

MNI Asia Pac Weekly Macro Wrap

12 December 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Expectations for a 25bp rate hike (from 0.50% to 0.75%) at the BOJ's December 18-19 meeting have strengthened over the past week.

AUSTRALIA

- In a unanimous decision, the RBA's Board decided to leave rates at 3.6% where they have been since August, which was expected. Governor Bullock clarified that a rate cut was not considered. She said that 2026's discussions are likely to be around whether to leave rates at 3.6% or increase them, as the Board is uncomfortable with where inflation currently is.
- The November labour market data were consistently softer, apart from the stable unemployment rate. However, the data are volatile and averages need to be considered and they were mixed. Given the volatility, this release is likely to be consistent with the Board wanting more information.

NEW ZEALAND

- Card spending data for Nov showed a strong bounce versus Oct outcomes pointing to an improved Q4 consumer spending backdrop. Still, given seasonality the RBNZ may want to wait for early 2026 trends to see if firmer spending trends are being maintained. The PMI remained above the 50 expansion/contraction point.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc firmed over the past week out to June 2026, led by New Zealand (+18bps) and Canada (+12bps), while Australia firmed by 7bps and the US edged higher by 4bps.

CHINA

- October CPI climbed back to positive at +0.2% after 2 consecutive months of deflation and was in line with forecasts of a further increase to +0.7% in November, representing the highest reading since February 2024 with core rising +1.2%.
- After the sudden contraction in October, November exports rebounded strongly topping expectations. November exports expanded +5.9%, above estimates of +4.0% and beating October's result of -1.1%

ASIA

- Malaysian IP data reaffirmed a resilient domestic growth backdrop, which should keep BNM on hold.

ASIA EQUITY FLOWS

- Inflow momentum has been better for tech sensitive plays over the past week. Trends in SEA were mixed, while Indian markets await US-India trade news.

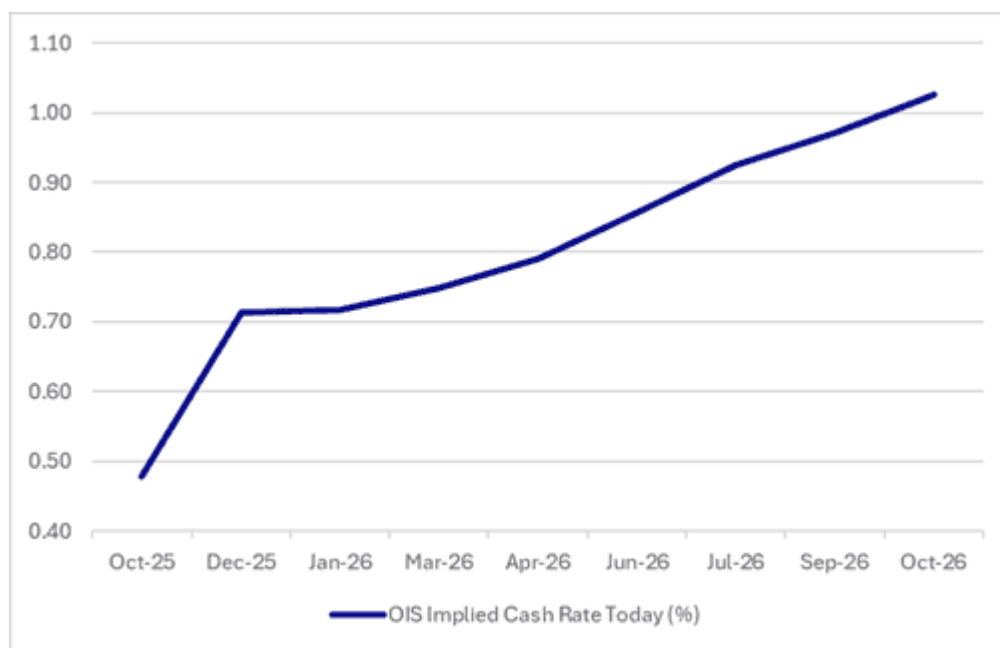
JAPAN

STIR: BoJ Hike 94% Priced For Next Week With Two By September-2026

Expectations for a 25bp rate hike (from 0.50% to 0.75%) at the BOJ's December 18-19 meeting have strengthened over the past week.

