

Asia Morning Bites

Asian currencies retreat despite lower US yields



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Global Macro and Markets

- **Global markets:** US Treasury markets reversed their bounce on Tuesday and resumed their decline. Yields on 2Y US Treasuries fell 1.7bp, while those on the 10Y UST fell 7.7bp to 4.566%. Better demand helped yields to drop, with a decent 3Y auction. There is 10Y supply today. Strangely, despite hiking rates by 25bp, a move that had not been fully priced in by markets, even if it was widely predicted by economists, Australian 10Y government bond yields fell 10.9bp to 4.584%. The accompanying statement was not particularly dovish, merely maintaining the data dependency of previous statements. [See here for our note on the Reserve Bank's decision](#), which includes a link to the statement itself.

Despite yields declining, EURUSD moved lower yesterday, reaching 1.0664 before bouncing back to just below the 1.07 mark. The AUD is all the way back to 0.6430 from just below 0.65 the previous day. Cable has slid back to 1.2292 from about 1.2380 this time yesterday, and the JPY is back above 150. The rest of the Asian FX pack was largely weaker against the USD on Tuesday. The KRW gave back some of its recent gains, rising back to 1308, and followed closely by the IDR and MYR. USDCNY is fairly stable at about 7.28. US stock markets made small gains yesterday. The S&P 500 rose 0.28%, while the NASDAQ rose 0.9%. Equity futures are not giving much of a directional steer about today's open. Chinese stocks were down yesterday, possibly responding to the shrinking trade surplus, though there were potentially

more positive spots of light in that data set ([see also here for our take](#)).

- **G-7 macro:** It was a relatively quiet day for macro yesterday. [German industrial production weakness was one highlight](#) and raises the probability that Germany finishes the year in a technical recession. US trade data also showed the American trade deficit widening. Today is also very quiet, with final Eurozone CPI inflation data for October, as well as US mortgage applications. The Fed speaker calendar hots up today, with 4 Fed speakers. Yesterday, Neel Kashkari repeated his fairly hawkish comments of the day before.
- **South Korea:** The current account surplus widened in September to USD5.4bn (vs revised USD5.0bn in August). The merchandise surplus widened but was partially offset by a widening of the services deficit. Looking ahead, we expect some monthly ups and downs but expect the surplus to continue for the time being, supporting the KRW. Apart from the recent UST fluctuations and volatile movements centred on domestic equity market regulation issues, we look for an improvement in the KRW's fundamentals.

This afternoon, data on Korean bank lending to households will be announced. We expect this to show an increase with the recent revival of jeonse and property prices. Authorities have tightened some mortgage rules since September to curb the rapid increase in household debt, so the pace of growth is expected to decelerate. The BoK is closely watching household debt as a major risk factor, and if debt grows faster than anticipated, the BoK's hawkish comments will likely strengthen.

What to look out for: Fed speakers

- South Korea BoP current account balance (8 November)
- Japan leading index (8 November)
- US wholesale inventories and MBA mortgage applications (8 November)
- Fed Chair Powell and Fed official Cook speak (8 November)
- Japan BoP current account balance (9 November)
- China CPI inflation (9 November)
- Philippines 3Q GDP (9 November)
- US initial jobless claims (9 November)
- US University of Michigan sentiment (10 November)

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