

## Asia Morning Bites

Reserve Bank of India (RBI) will decide if the economy needs one last rate hike today. Powell's speech fails to deliver anything new.



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### Macro outlook

- **Global Markets:** It didn't take much for markets to re-find their mojo after last Friday's payrolls shock, [just a speech from Fed Chair Powell, at which he was not materially more hawkish than he was after the recent FOMC decision](#). Powell said that the economy would need more interest rate rises to keep inflation on a consistent downward track. But that was not really a deviation from what had already been said, and equity markets saw that as an excuse to rally. For more background on the payrolls figure, the [linked note from James Knightley is required reading](#). The S&P500 rose 1.29%, while the NASDAQ rose 1.9%. US Treasury Bond markets largely shrugged off Powell's remarks. Yields on 2Y US Treasuries declined less than a basis point and rose 3.4bp on 10Y bonds taking their yield to 3.674%. EURUSD is roughly unchanged from this time yesterday at 1.0725. The AUD has done better, rising to 0.6956 after a fairly hawkish RBA statement following their 25bp rate hike yesterday. [See here for more details](#). Sterling edged slightly higher against the USD and the JPY also advanced, moving down to 131.08. Asian FX was mixed. Propping up the bottom of the league table with a 1.24% decline was the [PHP following poor inflation data yesterday](#). The MYR also lost more than a per cent, followed by the IDR and the VND. Outside the G-10 currencies, the

SGD and THB were the best of a bad bunch yesterday, rising 0.33% and 0.2% respectively.

- **G-7 Macro:** Apart from Wholesale inventories, and mortgage applications in the US, this is a very thin day for macro in the G-7. A good day for some filing.
- **India:** At 1230 SGT/HKT, the Reserve Bank of India (RBI) will decide if it needs to raise rates any further. The overwhelming consensus is for a further 25bp rate hike taking the repo rate to 6.5%. There are, however, a couple of forecasters looking for no change. And we have some sympathy for that view. Policy rates are already above the rate of inflation, which itself has dipped back into the top of the RBI's inflation target range. Sure, it isn't low enough yet, but the arguments for yet more tightening when the current medicine seems to be working do not look overly compelling to us. If they do hike, we would be looking for some indication that rates may have peaked. If they don't, the rhetoric can lean more towards policy becoming more data-dependent. In any case, we will know shortly after midday.

## What to expect: RBI meeting, Fed speakers

- South Korea BoP current account (8 February)
- India RBI policy meeting (8 February)
- US mortgage MBA applications (8 February)
- Fed's Williams and Cook 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)

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

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