

Asia Morning Bites

Tokyo December CPI inflation settled at 2.4%, Australian retail sales out later Tuesday, together with Taiwan's trade figures



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Global Macro and Markets

- **Global markets:** US Treasury markets had another choppy day on Monday but finished roughly unchanged. 2Y yields traded in a 10bp range, but ended only 0.6bp lower than the previous day, and it was a similar story for 10Y yields, which ended only 1.5bp lower at 4.030%. EURUSD is similarly unchanged at about 1.0950. The AUD didn't move much either, but the JPY and GBP both made small gains against the USD. Asian currencies had a quiet day on Monday too, with only the THB registering anything notable, and losing a further 0.87% to take it to 35.028. USDCNY is roughly unchanged at about 7.15. Equity markets were the standout on Monday. After a grim start to the year, the S&P 500 gained 1.41%, and the NASDAQ rose 2.2%. Chinese stocks fell. The Hang Seng dropped 1.88% and the CSI 300 fell 1.29%.
- **G-7 macro:** European confidence measures posted some gains yesterday. The region released data on consumer confidence, economic confidence, industrial and service confidence. And all of the indicators made gains, though some of them were quite small (consumer confidence). Arguably, these data suggest that [the Eurozone is slowly moving out of recession](#). Today, we get the US NFIB small business survey, as well as US trade data for November. In Europe, we get November unemployment figures and German industrial

production for November.

- **Australia:** November retail sales data should show a statistical bounce back from the weak October reading of -0.2% MoM. The consensus looks for a 1.2% gain with the latest data. Building approvals data for November are also published today and will likely do the opposite after a decent 7.5% MoM October gain.
- **Japan:** Today, Japanese data showed inflation and household spending weakening. Together with the recent major earthquake in Ishikawa, this likely means that the Bank of Japan will maintain its current policy settings at its January meeting. Tokyo CPI inflation slowed to 2.4% YoY in December (vs 2.7% November, 2.5% market consensus) mainly due to the high base last year. In a monthly comparison, inflation was unchanged. Cost-push inflation seems like it is easing as utilities and fresh food prices declined. But entertainment prices gained smartly, suggesting demand-driven cost pressures are still intact. In a separate data report, household spending fell -1.0% MoM (sa) in November (vs -0.1% in October), but the three-month change is still higher than 3Q23 so we expect household spending to improve in the 4Q23 GDP release. Regarding the BoJ decision, we think that the BoJ will wait and see until the earthquake aftermath becomes clearer. We estimate the damage of the earthquake will be limited and temporary. If so, then the Bank of Japan will be able to shift its policy by the end of 2Q24 after the Spring wage negotiations season.
- **Taiwan:** December export growth should build on the slight gains registered in November – a combination of base effects dropping away and some genuine pick up in demand for high-end semiconductors.

What to look out for: Australia retail sales, US NFIB survey

- Fed's Bostic speaks (9 January)
- Australia retail sales (9 January)
- Japan Tokyo CPI inflation (9 January)
- Taiwan trade data (9 January)
- China new Yuan loans (9 January)
- US trade data and NFIB survey (9 January)
- South Korea unemployment (10 January)
- Australia CPI inflation (10 January)
- Philippines trade data (10 January)
- Fed's Barr speaks (10 January)
- US MBA mortgage application and wholesale inventories (10 January)
- Australia trade data (11 January)
- Bank of Korea policy (11 January)
- US CPI inflation and initial jobless claims (11 January)
- Fed's Williams speaks (11 January)
- Japan BOP current account balance (12 January)
- China CPI inflation and trade data (12 January)
- India CPI inflation (12 January)
- US PPI inflation (12 January)
- Fed's Kashkari speaks (12 January)

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