

Asia Morning Bites

China returns from Golden Week holidays and could propose more fiscal stimulus measures



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Global Macro and Markets

- **Global Markets:** Despite a lack of macro data on Monday, US Treasury yields continued to move higher. The 2Y US Treasury yield rose 7.3 basis points and is now at 3.995%. The St Louis Fed President, Alberto Musalem, remarked that he did not think the Fed should ease too quickly, and believed there were still upside risks to inflation. Markets are now pricing in just under 2 more 25bp cuts by the year-end, and just under a further 100bp of easing in 2025 with a terminal Fed funds rate of about 3.3%. 10Y yields rose 5.8bp to 4.026%. EURUSD was pretty flat yesterday, hovering just below 1.10 for the most part. The AUD was weaker though, losing about half a cent to about 0.675. Cable also lost some ground and dropped to 1.3088. The JPY was a little stronger, moving back to just below 148. The rest of the Asian FX pack caught up with G-10 moves on Monday. SE Asian currencies depreciated the most on the day, bringing them in line with earlier moves in the rest of the region. USDCNH dropped back to 7.0677, reversing much of Friday's move. US stocks also dropped on Monday. The S&P 500 and NASDAQ were both down about a per cent.
- **G-7 Macro:** There were signs of further weakness in Germany as August factory orders fell 5.8% MoM. European retail sales managed a 0.2% MoM gain though. There was no US macro data yesterday. Today, we have the US NFIB small firm business survey. This survey has been painting a far gloomier picture than the headline data on employment and

activity. US trade data for August is also on the calendar.

- **Japan:** August wage data showed a slight deceleration from July, but was broadly in line with expectations. Labour cash earnings rose at a 3.0%YoY rate in August, down from 3.4% in July, while the same sample wage growth figures rose 3.1%, down from 4.8%. Scheduled full-time pay also came in slightly lower at 2.9%. Household spending declined 1.9% YoY, though this was mainly a base-driven decline.
- **China:** China is back from the Golden Week holiday today, and after what should be a strong market open with a catch-up rally expected, markets will be quickly shifting their attention to a National Development and Reform Commission (NDRC) press conference this morning. At this press conference, there will likely be further policy support follow-up to build upon positive momentum from before the holiday. Markets have been speculating for special bond issuance of RMB 2tn or more, with some calls expecting RMB 10tn of stimulus. We will be watching to see if measures are more concentrated on supporting consumption, which could mark a focus on longer-term growth, or in investment, which could show a greater priority on shoring up immediate growth. Measures to support consumption could include consumption vouchers, expansion of trade-in policies, adjustment of tax brackets, and increasing subsidies to low-income households.
- **Australia:** Minutes from the last Reserve Bank of Australia (RBA) meeting are published this morning. The RBA left rates unchanged at that meeting, and struck a slightly less hawkish tone in their statement, though they still seemed a long way from any easing. The minutes may reveal more. Markets have scaled back their rate cut expectations for the RBA. There is now less than 50% of a 25bp rate cut priced in by December. Even that looks a bit much to us.
- **Taiwan:** Taiwan publishes its trade and inflation data today. We look for export growth to cool to around 11% YoY and imports to slow to around 9% YoY for a trade surplus of USD 12.0bn. It is worth monitoring if last month's broad-based export recovery can be sustained, or if we will move back toward the uneven export growth of the previous months. For inflation, we are looking for CPI inflation to cool for a second consecutive month toward around 2.0% YoY in September, down from 2.4% YoY in August.

What to look out for: South Korea current account balance, Japan labour cash earnings, Taiwan trade balance data

October 8th

S. Korea: August BoP current account balance

Indonesia: September consumer confidence index

Japan: August labour cash earnings, current account balance

Taiwan: September exports, imports, trade balance, CPI, PPI

October 9th

S. Korea: September bank lending to household total

India: October RBI repurchase rate

October 10th

Japan: September PPI

Singapore: 3Q GDP

US: September CPI

October 11th

S Korea: October BoK base rate

India: August industrial production, October foreign exchange reserves

US: September PPI, October U. of Mich. sentiment

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

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