- In early December, BOJ Governor Kazuo Ueda said that even if the policy rate were raised to 0.75% from 0.50%, overall financial conditions would remain accommodative.
- When asked about the merits of a rate increase and the likelihood of a move this month, Ueda did not shy away from discussing specifics — including the probability of a hike — during that press conference.
- BOJ-dated OIS currently assigns an 94% probability to a 25bp hike in December, rising to 108% by March 2026. As recently as 21 November, markets saw less than a 20% chance of a December move.
- Notably, investors are now pricing in two 25bp hikes by September 2026.

Figure 1: BoJ-Dated OIS – Today



Source: Bloomberg Finance LP / MNI

JAPAN DATA: Local Investors Buy Offshore Bonds, Indifferent On Equities

In terms of Japan outbound flows, local investors returned to offshore bond purchases last week. This marked net buying in 4 out of the last 5 weeks. Since the start of Oct, cumulative net flows for this segment are still negative though. Global bond returns have largely tracked sideways over this period and remain sub 2025 highs. Focus will be on whether we see a move higher into year end following the overnight Fed outcome, although the market may await for 2026 data trends to break us out of recent ranges for longer dated UST yields. In the equity space, we saw local investors sell down offshore holdings, but only modestly. Net flows have been quite modest over the past few weeks.

- In terms of inflows into Japan assets, we saw continued net buying of local stocks, but at a reduced pace. The general trend since the start of Q4 has been net buying in this space, as Japan stocks have remain supported on dips. The NIKY 225 remains off early Nov highs.
- In the bond space offshore investors sold local bonds, although this only partially unwound the prior week inflow. Cumulative inflows have been evident since the start of Q4, but not to the same degree as bond inflows.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Dec 5	Prior Week
Foreign Buying Japan Stocks	96.8	655.7
Foreign Buying Japan Bonds	-442.6	1065.8
Japan Buying Foreign Bonds	452.9	-771.3
Japan Buying Foreign Stocks	-64.5	78.8

Source: Bloomberg Finance L.P./MNI

AUSTRALIA**RBA: MNI RBA Review-Dec 2025: Stance Skewed To Upside**

- [Download Full Report Here](#)
- In a unanimous decision, the RBA's Board decided to leave rates at 3.6% where they have been since August, which was expected. Governor Bullock clarified that a rate cut was not considered.
- She said that 2026's discussions are likely to be around whether to leave rates at 3.6% or increase them, as the Board is uncomfortable with where inflation currently is. This suggests that the RBA's stance is skewed to the upside.
- Q4 CPI data on 28 January will be a key input into the 4 February decision and if it shows more persistent inflation, then the Board will question how tight financial conditions actually are and the size of capacity pressures.
- Markets are pricing a steady build-up in tightening risk, with the implied probability of a 25bp hike rising from 38% in February to 102% by May and 205% by November 2026.

AUSTRALIA DATA: Nov Jobs Market Softer But Volatile, More Data Needed

The November labour market data were consistently softer, apart from the stable unemployment rate. However, the data are volatile and averages need to be considered and they were mixed. The RBA continues to see the jobs market as "a little tight". Governor Bullock said that the Board is likely to discuss a prolonged pause or hiking in 2026 dependent on the data as inflation and capacity pressures are rising. Given the volatility, this release is likely to be consistent with the Board wanting more information.

