

Asia Morning Bites

Payrolls shock and balloon pop to dominate today's trading



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Macro outlook

- **Global Markets:** Once again, US non-farm payrolls caught markets off guard, with a surprisingly strong headline figure which drove up US bond yields and caused the USD to strengthen. 2Y US Treasury yields rose 18.4bp to 4.289%, while 10Y yields rose 13.2bp to 3.525%. EURUSD dropped back below 1.08, and the USD also rallied against other G-10 currencies. The AUD is back below 70 cents at 0.6925. Cable has fallen all the way back to 1.0250 and the JPY shot back above 132, though has since settled back to 131.67 this morning. Part of that JPY move may have been on speculation about BoJ Governor Kuroda's successor, as BoJ incumbent and continuity candidate, Masayoshi Amamiya was rumoured to have been approached for the job. Finance Minister, Shunichi Suzuki later said he hadn't heard anything about the nomination. Most Asian currencies have weakened against the USD. Many of them will fall sharply in early Asian trading as they take onboard the G-10 movements. USDCNH is back up to 6.8219 with the balloon incident not helping China's currency (see more below). US stocks didn't like the implications of a stronger labour market either, as it hurts the Fed pause/pivot story. The S&P500 dropped 1.04% on Friday, while the NASDAQ was down 1.59%. The Hang Seng and CSI 300 were also both down on Friday.
- **G-7 Macro:** For the full gory details of the US labour report, [please refer to James](#)

[Knightley's note.](#)

The headline numbers are a 517,000 rise in employment, a fall in the unemployment rate to 3.4% from 3.5%, but a moderation in hourly wage inflation to 4.4%YoY from 4.8%. James has gone on to dig deeper into the detail of the report, which reveals that almost all of the employment gains were part-time, and much may be attributable to warmer than usual weather in January, lifting outside work which would normally be very limited at that time of year. The weather has since turned very cold, which suggests that we may see some reversal of the apparent strength in the labour market next month. Though who really knows with this data? There is no data out of the US today. In the rest of the G-7, German factory orders data for December are the main release. A continuation of double-digit year-on-year declines is expected.

- **China:** The Chinese balloon shot down by the US has hardened President Xi's stance on relations with the US, which was inevitable as he needs to demonstrate strong foreign policy to China's citizens. The implication is an intensified tech war. Both sides will likely impose more export bans on technology in different industries. This is a new threat to supply chain disruption, although the risk of logistical disruption from Covid restrictions has now disappeared. This new risk is more of a long-term risk than an imminent one. Nonetheless, the balloon event is bad for the yuan today.
- **Indonesia:** 4Q22 GDP is set for release today. The market consensus points to a 4.9%YoY gain, good enough to take 2022 full-year growth to 5.3%. Indonesia's export and manufacturing sector managed to post solid growth in 2022 in large part due to the global commodity price surge. This area of support faded towards the end of lat year and the economy will need to rely on other sectors like domestic consumption to carry growth momentum on into this year.

What to look out for: Fed speakers and China inflation

- Indonesia GDP (6 February)
- Thailand CPI inflation (6February)
- Australia RBA meeting and trade balance (7 February)
- Philippines CPI inflation (7 February)
- Taiwan trade balance (7February)
- US trade balance (7 February)
- South Korea BoPcurrent account (8 February)

- India RBI policy meeting (8 February)
- US mortgage MBA applications (8 February)
- Fed's Powell, Williams, Cook and Barr speak (8 February)
- Taiwan CPI inflation (9 February)
- Japan machine tool orders (9 February)
- US initial jobless claims (9 February)
- Fed's Kashkari and Waller speak (9 February)
- Japan PPI inflation (10 February)
- China CPI inflation (10 February)
- Malaysia GDP (10 February)
- US University of Michigan sentiment (10 February)
- Fed's Waller and Harker speak (10 February)

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