Asia Morning Bites

Australian 3Q23 GDP comes in soft; Moody's negative China outlook will likely dominate risk sentiment today. Taiwan CPI out later

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Global macro and markets

- **Global markets:** US Treasury markets continued to rally on Tuesday, helped by declines in Eurozone bond yields as one of the ECB's more hawkish board members (Isabel Schnabel) noted that further hikes were "unlikely". US yields were then given an additional downward push by some soft JOLTS job opening figures. 2Y Treasury yields fell 5.9bp to 4.577%, while 10Y yields fell 8.8bp to 4.165%. The slightly bigger falls in Eurozone bond yields helped EURUSD to decline to 1.0793 and that has also led AUD to decline to 0.6553, Cable to drop to 1.2593, while the JPY stayed fairly steady at 147.18. As the EURUSD move has more to do with EUR weakness than USD strength, these G-10 moves look unnecessary, and a case could probably be made for these other currencies to appreciate against both the EUR and USD, especially those where rate cuts are not on the agenda (JPY) or will be later and probably less than in the US (AUD). The KRW also weakened on Tuesday, rising back to 1311.20. The IDR was also softer at 15505, as were most of the other Asian FX pairs. There may be a bit of further weakness today, though for the same arguments as for the G-10, the rationale for this is quite weak, and we wouldn't be totally surprised to see this go the other way. Equities didn't know which way to turn yesterday, given the weak labour demand figures but the lower bond yields, and the S&P 500 ended the day virtually unchanged. The NASDAQ made a small gain of 0.31%. Chinese stocks were battered by the outlook shift to negative from Moody's, which pointed to the rising debt levels and higher deficits China is adopting to try to underpin the property sector. Though the decision on Evergrande's winding up was postponed until January, which could have provided some relief. The Hang Seng fell 1.91% and the CSI 300 fell 1.90%.

- **G-7 macro:** As mentioned, the JOLTS job openings data showed a large decrease in vacancies, to 8733K in October (for which we already have non-farm payroll data) from 9553K in September. The service sector ISM index was actually a little stronger than in October, rising to 52.7 from 51.8, and the employment subindex rose to 50.7 from 50.2, though this has little correlation with month-on-month directional payrolls trends. After a rare "hit" with its weak reading last month, attention may revert back to the ADP employment data later today. A 130K increase is the latest consensus estimate. The consensus for Friday's non-farm payrolls is higher at 187K, with an unchanged unemployment rate of 3.9%. Outside the US, German factory orders and Eurozone retail sales are the main releases, along with a Bank of Canada rate decision (no change expected to the 5% policy rate).
- **Australia:** 2Q23 GDP slowed from a 0.4%QoQ pace in 2Q23 to only 0.2% in 3Q23, weaker than the 0.5% consensus estimate (ING f 0.3%). A more negative contribution to GDP from net exports in data revealed yesterday was the main clue that the figure was going to undershoot. Yesterday's RBA no change statement showed no additional sign that the RBA is done hiking rates and merely repeated the previous language. Today's GDP data slightly increases the probability that rates have peaked – however.
- **Taiwan:** November CPI inflation should show a further moderation, dropping to 2.80% from 3.05% in October. We don't see this having any impact on the central bank's policy rates for the time being though.

What to look out for: Australia GDP and US jobs numbers

- 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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