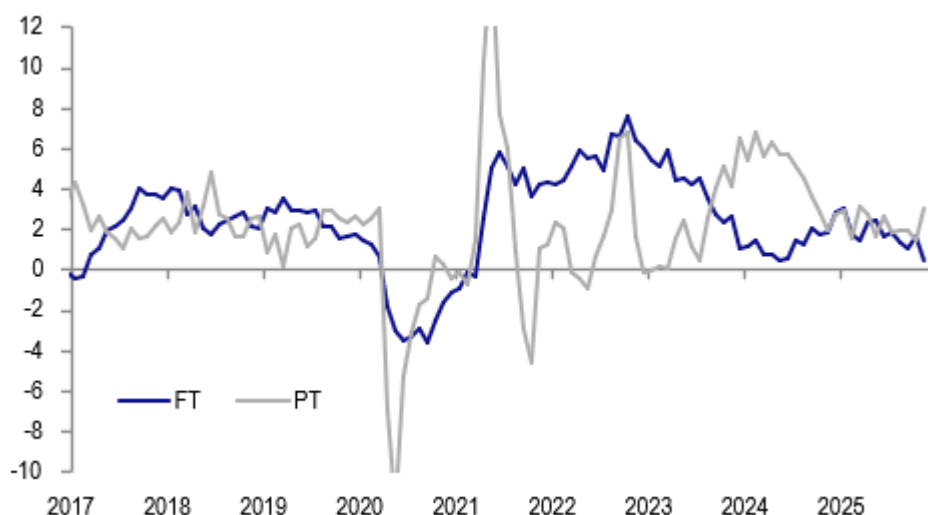
- There don't seem to be special factors although the ABS notes some "operational challenges" for NSW data collection but it made adjustments and "there are no residual data quality concerns".
- The fall in the labour force exceeded employment at -23k versus -21.4k driving a 0.2pp decline in the participation rate to 66.7%.
- The 3-month average in jobs fell slightly to +10.3k from +14k in October with Q4 growth at 1.4% y/y after Q3's 1.5%, slightly above the RBA's November Q4 projection of 1.3%.
- The unemployment rate remained at 4.3% keeping the Q4 average at 4.3%, 0.1pp below the RBA's Q4 forecast.

Australia unemployment rate %

Source: MNI - Market News/ABS

- Full-time (FT) jobs fell 56.5k unwinding October's +53.6k while part-time (PT) rose 35.2k after -12.5k. The 3-month averages were steady.
- Hours worked were flat in November but 3-month momentum rose driven by both PT and FT. FT fell 0.2% m/m but the 3-month average annual rate was little changed at 1.3% y/y. PT hours were strong rising 0.7% m/m with momentum at 4.8% and growth up to 4.5% y/y from 3.1% driving the average to 3.1% y/y from 2.4% y/y.
- This growth in PT hours and employment may reflect employer caution if they are uncertain about the outlook. More data is needed to confirm this.
- The underemployment and youth unemployment rates also rose showing 0.2pp increases in the 3-month averages from October.

Australia employment y/y%

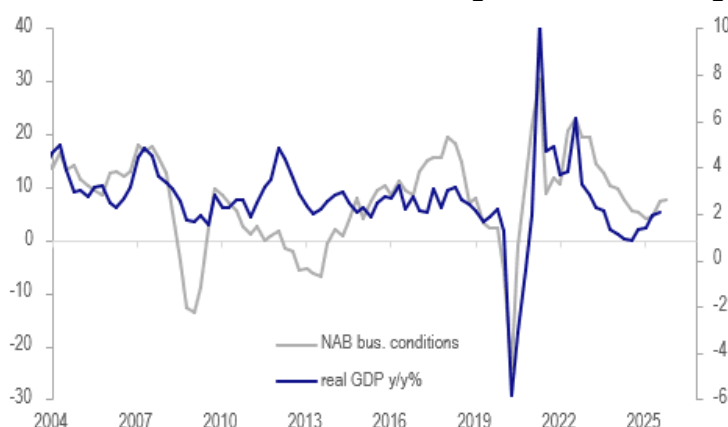


Source: MNI - Market News/ABS

AUSTRALIA DATA: Q4 Conditions Up On Q3, Q4 Business Inflation Series Moderate

November NAB business conditions moderated to 7 from an upwardly-revised 10, while the more volatile confidence fell to 1 from 6, the lowest since April. Conditions remained in line with Q3 outcomes and at this stage looks like normalisation rather than slowing as the sharp rise in WA in October unwound. With hard data showing a pickup in domestic demand and inflation above the top of the RBA's 2-3% band, this data is unlikely to change the RBA's expected cautious tone when it announces its decision at 1430 AEDT today.

