

Asia Morning Bites

Risk aversion dominates markets at the start of the new year. It's a quiet day in Asia today. US ISM manufacturing data starts the pre-non-farm-payrolls data run



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Macro outlook

- **Global Markets:** A very tentative start to the New Year from risk assets. US equities made small declines (S&P500 -0.4%, NASDAQ -0.76%), though there were gains in Asian markets (CSI 300 +0.42% and Hang Seng +1.84%), despite the weak Caixin PMI data out of China. Yields on US Treasuries also hinted at some caution from investors. 2Y yields fell 5.6bp, and 10Y yields declined 13.6bp to 3.739%. Currency markets also echoed this rather gloomy backdrop, with EURUSD pushing back down to 1.0545, the JPY is up slightly to 131.31, the AUD has pulled back to 0.6719, and Cable is back below 1.20. Most of the Asian FX pack lost ground to the USD yesterday, though the losses outside of the G-10 currencies were modest. The THB actually strengthened 0.58% on China re-opening hopes, and the VND also picked up some ground.
- **G-7 Macro:** German inflation for December came in below expectations in December, registering a 9.6%YoY growth rate, down from 11.3% in November. This follows a 1.2%MoM decline in the price level. The decline was mostly driven by lower oil and gasoline prices ([see also this note](#)). France releases December inflation data today. US manufacturing ISM data together with US auto sales rounds off a quiet day.

- **China:** The season of converting the dollar to CNY has come. Export receipt conversion should start around three weeks before the first day of the Chinese New Year (which this year starts on 22 January) and end around one week before that as manufacturers need to pay bonuses before workers leave factories for the holidays. That means demand for yuan in the onshore market should increase.

What to look out for: FOMC minutes

- Japan Jibun PMI (4 January)
- Hong Kong retail sales (4 January)
- US ISM manufacturing (4 January)
- FOMC minutes (5 January)
- Philippines CPI inflation (5 January)
- Thailand CPI inflation (5 January)
- China PMI services (5 January)
- Singapore retail sales (5 January)
- US ADP, trade balance and initial jobless claims (5 January)
- Taiwan CPI inflation (6 January)
- US non-farm payrolls, ISM services, durable goods and factory orders (6 January)

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