

Asia Morning Bytes

Risk sentiment returns as Powell vows to act against inflation as needed



Macro outlook

- **Global:** US Treasury yields settled slightly lower yesterday, providing a more supportive backdrop for equities. Both the S&P500 and Nasdaq made ground, and set the stage for some positive movements in Asian bourses today. The slightly weaker UST yields also enabled EURUSD to push up to 1.137 from about 1.134 this time yesterday. Asian FX was mostly stronger against the USD, the exception being the JPY – not clear what is going to slow/stop the yen's depreciation. Markets may be a little hesitant though ahead of tonight's US CPI figures, where a 7-something per cent headline inflation figure and increases in core inflation are expected.
- **General Asia & Pacific:** [Asia's data calendar](#) features inflation reports from both China and

India later on Wednesday. Elsewhere, Japan released trade balance data.

- **China:** Inflation reports are lined up for release today with both PPI and CPI out in the morning session. CPI inflation will likely slow to 1.7% however (2.3% previous) and will not be much of an issue in the near term.
- **S Korea:** December's unemployment rate rose sharply to 3.8% from 3.1% on Covid restrictions to limit the spread of the virus. The numbers of employed fell by 497 thousand from November, about half of whom simply left the labour force, the other half registering as unemployed. Ahead of Friday's BoK meeting, this is one reason why we remain comfortable staying with our minority view "no change" decision. Governor Lee has previously described Omicron as the greatest threat to the economy, so it would seem odd to hike when this view is clearly being borne out.
- **India:** Headline inflation for December will rise sharply, despite some recent moderation in vegetable prices. The pick up in the year on year inflation rate is due to even larger food price falls this time last year. Consensus expects inflation to rise to 5.7%YoY. This will add to the pressure on the RBI to respond with some less accommodative policy moves, though they seem in no rush to do so.

What to look out for: Inflation out from China and the US

- South Korea unemployment rate (12 January)
- Japan BOP current account and trade balance (12 January)
- China PPI and CPI inflation (12 January)
- India CPI inflation and industrial production (12 January)
- US MBA mortgage application and CPI inflation (12 January)
- Fed official Bullard speaking engagement (12 January)
- US PPI inflation and initial jobless claims (13 January)
- Fed official Kashkari speaking engagement (13 January)
- BoK policy meeting (14 January)
- India trade balance (14 January)
- US Michigan sentiment, retail sales and industrial production (14 January)
- Fed officials Barkin and Evans speaking engagement (14 January)

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