

Asia Morning Bites

China CPI inflation out later while the RBI meets to decide on policy



Asia Morning Bites

Source: shutterstock

Global Macro and Markets

- **Global Markets:** After some sizeable moves in the last few days, US Treasuries were a little more relaxed on Wednesday despite four Fed officials suggesting no need for imminent rate cuts. 2Y yields rose 2.5bp, while yields on the 10Y UST rose just 2.1bp to 4.121%. A decent 10Y auction no doubt helped suppress any further upward drift. EURUSD edged a little higher, but not much, to stand at 1.0777 now. The AUD is little changed at 0.6526. Cable is up a bit at 1.2631, and the JPY is also roughly unchanged at 148.01. The PHP and IDR made some gains against the USD yesterday. Otherwise it was a quiet day in Asian FX markets. US stocks pushed higher again on Wednesday. The S&P 500 rose 0.82% while the NASDAQ rose 0.95%. Chinese stocks were mixed, with the CSI 300 gaining 0.96%, while the Hang Seng fell a further 0.34%. Reuters is reporting that a new securities regulator has been appointed to Chair the CSRC, which may indicate that Beijing is getting more serious about its attempts to support the market.
- **G-7 Macro:** There wasn't much on the G-7 calendar yesterday, though a sharp drop in the US December consumer credit figures (out today at 04:00 SGT/HKT) stands out as an interesting observation. The US trade balance was little changed at -USD62.2bn. Today is

also quiet. US weekly jobless claims are the main point of interest.

- **India:** Today's Reserve Bank of India meeting will not result in any change in policy rates. The repo rate currently stands at 6.5%, which is a fair bit above the current inflation rate of about 5.7%. And this gap should widen further with the upcoming January inflation data likely to drop closer to the 5% level. Still, we think that like most Asian central banks, the RBI is probably waiting for the Fed to fire the starting gun before commencing its own easing.
- **China:** China releases its January CPI and PPI inflation numbers today. We expect CPI to remain in negative YoY growth at -0.5% YoY, which would mark the fourth consecutive month of negative headline inflation. This will likely spark more discussion of deflation, which we think is a somewhat overblown narrative. High-frequency data indicate that the brunt of the expected decline should be tied to food inflation, which has been in contraction for 6 consecutive months already and will likely look worse in January due to the Lunar New Year effect. By the same effect, we could see it return to positive levels in next month's data. Non-food inflation on the other hand has remained at low but still positive levels for the past 5 months.

What to look out for: RBI decision and China CPI inflation

- Japan BoP balance (8 February)
- China CPI inflation (8 February)
- India RBI policy (8 February)
- US initial jobless claims (8 February)

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.