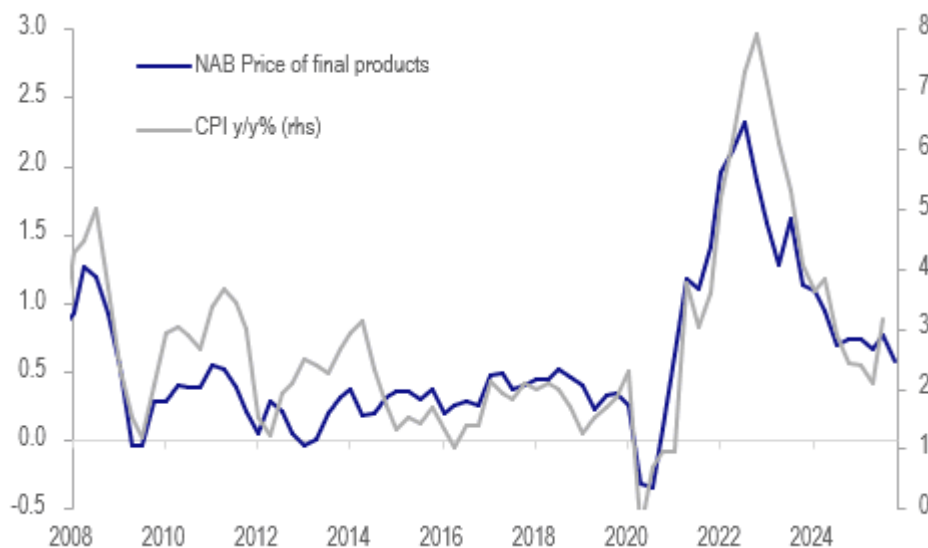
Australia NAB business conditions signal solid Q4 GDP growth



Source: MNI - Market News/LSEG

- In line with Governor Bullocks assessment that the output gap had likely closed, the NAB capacity utilisation measure rose to 83.6%, the highest in a year and a half. Capacity constraints could put upward pressure on already elevated inflation.
- The November price/cost components signalled that pressures may have eased in Q4. While November costs rose 1.3% 3m/3m up from October's 1.0% it is below Q3's 1.4%. Q4 average final product prices are up 0.6% after 0.8% in Q3.
- Trading and profits drove the decline in conditions down 6 and 5 points respectively, while labour demand was slightly higher at +1 point to 4. Labour cost growth at 1.4% in November continued to ease from July/August's 1.8%.
- Forward orders fell 2 points to +1, slightly higher than the Q3 average. Exporters sales were down to -1 from +3.
- It looks like investment intentions remained robust in Q4 after private GFCF rose 2.9% q/q in Q3. NAB capex was steady at 10, 1 point above the Q3 average.

Australia NAB final product prices signal possible Q4 headline inflation moderation



