

Asia Morning Bites

China's re-opening story doesn't seem to be getting much traction outside social media, and US mid-term election expectations may play a bigger role ahead of results expected tomorrow morning Asia time



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Source: shutterstock

Macro outlook

- **Global Markets:** There was another day of equity market gains on Monday following on from the almost inexplicable gains made after the stronger-than-expected payrolls number on Friday. Newswires are pinning the latest increases onto a pre-Mid-term election rally, with expected Republican gains being cited as positive for bonds and therefore for equities. Flying in the face of that theory, 2Y US Treasury yields rose 6.3bp, while the 10Y put on 5.5bp, taking it to 4.214%. There was virtually no data of note yesterday to pin market moves on. Chinese stocks were pretty flat on the day, and you might expect them to improve today on the Wall Street Journal's re-opening story, but equity futures don't seem to have made much of this (see also below). Against this happy-go-lucky backdrop, the EURUSD has again made it back above parity. Other G-10 currencies also made decent gains yesterday and we might expect some catch-up today from the likes of the CNY, which was weaker yesterday, trading in a range around 7.23. The KRW and INR made robust gains yesterday. The KRW is now trading just above 1400.
- **G-7 Macro:** The US NFIB small firm optimism index is our pick of the day, with its deep mine

of activity and price indicators. Recent results have shown price and wage pressures coming off sharply. We'd anticipate more of the same today. We had September consumer credit for the US early this morning, which was quite soft, which will support "pivotists". Eurozone retail sales may also be worth a look later if you want convincing that the region is already in recession.

- **China:** The WSJ reported that the Chinese government is considering relaxing Covid measures. This could theoretically move the market, though doesn't seem to be having much impact yet. After Beijing's marathon and Shanghai Expo, China should be better able to gauge how big events stress their healthcare system. But we believe that relaxation from existing measures is more likely after 2022.
- China re-allocated some of its Local Government Special Bond quotas for 2023, aiming for bond sales in the last two months of 2022. Local governments have to use up funding from this bond sale by 1H23. This should be supportive for the economy via finishing uncompleted home projects and existing infrastructure projects. It also highlights the fiscal stress faced by local governments.
- **Taiwan:** Taiwan will release trade data later today. Our forecast is for a year-on-year contraction as demand for semiconductors should be weak from China, the US and Europe

What to look out for: US NFIB survey and Fed speakers

- Australia consumer confidence (8 November)
- South Korea BoP balance (8 November)
- Japan leading index (8 November)
- Taiwan trade and CPI inflation (8 November)
- US NFIB business optimism (8 November)
- Fed's Mester, Barkin and Collins speak (8 November)
- South Korea unemployment (9 November)
- Japan trade balance BoP (9 November)
- China CPI and PPI inflation (9 November)
- US mortgage application (9 November)

- Fed's Williams speaks (9 November)
- Philippines GDP (10 November)
- US CPI inflation and initial jobless claims (10 November)
- Fed's Barkin, Logan and Waller speak (10 November)
- Japan PPI inflation (11 November)
- Malaysia GDP (11 November)
- US Univ of Michigan sentiment (11 November)
- Fed's Mester and George speak (11 November)

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