Asia Morning Bytes

Caution is likely to dominate in Asian markets ahead of holidays

Macro outlook

- **Global:** Last Friday saw a strong bounce in US equities, but equity futures have turned negative and the outlook for trading in Asia this morning may be quite tentative ahead of long Chinese New Year holidays that have already started in some countries The EURUSD remained in the mid-1.11s on Friday despite the equity gyrations. And there was also limited movement in Asian FX space, though the THB and KRW were both heavy. There was also very little sign of any bounce in crypto, with bitcoin finding little support as fiat currency undermining seems destined to slow or cease in the near future (at least in the US) and a positive real yield may be a future prospect once more. The same could also be said about gold, despite current inflation issues, and the yellow metal is down to about $1788/oz. Macro newsflow on Friday was fairly subdued. University of Michigan inflation

expectations for 5-10Y ahead remained unchanged at 3.1%. Though there were higher than expected core PCE inflation numbers, which for December came in at 4.9%YoY (from 4.7% in Nov, 4.8% expected). Markets seemed to shrug off comments by the Fed's Raphael Bostic that 50bp hikes could be considered by the Fed if needed to combat inflation. And US Treasury yields were down slightly – about a 3bp decline for 10Y bonds taking them to 1.769%.
- **General Asia & Pacific:** This week's data calendar features regional PMI reports, a couple of inflation readings and a central bank meeting. For Monday, Japan reported production and retail sales while Thailand releases trade figures later in the session.
- **China:** PMIs released over the weekend showed further weakness. The Official manufacturing PMI fell to 50.1 from 50.3. The non-mfg PMI was also lower at 51.1 and the Caixin (private firms) PMI index dropped to 49.1. These numbers indicate that recent measures to support the economy have either not yet made their way through into the economy, or are not yet sufficient to outweigh the dampening effects of Omicron-induced movement restrictions or property developer weakness. More fiscal and monetary policy easing is likely in the weeks and months ahead.
- **India:** The December fiscal deficit is released later today. The run of deficit figures so far for the year has been pretty good, and look like beating the government's 6.8% GDP target. Barring accidents, that message should be reinforced by these December figures. India's next Union Budget is presented by Finance Minister Sitharaman tomorrow when we shall learn what the deficit target will be for the upcoming fiscal year.

What to look out for: Regional PMI, US jobs report and geopolitical developments

- Japan industrial production and retail sales (31 January)
- Thailand trade (31 January)
- India fiscal deficit (31 January)
- Japan jobless rate (1 February)
- South Korea trade balance (1 February)
- Australia retail sales (1 February)
- US ISM manufacturing (1 February)
- Regional PMI (2 February)
- Indonesia CPI inflation (2 February)
- US ADP employment (2 February)
- Australia trade balance (3 February)
- ECB policy meeting (3 February)
- US initial jobless claims factory and durable goods orders (3 February)
- South Korea CPI inflation (4 February)
- Philippines CPI inflation (4 February)
- Singapore retail sales (4 February)

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

Disclaimer