISM services (5 December)
- Australia GDP (6 December)
- Taiwan CPI inflation (6 December)
- US ADP employment and trade balance (6 December)
- Australia trade (7 December)China trade (7 December)

- Thailand CPI inflation (7 December)
- US initial jobless claims (7 December)
- Japan GDP (8 December)
- India RBI meeting (8 December)
- Taiwan trade (8 December)
- US NFP (8 December)

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