

## Asia Morning Bites

Australian retail sales in October drop and October Korean consumer confidence dips



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### Global macro and markets

- **Global markets:** Despite what had been an apparently disappointing auction, 2Y US Treasury yields dropped 6bp yesterday to 4.888%, while yields on the 10y fell 8bp to 4.387%. 5Y bonds were also auctioned yesterday and even though the bid-cover ratio was down, yields still managed to fall 7.4bp to 4.411%. US 7Y bonds are auctioned in the early hours of tomorrow morning (02:00 SGT/HKT) EURUSD hasn't done a lot despite the drop in yields, though is marginally higher at 1.0958. The AUD has shown some more life, pushing above 66 cents to 0.6611. Cable has edged up to 1.2634, and even the JPY has benefitted from the USD weakness, dropping to 148.41. Other Asian FX had a strong day yesterday and should see further gains today. Topping the pack were the THB (35.028) and IDR (15495) though there were smaller gains throughout except for the INR, which is acting very much like a dollar peg these days. USDCNY was also unchanged at 7.1528. US equities had a very small down day on Monday, and equity futures aren't suggesting much direction for today's open either. Chinese stocks were also down again, probably not helped by weaker-than-expected industrial profits figures (-7.8% YoY ytd), though the decline is slowing.
- **G-7 macro:** October US new home sales were quite a lot weaker than expected, falling from a 719K pace (downwardly revised) to only 679K. The Dallas Fed manufacturing survey was

also soft. US home price data today though, from both the FHFA and S&P CoreLogic, will likely show the supply-constrained price of homes still rising. The Conference Board's consumer confidence survey could well show a deterioration in mood.

- **Australia:** First signs the Australian consumer is cracking? Retail sales for October fell 0.2% MoM, worse than the 0.1% increase expected. However, some statistical pullback was always likely after the 0.9% MoM gain in September. The consensus spread was massive, so there is no particularly big market implication from this undershoot. What happens next will be more important, as right now, it is hard to extrapolate a trend from the noise.
- **South Korea:** The consumer sentiment index dropped by 0.9pt to 97.2 in November (vs 98.1 in October). Expectations on living standards and household income haven't changed but spending plans dropped quite sharply. This is in line with our view that consumer spending will soften in the near term as tight financial conditions and the sluggish property market weigh on consumption. Meanwhile, inflation expectations for the next 12 months stayed at 3.4% for a second month as public prices and fresh food prices are expected to rise further but petroleum prices are expected to fall.

## What to look out for: Australia retail sales, Taiwan GDP, and US consumer confidence data

- Australia retail sales (28 November)
- Taiwan GDP (28 November)
- US Conference board consumer confidence (28 November)
- South Korea business survey (29 November)
- US GDP, personal consumption, wholesale inventories (29 November)
- US Fed Beige book (30 November)
- South Korea industrial production and BoK meeting (30 November)
- Japan retail sales and industrial production (30 November)
- China PMI manufacturing and non-manufacturing (30 November)
- US initial jobless claims and personal spending (30 November)
- US pending home sales (30 November)
- Japan jobless rate and job-applicant ratio (1 December)
- South Korea trade balance (1 December)
- Regional PMI (1 December)
- China Caixin PMI (1 December)
- Indonesia CPI inflation (1 December)
- US ISM manufacturing (1 December)

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