Source: MNI - Market News/LSEG

NEW ZEALAND

NEW ZEALAND: Nov Card Spending Surges, Pointing To Improving Q4 Consumption

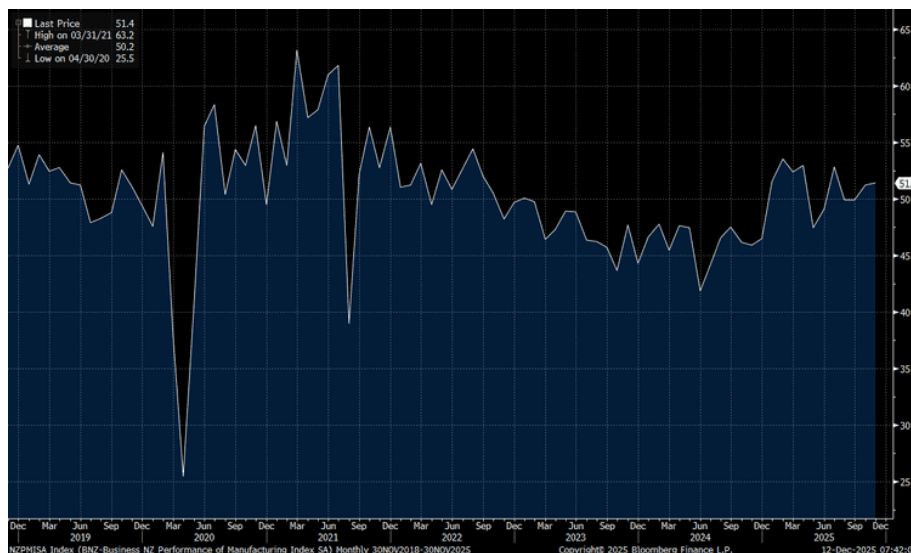
New Zealand Nov card spending trends showed a notable improvement on Oct outcomes. This points to improving spending momentum as Q4 unfolds, strengthening the broader economic backdrop. This points to an on hold back drop for the RBNZ.

- Retail spending rose 1.2% m/m, after a 0.2% rise in Oct. Total spending was up 1.9% m/m, after a revised 0.2% gain in Oct. For this segment it was the strongest outcome since Dec last year in m/m terms. In y/y terms, total card spending was up 1.4%, ending an extended run of negative outcomes. Retail spend was +2.2%, versus a 0.3% y/y gain in Oct.
- Most of the sub-categories posted firm m/m rises for Nov, services up 2.8%, non retail industries 3.9% higher. Apparel and industries both rose over 2% m/m as well.

NEW ZEALAND: PMI Edges Up, Employment Index Bounces, New Orders Ease

New Zealand's BusinessNZ manufacturing PMI edged up to 51.4 in Nov, from a revised 51.2 outcome in Oct. This leaves us off recent cycle highs (53.6) in Feb of this year. Post Covid highs in the index were in the 60-65 region, see the chart below, so whilst the index remains in expansion, the pace of recovery looks to be fairly modest.

- In terms of the detail, it was mixed. Encouragingly, the employment sub index rose to 52.4 from 48.3 in Oct. This is the highest read since April of this year. New orders moderated though to 51.9, from 54.5 in Oct. Production edged up to 52.8 from 52.0 prior.
- Note next week we get Q3 GDP out on Thursday, with the market consensus looking for growth to return to positive territory.

Fig 1: NZ Manufacturing PMI Points To Expansion

Source: Business NZ/BNZ/Bloomberg Finance L.P./MNI

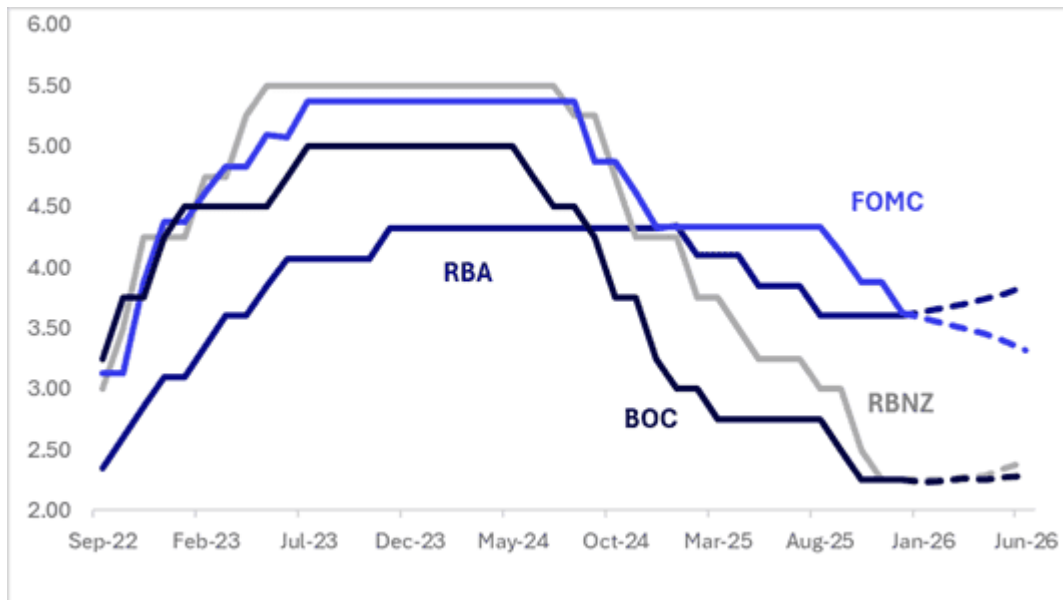
SHORT-TERM RATES \$-Bloc Pricing Firms Over The Week Despite Few Surprises From CB Decisions

