

Asia Morning Bites

Asia regional CPI inflation due while markets wait for US payroll data



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Global Macro and Markets

- **Global Markets:** US Treasury yields pushed higher again on Thursday as macro data held firm. The yield on the 2Y note rose 5.4bp to 4.385%, while that on the 10Y rose 8.3bp taking it to 3.999% though it did push briefly above 4%. This didn't do much for the USD, and EURUSD edged higher to 1.0946. There was a mixed bag for G-10 currencies. The AUD was a bit weaker, dropping to 0.6705, Cable pushed higher again to 1.2683, and the JPY weakened to 144.66. Most of the Asian FX pairs were softer against the USD on Thursday, with the THB and KRW sliding the most. USDCNY rose back above 7.16. US equity markets extended their losing streak in 2024 to a third consecutive day, though the losses were modest. The S&P 500 dropped by 0.34%, and the NASDAQ fell by 0.56%. In China, the CSI 300 fell 0.93%, and the Hang Seng was unchanged.
- **G-7 Macro:** A stronger-than-predicted ADP survey, lower jobless claims figures and slightly stronger service sector PMI for the US all contributed to the increase in yields seen in the bond market. European inflation figures were also mostly higher as previously helpful base effects reversed and food prices rose. [Here is a link to a note providing more details on these European figures.](#) German retail sales data for November will be published later today, and will likely show a month-on-month decline. The main release for the day will be the US non-farm payrolls data along with ancillary labour market numbers. The consensus forecast is

for non-farm employment to rise by a very solid 175,000, average hourly earnings to drop by 0.1pp to 3.9%YoY, and the unemployment rate to rise 0.1pp to 3.8%.

- **Asia:** December inflation figures will be released today for the Philippines, Thailand, and Taiwan. No substantial changes are forecast. In Singapore, retail sales figures for November are forecast to show a 2.2%YoY increase.
- **Japan:** Japan's service sector PMI remained above the neutral level in December, suggesting that service-sector-led growth continues. However, we believe consumer sentiment may take a hit shortly due to the major earthquake in Ishikawa Ken earlier this week. While the aftershocks are continuing and it is too early to estimate the economic impact from the earthquake, we believe that the estimated damage to GDP should be limited. The affected areas' population and share of national GDP is small, accounting for less than 0.9% of the national economy. However, this could still affect the BoJ's policy decisions. We had expected the BoJ to end yield curve control at its January meeting, but depending on the earthquake's aftermath, this may not now occur.

What to look out for: Regional CPI inflation and US Non-Farm Payrolls, ISM services, and Orders

- Japan Jibun PMI Services & Composite (5 January)
- Philippines CPI inflation (5 January)
- Singapore retail sales (5 January)
- India HSBC PMI Services & Composite (5 January)
- Taiwan CPI inflation (5 January)
- EU CPI Harmonized (5 January)
- US non-farm payrolls, ISM services, durable goods and factory orders (5 January)

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