

## Asia Morning Bites

The Reserve Bank of Australia (RBA) is in the spotlight today together with Chinese trade data, Philippine inflation and earnings reports from Japan. Plenty of Fed speakers over the coming 24 hours too



## Asia Morning Bites

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### Global Macro and Markets

- **Global markets:** US Treasury yields continued to bounce back yesterday. 2Y yields rose 9.6bp, but remain below 5% at 4.934%, while 10Y yields rose 7.1bp to 4.643%. FX markets have only slightly readjusted to the higher yields, and EURUSD remains more or less unchanged at 1.0720. The AUD has lost a little ground ahead of today's RBA meeting (see more below). Cable is also only slightly weaker at 1.2345, while the JPY is weaker at 149.98. Other Asian FX had a very solid day yesterday, led by the KRW, MYR and IDR. The CNY and INR haven't moved much. We'd expect a bit of weakness today in line with the G-10 currencies. US equities floundered most of Monday, rallying late in the session to end slightly up on the day. The S&P 500 was 0.18% higher, and the NASDAQ was 0.3% higher. Chinese stocks were stronger. The CSI 300 rose 1.35%, while the Hang Seng index rose 1.71%.
- **G-7 macro:** At the start of a week that is very heavy for Fed speakers, Neel Kashkari kicked off proceedings by remarking that he is not convinced that rate hikes are over. Kashkari speaks again today, along with Goolsbee, Barr, Waller and Schmid. Powell makes opening remarks at a conference tomorrow but there is no Q&A and his main speech is on 10

November at the IMF conference. It was a quiet day for macro data yesterday, but we did get the senior loan officer survey of lending conditions. [Here is a link to a piece by James Knightley on the survey](#), which showed a further incremental tightening of conditions and a reduction in loan demand, albeit not at the same pace as in 2Q23. The US also reports its September trade balance today.

- **Australia:** The Reserve Bank of Australia (RBA) meets to set rate policy today, and we, like much of the consensus, are looking for a further 25bp hike of the cash rate target to 4.35%. Markets agree on balance, though with only 59% of a hike priced in, so there could be a positive response from the AUD and from Australian bond yields if the RBA does indeed hike. For a longer argument about today's hike and the arguments for tightening, [see also this note](#).
- **Japan:** Japan's earnings and spending data showed some improvements in September, but probably not enough for the Bank of Japan (BoJ) to shift its policy stance any time soon. Labour cash earnings reaccelerated to 1.2% YoY in September, the first increase in four months (vs revised 0.8% in August, 1.2% market consensus). The main drag was the decline in bonuses (-6.0%) while contracted earnings steadily rose (1.4%). Despite the improvement, payment growth didn't catch up with rapid inflation growth, and real earnings dropped by 2.4% (vs revised -2.8% in August, -2.9% market consensus). Governor Ueda said at the post-BoJ conference that next year's wage negotiations are a key event, so we need to wait and see how this wage trend changes over time. The spending side was a bit better than for earnings. Real spending in year-on-year terms deepened its contraction to -2.8% YoY in September (vs -2.5% in August, -2.9% market consensus). But the seasonally adjusted monthly comparison rose 0.3% MoM sa for a second monthly increase. The three-month change rebounded to 0.1% 3Mo3M sa, the first increase since February 2023. Japan's recovery is driven by strong service activity and service consumption.
- **Philippines:** October inflation will be reported today. The market consensus points to inflation settling at 5.6%YoY while we expect headline inflation to settle slightly lower at 5.4%. Expensive imported energy likely fed through to higher electricity and fuel prices keeping inflation elevated. But slower rice inflation could have resulted in inflation slowing from the 6.1%YoY in September. BSP will be watching today's inflation number and Thursday's GDP report ahead of their 16 November policy meeting.

## What to look out for: RBA policy meeting and China trade numbers

- Philippines trade balance and CPI inflation (7 November)
- Australia RBA meeting (7 November)
- Taiwan trade balance and CPI inflation (7 November)
- China trade balance (7 November)
- South Korea BoP current account balance (8 November)

- Japan leading index (8 November)
- US wholesale inventories and MBA mortgage applications (8 November)
- Japan BoP current account balance (9 November)
- China CPI inflation (9 November)
- Philippines 3Q GDP (9 November)
- US initial jobless claims (9 November)
- US University of Michigan sentiment (10 November)

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