Interest rate expectations across the \$-bloc firmed over the past week out to June 2026, led by New Zealand (+18bps) and Canada (+12bps), while Australia firmed by 7bps and the US edged higher by 4bps.

- The main events over the past week were the central bank meetings in Australia, the US and Canada.
- The RBA left the cash rate at 3.60%, as widely expected, but signalled that inflation risks have shifted to the upside. The Board did not consider rate cuts and does not expect them in the foreseeable future. While it did not explicitly consider a rate hike, it discussed circumstances under which one might be needed.
- The FOMC delivered what was widely anticipated to be a "hawkish cut" at the December meeting, lowering the Funds rate range by 25bp to 3.50%-3.75% while portraying a cautious stance on further adjustments in the Statement and Dot Plot. But with most of the main communications having been well-anticipated, the meeting outcome brought some slight dovish surprises and a concomitant market reaction.
- The BOC left the key rate unchanged at 2.25%. Governor Macklem said the economy had beaten some of the dire scenarios officials and investors had laid out earlier this year as the US imposed tariffs. Officials will be "symmetric" in reviewing potential shocks that could motivate the next rate change, he said.
- The next key regional events are the FOMC and BoC on January 28. The market assigns just a 2% chance of a 25bps cut by the BoC in January, while the US market is 23% priced.

- Looking ahead to June 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.32%, -31bps; Canada (BOC): 2.29%, +4bp; Australia (RBA): 3.85%, +25bps; and New Zealand (RBNZ): 2.46%, +21bps.

Figure 1: \$-Bloc STIR (%)

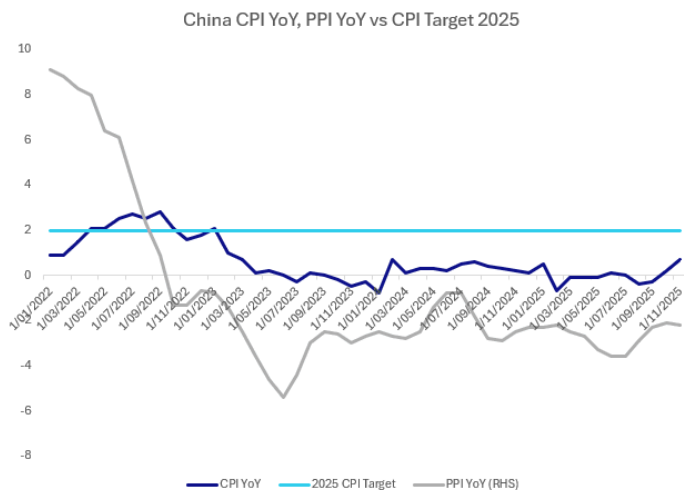


Source: Bloomberg Finance LP / MNI

CHINA

CHINA DATA: PPI Declines More than Expected, Whilst CPI Rises

- October CPI climbed back to positive at +0.2% after 2 consecutive months of deflation and was in line with forecasts of a further increase to +0.7% in November, representing the highest reading since February 2024 with core rising +1.2%.
- PPI however is where deflationary pressures are most entrenched with forecasts for a -2.0% in November not met and PPI declined -2.2%.
- The anti-involution policies enacted to curb price wars seem likely to remain in place for some time with limited expectations for improvements in PPI.
- PPI has now printed negative each month since September 2022.
- Bond futures have edged higher this morning, post the injection during the OMO and the CPI.



