

Asia Morning Bytes

Bond yields edge higher in thin markets



Macro outlook

- **Global:** With the US on vacation yesterday, there isn't too much global direction today for Asian markets, though US Treasury yields have pushed through the 1.80% level in early Asian trading this morning. Asian longer-dated bond yields drifted higher across the board yesterday and this could also weigh on equities and currencies if this continues today. EURUSD was flat over the last 24 hours and Asian FX was split around a no-change outcome, with the THB making small gains but KRW, JPY and PHP losing a little ground in a day of little overall movement. AUDUSD was flat at about 0.72. The only other notable global event was a drone attack on Abu Dhabi by Iran backed Yemeni fighters, that caused fires at its international airport and could keep oil prices bid on supply risks.
- **General Asia & Pacific:** [Asia's data calendar](#) thins out on Tuesday after the flurry of activity

from China yesterday. The Bank of Japan meets today and is worth a look given that there has been some market chatter that we might be due a rare shift in policy. But relatively little else on schedule for the market to take trading direction from.

- **China:** China has stopped sales of Winter Olympic tickets to the public in the face of rising Covid risks. Only chosen groups of spectators will now be allowed to be present. This highlights the increasing risk of Covid as people flows start for the Chinese New Year holiday. This also makes us believe that if Covid does spread faster during the long holiday, some migrant workers might stay in their hometowns to look for jobs even though those might not be permanent jobs. Factories might then face shortages of workers after the holiday. We expect the Loan Prime Rate to be cut by 5 bps to 10 bps, but the question remains whether banks will speed up loan growth when credit quality is not that pretty.

What to look out for: Relatively light data calendar but BoJ meets on Tuesday

- Bank of Japan policy meeting (18 January)
- US building permits (19 January)
- Australia unemployment (20 January)
- China 1-year prime rate (20 January)
- Bank Indonesia policy rate (20 January)
- US initial jobless claims and existing home sales (20 January)
- Japan national CPI inflation (21 January)

Author

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com