

Asia Morning Bites

Asian FX hit by post-payrolls dollar strength



Asia Morning Bites

Global Macro and Markets

- **Global Markets:** More fun and games from the US labour report on Friday delivered a shock to markets that were still enjoying the Fed's 50bp easing. 2Y US Treasury yields rose 21.6 basis points, and are now 3.922%, while the 10Y yield rose 12.1bp to 3.967%. Markets have scaled back the easing they expect for the rest of the year. A 25bp cut at the November meeting isn't now quite 100% priced in, and there is only one further 25bp cut priced in for the December meeting. EURUSD staged a steep drop on Friday, pulling back from around 1.1030 to 1.0970. That dragged the AUD back to 0.68, and Cable reset lower, though not very much at 1.3121. The JPY has weakened back to 148.91. In the rest of Asia, the KRW weakened the most. USDKRW has risen back to 1348.2. USDCNH has risen to 7.0973. SE Asian currencies will likely weaken sharply this morning as they catch up with the G-10 movements. US equities took heart from the labour report – which they interpreted as confirming the soft landing hypothesis. That may or may not be right, but that is their current thinking. The S&P 500 rose 0.9%, and the NASDAQ rose 1.22%.
- **G-7 Macro:** The headline payrolls gain of 254,000 was almost 100,000 higher than the market consensus view, and was accompanied by a decline in the unemployment rate from 4.2% to 4.1% - time to dig out the Sahm rule spreadsheet and see whether it still points to recession or not? The answer is, yes, it still does, but only just. Nothing to get too excited about here then. There was also an interesting increase in the average hourly wage rate to

4.0% YoY from 3.8% and some positive upward revisions to the prior two months' data.
[Here's a link to James Knightley's note for more detail and what this means for the Fed.](#)

- It is a relatively quiet day for macro in the G-7 today. German factory orders for August and Eurozone retail sales, also for August are about the only figures worth mentioning. Japan publishes some preliminary leading and coincident indices for August.
- **Asia region macro:** It is also fairly quiet in Asia today, though it does get more interesting later this week, with an MAS rates decision, which should show some easing of the Singapore monetary policy stance, while India's Reserve Bank (RBI) will likely leave rates on hold this month. Reserve Bank of Australia minutes for the last meeting are also published this week.

What to look out for: Japan leading index CI

October 7th

Japan: August leading index CI

Singapore: MAS October monetary policy statement (Oct 7 – 14)

October 8th

S. Korea: August BoP current account balance

Indonesia: September consumer confidence index

Japan: August labour cash earnings, current account balance

Taiwan: September exports, imports, trade balance, CPI, PPI

October 9th

S. Korea: September bank lending to household total

India: October RBI repurchase rate

October 10th

Japan: September PPI

Singapore: 3Q GDP

US: September CPI

October 11th

S Korea: October BoK base rate

India: August industrial production, October foreign exchange reserves

US: September PPI, October U. of Mich. sentiment

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