Asia Morning Bites

Pushback against the pivot from Fed officials ahead of payrolls

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Macro outlook

- **Global Markets**: Wednesday's pause in the equity rally turned into a trickle of selling on Thursday, and it remains to be seen if this turns into a flood later today. And what is likely to be the catalyst for such a move would be the non-farm payrolls figure later today. What the market seems to be crying out for, is a Fed pivot, and anything in the numbers later that supports that case may be enough to bolster these ideas. That means that the market probably needs to see a much weaker payrolls figure than the 315,000 registered last month, though the consensus 255,000 expectation may not be sufficient. For its part, the Fed is sticking its "higher for longer" mantra. This was repeated in various forms by the Fed's Waller, Mester, Evans, Kashkari, and Cook yesterday, so even if the data is on the soft side, the Fed is unlikely to sanction a market move to price in 2023 rate cuts, at least not for a good while yet. Equity futures are showing a small negative as of writing. The EUR has resumed its slide again and is now down to 0.9795, and that has helped bring down Cable to 1.1162, and the AUD to 0.6414. the JPY is just below 145 at 144.96, which could set the scene for some BoJ intervention later on. Within Asian FX, the INR stands out as one of the weaker currencies, not helped by the news that inclusion into the JP Morgan global bond index has been shunted back into next year. Otherwise, yesterday saw further gains for the KRW, which got back below 1400 at one point, but settled a bit higher and is at 1402 now. Today, Asian FX may struggle with the risk tone more subdued and caution ahead of

payrolls. Bond yields meanwhile continue to rise, and it doesn't feel as if risk assets or currencies have caught up with resurgent yields yet. 2Y US Treasury yields rose nearly 11bp to 4.258%, while the yield on the 10Y US Treasury rose 7.1bp to 3.824%. Bond markets at least seem to be listening to Fed speakers at the moment, though we are likely to see sentiment waver to and fro over the coming weeks and months as the hawkish rhetoric meets increasingly gloomy activity data.
- **G-7 Macro**: As mentioned, US non-farm payrolls is the key release of the month so far, and the consensus is for a rise in employment of 255,000. Average hourly earnings are forecast to ease back to 5.0%YoY from 5.2%, and the unemployment rate to remain at 3.7%.
- Here is also a link to our new monthly, including articles on China's economy, and a comparison of Asia now against the 1997/98 financial crisis.

What to look out for: US jobs report

- South Korea BoP current account (7 October)
- Regional GIR data (7 October)
- US non-farm payrolls (7 October)

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