

Asia Morning Bites

Japan's Ministry of Finance "stands ready" to intervene after disappointment with yesterday's yield curve control tweak roils the JPY



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Global Macro and Markets

- **Global Markets:** US stocks again made small gains on Tuesday. The S&P 500 rose 0.65% while the NASDAQ rose 0.48%. Equity futures are looking quite negative, so we may see a little profit-taking ahead of the [FOMC meeting on 2 November](#). Chinese stocks were down. The Hang Seng fell 1.69% and the CSI 300 fell 0.31%. Bond yields pushed higher too. Both 2 and 10Y US Treasury yields rose by more than 3bp. The 10Y yield is now 4.931%. Rising yields didn't do too much to lift the USD, and the main reason for the EURUSD dropping to 1.0579 was [weaker-than-expected Eurozone inflation](#). Other G-10 currencies were mixed. The AUD has lost a little ground moving down to 0.6340. Cable is a little steadier at 1.2150, but the JPY took no comfort from the BoJ meeting's yield curve control tweak yesterday and has risen to 151.33 (see also below). Japan's Ministry of Finance officials have said that they "are on standby" to enter the market. The rest of the Asia FX pack was fairly subdued. USDCNY is now 7.3164, and still in a tightly controlled range.

G-7 Macro: The main headline yesterday came from the weaker Eurozone inflation

numbers, which now have headline inflation running at only 2.9% YoY, lower than forecast though flagged by the previous day's German numbers. Much of the decline came from food and energy price comparisons with a year ago, and core inflation was higher, at 4.2%, though was also down from the 4.5% September figure. Like the German numbers that preceded them, the Eurozone recorded a small contraction (-0.1% QoQ) of GDP in 3Q23, raising the prospect of a slight technical recession in the second half of this year. In the US, the Conference Board's consumer confidence survey fell to 102.6 from 104.3, but it was a smaller decline than had been expected, and there were also further positive house price numbers that will continue to buoy US households. Today, we get the ADP survey, which has been a contrarian indicator for non-farm payrolls for a while now and will likely be ignored unless we see a particularly large (or small) figure. The manufacturing ISM may have more of a market impact.

- **China:** Following on from [yesterday's disappointing official PMI indices](#), today's Caixin manufacturing PMI figure may undershoot the 50.8 consensus figure, which would be a rise from 50.6 in September.
- **Indonesia:** Figures out later will likely show Indonesian inflation in October likely rising to 2.6% YoY from 2.3% in September. The increase will vindicate the recent rate hike undertaken by Bank Indonesia (BI). This took the 7-day reverse repo rate to 6%. Further BI hikes later this year or early next are looking more likely.
- **Japan:** Finance Ministry data showed that there was no intervention in the FX market last month. The yen briefly touched 105.16 and then suddenly reverted to 147 on 3 October, prompting speculation that there had been intervention. Following the disappointing BoJ policy adjustment yesterday, the market will test further above the 150 level now that this level has been breached and shown not to trigger an official response. The next critical level could be 152 in the short-term, but could go beyond that depending on US data outcomes and FOMC decisions. The BoJ's decision has disappointed the market, but we think that they are still taking a step towards ending unconventional policy tools by easing YCC and ending their daily fixed-rate bond purchase operations. [Please see our BoJ review note here.](#)

Korea: Exports rose 5.1% YoY in October (vs -4.4% in September, 6.1% market consensus). Exports missed the market consensus but still recorded the first rise in thirteen months. We believe that the recovery in high-end chip markets probably contributed to the rebound together with solid car and steel exports. Imports declined -9.7% YoY in October (vs -16.5% in September, -2.1% market consensus). The recent rise in global commodity prices probably hasn't had much impact yet. But we will see this coming through more clearly in the coming months. This will be unfavourable to the trade balance despite the recovery of exports.

What to look out for:

- Australia Judo PMI manufacturing (1 November)
- South Korea trade (1 November)
- Regional PMI manufacturing (1 November)

- Indonesia CPI inflation (1 November)
- US ISM manufacturing, ADP report, JOLTS report (1 November)
- FOMC decision (2 November)
- South Korea CPI inflation (2 November)
- Australia trade balance (2 November)
- Malaysia BNM policy (2 November)
- US factory orders and initial jobless claims (2 November)
- Australia retail sales (3 November)
- China Caixin PMI services (3 November)
- Singapore retail sales (3 November)
- US NFP and ISM services (3 November)

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