source: Bloomberg Finance LP / MNI

CHINA DATA: November Exports Rebound, Trade Surplus \$111bn

- After the sudden contraction in October, November exports rebounded strongly topping expectations.
- November exports expanded +5.9%, above estimates of +4.0% and beating October's result of -1.1%
- The decline in October is attributed to shipments being brought forward ahead of the Trump Xi meeting, shipments being front loaded ahead of the holiday period and base effect.
- Imports missed estimates with a rise of +1.9%, versus estimates of 3.0% and prior of 1.0%
- This left China with a trade balance ahead of estimates at US\$111.6bn at a time when French President Emmanuel Macron warned that the European Union may be forced to take "strong measures" against China, including potential tariffs, if Beijing fails to address its widening trade imbalance with the bloc.
- Despite some signs of a softening in economic data, the strength in exports will remain highly supportive of China achieving it's stated 5% GDP growth for 2025 and likely dampen calls for further monetary policy stimulus in the near term.



source: Bloomberg Finance LP / MNI

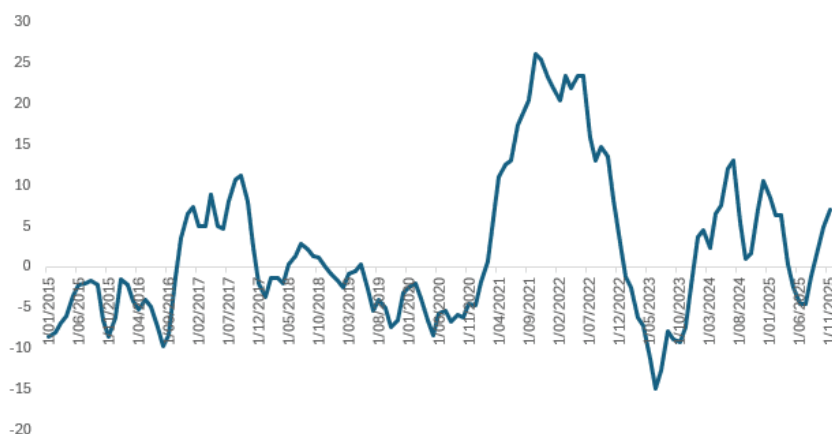
SOUTH KOREA

SOUTH KOREA DATA: Export Prices Hit Highest Since January

- South Korea's export prices rose 7.0% YoY in November 2025 compared with a year earlier, reversing earlier declines and marking a decent rebound in export price levels.

- On a monthly basis, the export price index increased 3.7% from October to November 2025.
- This marks five consecutive months of rising export prices — a continuation of an upward trend that began earlier in the year.
- A weaker Korean won boosted the export price index in won terms, amplifying the measured increase versus foreign currency-based prices.
- The rise was led mainly by manufactured goods, including computers, electronic and optical instruments, which posted notable price gains.
- Prices for agricultural and marine products also rose, adding to the overall positive contribution.
- Import prices rose 2.2% YoY in November as the ongoing weakness in the currency weighed on prices

