

Asia Morning Bites

China's October inflation due this morning, and Philippine 3Q23 GDP out later today



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Global macro and markets:

- **Global markets:** 10Y US Treasuries eased below the 4.5% level yesterday (falling by a little over 7bp), which our rates strategists have regarded as a key level to a renewed push higher for yields ahead of next week's CPI release ([see here for some discussion prior to last night's price action](#)). The 2Y yield actually rose slightly (+1.4bp) to 4.932%. Despite many Fed speakers on the calendar yesterday, they all seem to have avoided speaking about the rates outlook at their various events. Today's calendar has Bostic and Barkin speaking on survey data. There is a Q&A, so there could be some rates commentary to look at later. in the early hours of tomorrow morning (SGT/HKT time), Powell speaks on a panel at the IMF conference. EURUSD bounced higher yesterday, rising back above 1.07. The AUD has not followed and is floundering at just over 64 cents. Cable recovered from earlier weakness to finish about flat at 1.2284, but the JPY has risen back above 150, and actually pushed above 151 already early this morning before pulling back. Most of the Asia pack was a little softer against the US yesterday, but not very much. Slightly bucking the trend, USDCNY has dropped to 7.2761. US stocks finished flat yesterday. But they had a roller coaster of a day. Equity futures are suggesting a fall at today's open, which may be the main clue as to today's direction. Chinese stocks were slightly down yesterday. The CSI 300 fell 0.24% and

the Hang Seng dropped 0.58%.

- **G-7 macro:** It's a very quiet day for macro today, after an equally quiet day yesterday. US weekly jobless claims data will therefore get greater than normal attention.
- **Japan:** The September current account surplus widened to 2.7 trillion JPY (vs 2.3 trillion JPY in August, market consensus 3.0). As expected, both goods and services exports improved, with the trade balance returning to a surplus of 341 billion JPY (vs -749 billion JPY in August). In other news, the BoJ released its October meeting minutes, showing that members' views on inflation and policy are more dispersed than in previous meetings. Now we see more opinions that want to adjust the easing policy as the inflation target is coming into sight, but at the same time, a few members still think the sustainable 2% inflation target is not in reach yet. However, we can clearly see a shift in the balance from a dovish to a more neutral/hawkish stance. 4Q23 inflation is key to watching YCC policy changes, and next spring wage negotiations will be critical for the BoJ's rate hike action.
- **China:** CPI data for October are expected to revert to a negative growth rate when they are released later. Discussion around this number has centred on falling pork prices, which have a large weight within the food sub-component and have been falling for some months on increased supply. While this will kick off talk of deflation, this is really only an issue in the sense that it highlights the low rate of underlying inflation, which has made it easier for fluctuations in the price of pork to take the entire index growth rate negative. For most Chinese households, being able to get hold of this staple at lower prices is good news. The only real losers here are possibly the hog farmers.
- **Philippines:** 3Q GDP will be reported today. Market consensus sits at 4.7%YoY with growth probably lifted by government spending as investment and consumption slow. High inflation and elevated borrowing costs will likely weigh on the overall number and this will be one more important data point ahead of the BSP's 16 November meeting. Despite slower inflation, BSP still signalled a probable rate hike next week to manage inflation expectations.

What to look out for: China inflation and Philippine GDP

- Japan BoP current account balance (9 November)
- China CPI inflation (9 November)
- Philippines 3Q GDP (9 November)
- US initial jobless claims (9 November)
- Fed's Bostic and Barkin speak (9 November)
- US University of Michigan sentiment (10 November)

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