

Asia Morning Bytes

Asia markets could see cautious bounce back to close out the week



Macro / Market outlook

- **Global:** Yesterday was all about FX markets, with EURUSD dropping sharply into a 1.11 range, and dragging tightly knit units like the AUD with it. The AUD is now in the mid-0.70s, and any further declines would bring sub-0.70 figures into play. The [RBA next week](#) may add some volatility. US equity markets opened higher but soon started to slide and ended the session lower again. Equity futures markets are positive though, so this negativity may not last long into the Asian open. Bond markets continued to see a flatter yield curve. UST2 yields pushed higher but 10Y UST yields went lower and are now hovering around 1.80%. On the macro front, the main release yesterday was 4Q US GDP. This rose 6.9%YoY - more than expected - [but mainly due to inventories](#) and augurs badly for the 1Q22 figures. University of Michigan inflation expectations may be worth a look today - they have been shooting

higher.

- **General Asia & Pacific:** Asia's data calendar thins out to close the week. Friday will features trade data from Malaysia, growth numbers from Hong Kong and Singapore's unemployment report. [Next week](#) however should see a bit more focus on inflation, manufacturing and monetary policy.
- **South Korea:** December industrial production was stronger than implied by recent PMI indices, rising by 4.3%MoM (sa) to maintain annual growth at 6.2%YoY - close to the previous month's growth rate. Electronics were unsurprisingly behind much of the year-on-year growth, as were medical instruments. Motor vehicles also did well, which also contrasts with the supply-constrained experience of many European motor vehicle manufacturers and hints that local semiconductor supplies are much ampler. A rare pick up in the leather/luggage sector may also hint at re-opening of travel effects.
- **Japan:** Tokyo CPI inflation fell from 0.8% in December to 0.5% in January. We will probably see National CPI inflation deliver a similar decline when it is released in a few weeks, suggesting that Japan's slight inflation uptick may be past its worst. No implications for the Bank of Japan from this.

What to look out for: US Michigan inflation expectations and geopolitical developments

- South Korea industrial production (28 January)
- Tokyo CPI inflation (28 January)
- Singapore unemployment (28 January)
- Malaysia trade balance (28 January)
- Hong Kong GDP (28 January)
- US personal spending and Michigan sentiment (28 January)

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