

Asia Morning Bites

Chinese stocks rally hard ahead of the New Year. Taiwan reports trade data



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Global Macro and Markets

- **Global markets:** Whether it was the remarks from Loretta Mester that the recent strong US data wouldn't deter the Fed from easing later in the year or just a bit of re-balancing, US Treasury yields went down again yesterday. The 2Y fell 6.9bp while the 10Y fell 5.8bp to 4.10%. EURUSD is a little higher as a result at 1.0756, though this was not a one-way move and there were bouts of EUR weakness before the eventual recovery. The AUD has dragged itself back above 65 cents again, and Cable is also up, rising back above 1.26. Likewise, the JPY also strengthened and is now under 148 at 147.80. Most of the Asia pack had a good day against the USD yesterday, except for the IDR and MYR which both lagged. The CNH has recovered to just above 7.20. US stocks made small gains on Tuesday. US equity futures are not making any large bets about the direction at today's open. Chinese stocks saw an extremely large rise. The Hang Seng rose more than 4% while the CSI 300 rose 3.48%. This comes along with reports that President Xi is to be briefed on the state of financial markets ahead of the Chinese New Year, which may have spurred thoughts of an imminent rescue plan. There was further jawboning from the CSRC (China Securities Regulatory Commission).
- **G-7 macro:** There wasn't much on the G-7 macro calendar yesterday, though, in Europe, German factory orders surprised forecasters with a much stronger-than-expected figure for

December. Eurozone retail sales fell 1.1% MoM in December, fractionally worse than anticipated. Today's data calendar is also very light. The December US trade balance tops the G-7 Macro billing.

- **Taiwan:** Taiwan will publish its January trade data in the afternoon. Markets are expecting export growth in the high teens while import growth is expected to remain negative. This expectation likely reflects Lunar New Year seasonality providing a favourable base effect, but today's data is worth monitoring to gauge how or if last month's disappointing export orders affected the actual data. Additionally, China and HK will publish foreign reserves data today, where both are expected to remain broadly stable as there wasn't any sign of currency intervention over the past month.

What to look out for: Taiwan trade and Fed speakers

- Taiwan trade (7 February)
- US trade balance (7 February)
- Fed's Kugler and Barkin speak (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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