Asia Morning Bites

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

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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)

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