

Asia Morning Bites

China's Caixin PMI data and Australia's RBA meeting take centre stage today ahead of Wednesday's FOMC



Asia Morning Bites

Source: shutterstock

Markets and Macro

Global Markets: US stocks took a small backstep on Monday after their solid gains last week as bond yields continued to push higher. 2Y US Treasury yields are up about 20bp from their recent low, and 10Y yields are up about 13bp from the same period to sit at 4.05% currently after further small increases in yield yesterday. The S&P500 dropped back by 0.75% yesterday, while the NASDAQ gave up 1.03%. Chinese stocks continued their losing streak. The CSI 300 index dropped another 0.9% yesterday. Selling momentum remains strong despite the index looking “oversold” on RSI measures since mid-September and trading volumes are above average. US equity futures are looking a bit perkier after yesterday’s sell-off, so this may just be “the pause that refreshes”. Chinese equity futures aren’t looking so rosy. Weaker stocks and higher yields helped to support the USD and EURUSD has fallen back to 0.9886. The AUD is little changed after a foray towards the mid-63s yesterday and is now 0.641. Cable has slid back to 1.1473, possibly hurt by a UK Met Office warning of a colder-than-normal winter, raising the risk of energy shortages. The JPY is creeping higher again and is now back to 148.61. It’s probably only a matter of time before we see a new run at 150 and beyond. Other Asian FX news was dominated by a further decline in the CNY, which has pushed back above 7.30. That has dragged a number of other currencies along in its wake, including the THB and INR.

G-7 Macro: Yesterday, the Eurozone managed to avoid a contraction in GDP, growing 0.2% QoQ in 3Q22. But October inflation data was even higher than expected – rising from 10.0% to 10.7% YoY and core measures rose to 5.0% from 4.8%. [So more rate hikes will follow, and a formal recession is all but in the bag.](#) It's just a question of how bad. Today's G-7 Macro news is centred on the manufacturing ISM index, which is also a timely reminder that we have non-farm payrolls on Friday, [as well as the FOMC](#), which is out at 02:00 on Asia's Thursday (SGT/HKT).

China: A slower contraction in the CAIXIN manufacturing activity index from last month is probably the best scenario for today's data release. The surveyed participants are smaller entities compared to the official manufacturing PMI. Given weaker export demand, smaller exporters should face a more difficult operating situation compared to SOEs that are survey participants in the official PMI. [Here is the link](#) of our comments on the worse-than-expected official PMIs.

Australia: We are in a small minority looking for the RBA to revert back to a 50bp hike at today's meeting. We think that central banks "talk a good game" about policy flexibility and being data dependent, so we will see today if this has any meaning after the recent upside surprise to 3Q22 CPI inflation. We acknowledge that the RBA wants to move to a more moderate pace of tightening. But with the cash rate target only 2.6% currently, rates are still very low, and we would argue that the risks of doing too much at this stage of the cycle remain fairly low.

Korea: October exports dropped sharply by -5.7%YoY (vs 2.8% in September, -2.1% market consensus), the first decline since October 2020. Two major export items – semiconductors and petrochemicals – declined the most by -17.4% and -25.5%, respectively. Meanwhile, imports rose 9.9%, mainly due to high commodity prices. Today's weak trade outcome weighs on the economy and supports our view that the current quarter's GDP will contract.

What to look out for

- South Korea trade (1 November)
- Indonesia CPI inflation (1 November)
- US ISM manufacturing and JOLTS (1 November)
- South Korea inflation (2 November)
- Australia building approvals (2 November)
- Australia trade balance (2 November)
- US trade balance, durable goods orders and initial jobless claims (2 November)
- Japan Jibun PMI (3 November)
- Philippine trade and inflation (3 November)
- Thailand CPI inflation (3 November)
- Singapore retail sales (3 November)
- US non-farm payrolls (3 November)

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.