South Korea Export Prices YoY

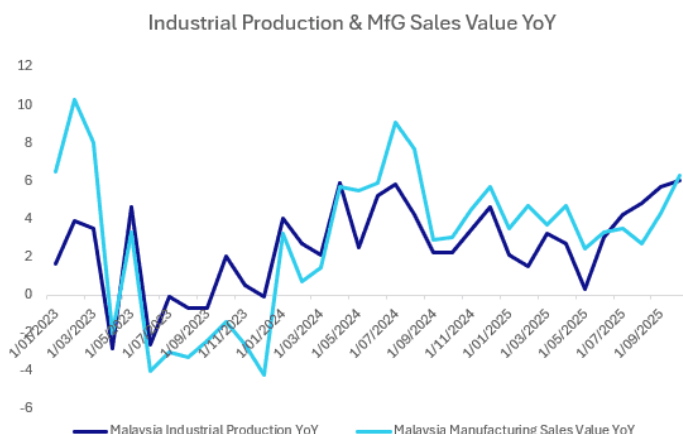


source: Bloomberg Finance LP / MNI

ASIA

MALAYSIA: Industrial Production Up Again, Rate Outlook Extended

- Malaysia's October Industrial production topped expectations at 6.0%, marking the fifth month of consecutive increases.
- Manufacturing continues to power output in Malaysia with a jump of 6.5% in October and mining up 5.8%
- Manufacturing Sales Value YoY increased 6.3%, the biggest increase since July 2024.
- Over the next 12 months, the prevailing outlook among economists domestically in Malaysia is that Bank Negara Malaysia (BNM) will likely maintain its Overnight Policy Rate (OPR) at the current level of 2.75% given robust economic output, strong domestic demand and contained inflation.
- The U.S. Federal Reserve cutting interest rates helps narrow the interest rate gap with Malaysia. A narrower differential is expected to support the Malaysian ringgit and attract capital flows, making it less likely BNM will need to adjust rates to defend the currency.
- Currently the 3-YR MGS has a premium of +32bps over the BNM policy rate, a sign that bond investors expect little chance of a rate cut in 2026.



ASIA EQUITY FLOWS: Net Inflows For Tech Pays Remain Positive Past Week

Net equity inflow trends for the past 5 trading days have been mixed for EM Asia markets, see the table below. South Korea and Taiwan remain firmly positive at around the +\$1.5bn mark. We did see some wobbles through Thursday trade, as Oracle's results cast a fresh shadow over the chip/AI related demand outlook. Still, broader global equity market trends are mostly positive for aggregate indices as we approach year end. Both the Kospi and Taixex have struggled to make fresh highs, but dips remain supported. As we approach year end, both markets remain in a net outflow posture for 2025 to date, and it would take quite strong inflows over the coming weeks to reverse this trend.

- In India, uncertainty continues to prevail over the US-India trade deal. The Chief Economic Advisor for India stating yesterday that most the key issues are now bedded down and that he would be surprised if an agreement wasn't in place by March next year. US comments have been promising around gaining access to Indian agricultural markets (although markets await details and on US tariff relief for India as part of broader trade agreement). Indian equities have mostly tracked lower since the start of the month.
- In South East Asia, Indonesia remains the most positive story although year to date it still maintains a net outflow stance.
- In Thailand focus will be on the election, to be held in the next 45-60 days. The local stock markets has struggled and is back close to Nov lows.

Table 1: Asian Markets Net Equity Flows

	Yesterday Past 5 Trading Days 2025 To Date		
South Korea (USDmn)	283	1569	-4213
Taiwan (USDmn)	-417	1540	-4498
India (USDmn)*	-228	-332	-17560
Indonesia (USDmn)	82	91	-1577
Thailand (USDmn)	-28	33	-3256
Malaysia (USDmn)	-19	-168	-4785
Philippines (USDmn)	-13	-81	-827
Total (USDmn)	-341	2652	-36715

* Data Up To Dec 10

Source: Bloomberg Finance L.P./MNI

Unauthorized disclosure, publication, redistribution or further dissemination of this information may result in criminal prosecution or other severe penalties. Any such authorization requires the prior written consent of Market News International. Redistribution of this information, even at the instruction of your employer, may result in personal liability or criminal action unless such redistribution is expressly authorized in writing by Market News International. Violators will be prosecuted. This information has been obtained or derived from sources believed to be reliable, but we make no representation or warranty as to its accuracy or completeness. This is not an offer or solicitation of an offer to buy/sell. Copyright © 2024 Market News International, Inc. All rights reserved.