

Asia Morning Bites

China Caixin PMI numbers and Indonesia's GDP are set for release on Monday. Also on the data release schedule are Australia trade and Singapore retail sales



Asia Morning Bites

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Global macro and markets

- **Global markets:** Given the magnitude of the eye-popping payrolls release on Friday, it wasn't wholly surprising that 10Y US Treasury yields shot up on Friday. The most surprising aspect of the rise in yields was that it was not bigger. 10Y yields rose 14bp to 4.020%, which was pretty modest all things considered, while 2Y yields rose 16bp to 4.364%. Markets are only pricing in 22% of a 25bp rate cut for the March meeting. The "right" number is zero, though it will probably bubble at low positive levels until the March FOMC is history. The dollar got a decent boost from the payrolls numbers and EURUSD has dropped down to 1.0788 its lowest since mid-December. All other G-10 currencies also took a beating on Friday. The AUD is now back down to low 65 cent levels having pushed up above 66 cents just before the release. Cable has dropped to 1.2633 and the JPY is back up to 148.38. Quite a few Asian currencies were up against the USD on Friday and have not yet reflected the dollar's surge and will drop in early trading this Monday. The CNH has weakened, spiking up to 7.2158. Monday's fix will be interesting to see how hard the PBoC leans against this. The US equity market liked the payrolls figure, although it almost certainly consigns a March cut to the trash can. The S&P 500 rose 1.07%, and the NASDAQ was up 1.74%. Equity futures

look quite positive for the start of the new week. Chinese stocks had yet another down day. The Hang Seng fell 0.21% and the CSI 300 fell 1.18%.

- **G-7 macro:** The non-farm payrolls figure for January came in at 353K (185K expected) with the December reading revised up from 216K to 333K. So with two-thirds of a million jobs created in just two months, the Fed is not surprisingly not going to be rushing into any rate cuts. There was no change to the unemployment rate (3.7%) and hourly wages rose to 4.5% (from 4.3%, revised up from 4.1%) [Here is James Knightley with more on this and what it means](#). It is a relatively quiet week ahead for G-7 Macro.
- **China:** The CSRC held a meeting over the weekend, where it indicated it would continue to take measures to maintain capital market stability and prevent abnormal market fluctuations. Measures mentioned included cracking down on market manipulation and malicious short selling, increasing controls on new listings and facilitate the delisting of companies to improve the quality of listed companies, as well as guiding more medium to long-term funds to enter the market. The frequency of these statements may indicate market stabilization is becoming more important for policymakers. Formalization of a potential market stabilization fund could provide a short-term boost for markets but investor sentiment remains downbeat for now, awaiting improvement in fundamentals. On the data side, China's Caixin services and composite PMI will be released this morning. We expect it to be relatively stable from last month's data.
- **Singapore:** We expect December retail sales to dip slightly, reversing a surprisingly strong pickup the previous month. Retail sales could slip by roughly 2%YoY due to still elevated inflation and we can expect retail sales to stay subdued early this year as well.
- **Indonesia:** Consensus pegs 4Q23 GDP to settle at 5.0% YoY, up slightly from 4.9% YoY in the previous quarter. Robust consumption will likely support overall growth, mirrored in solid retail sales numbers reported for December. Meanwhile, PMI readings point to sustained expansion for the manufacturing sector. We can expect growth momentum to pick up early this year, driven by election-related spending.

What to look out for: China Caixin PMI, Australia trade and Indonesia GDP

- Australia trade (5 February)
- China Caixin PMI (5 February)
- Indonesia GDP (5 February)
- Singapore retail sales (5 February)
- US ISM services (5 February)
- Japan labour cash earnings (6 February)
- Philippines CPI inflation (6 February)
- Australia RBA (6 February)
- Taiwan CPI inflation (6 February)
- Taiwan trade (7 February)
- US trade balance (7 February)
- Japan BoP balance (8 February)
- China CPI inflation (8 February)
- India RBI policy (8 February)
- US initial jobless claims (8 February)

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