

MNI Asia Pac Weekly Macro Wrap

14 November 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Japan data this week has been second tier. The PPI print is consistent with the CPI holding close to 3% y/y, which prints next week (Q3 GDP is also out). Jawboning on yen weakness continued, but FX intervention didn't appear an imminent risk. The government is starting to talk more about the negative implications of a weaker yen though.

AUSTRALIA

- In her November press conference, RBA Governor Bullock reiterated that the central bank looks at a range of labour market indicators and that overall they were stable and suggested a steady unemployment rate. The October jobs data were in line with this view with unemployment returning to 4.3%, the Q3 average..
- RBA Deputy Governor Hauser said that the economy may be hitting capacity constraints and if this is the case, could then add to price pressures.
- Consumer/business surveys released this week were consistent with an ongoing recovery while business prices/costs moderated.

NEW ZEALAND

- Q4 inflation expectations were steady implying that the Q3 increase in prices didn't unanchor them, allowing the RBNZ to ease again on 26 November.
- Spending on cards continues to have positive momentum but remains soft with annual growth rates turning down.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc out to mid-2026 have firmed over the past week, with Australia (+9bps), Canada (+9bps), the US (+5bps) and New Zealand (+2bps).

CHINA

- China's October CPI inched up to +0.2% y/y thanks to higher core, which was up to +1.2% for its highest print since February 2024. October activity data was mostly below forecast, particularly from the standpoint of investment and property related indicators. Still, given the earlier inflation beats, expectations for fresh policy easing have been pushed out a little.

SOUTH KOREA

- With October unemployment contained at 2.6%, the BOK could be on hold for some time. Comments from Bok Governor Rhee this week also helped push local rates higher, with the market moving to price out rate cut chances.

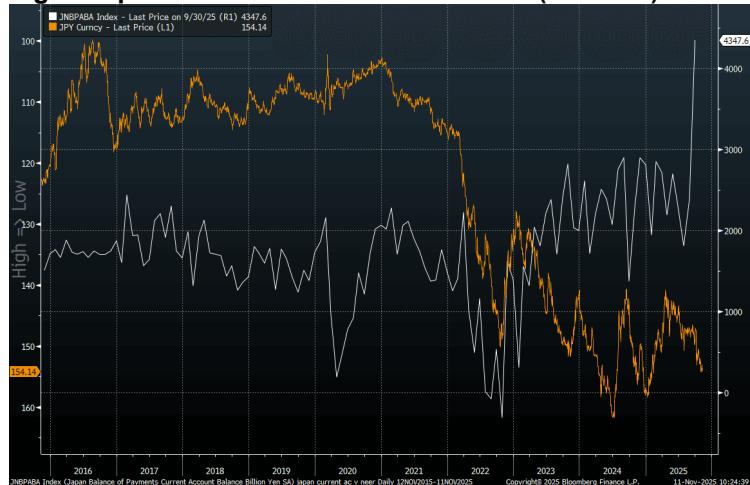
ASIA

- Focus elsewhere has also been on the monetary policy outlook, with sharp moves higher in some Taiwan interest rates as well.

JAPAN**JAPAN DATA: Current A/C Surplus Surges On Income Inflows, But May Not Aid Yen**

Japan Sep trade and current account balance data were stronger than forecast, particularly on the current account side. In unadjusted terms we printed ¥4483.3bn, versus ¥2456.6bn projected and ¥3701.4bn prior. In seasonally adjust terms we were at ¥4347.6bn for the current account, close to double the consensus projection and prior outcome. This is the best outcome for at least a few decades. This isn't necessarily a yen positive though, at least based off recent correlations. Current account shifts haven't coincided with yen shifts in recent years.

- The trade balance on a BoP basis aided the current account improvement. We were up to a surplus of ¥236bn, versus a projected deficit of -¥100.1bn. The trade balance remains within recent ranges. The Citi terms of trade proxy for Japan is pointing to positive trade balance outcomes continuing in the near term.
- The bigger driver for the current account improvement though was the surge in the primary income balance, ¥4728.1bn, versus ¥2968.4bn in Aug. These outcomes are usually fairly steady, but point to a pick in net income earned from Japan's offshore investments.
- The chart below plots USD/JPY, which is inverted on the chart (the orange line) against the current account position (the white line). It shows the lack of relationship between the two series, with much of the surplus in Japan potentially re-exported offshore via capital outflows.
- This may benefit the yen at some point, particularly if we see the US authorities (especially Tsy Secretary Bessent) making noises about yen being undervalued relative to Japan's external balances.
- However, this is likely to play out over the medium term rather than in the near term. Short term dynamics around the BoJ/Fed outlooks, which will drive US-JP yield differentials, along with broader risk trends, are likely to remain more important USD/JPY drivers.

Fig 1: Japan Current Account & USD/JPY (Inverted) Trends

Source: Bloomberg Finance L.P./MNI

JAPAN DATA: PPI Above Forecasts, Suggesting CPI Y/Y Will Hold Near 3%

Earlier data showed slightly stronger than forecast PPI for Oct. The m/m rose 0.4%, versus 0.3% forecast. Note as well the prior was revised up to 0.5% from 0.3% originally reported. The Y/Y print was 2.7%, versus 2.5% forecast, while the Sep print was 2.8%. The chart below plots headline PPI y/y, versus CPI y/y (which is the orange line). This suggests the broader inflation backdrop is little changed, although we remain elevated near 3%.

- In terms of the detail, manufacturing was up 0.2% m/m, after a 0.1% gain in Sep. Recent softness continued in some commodities, with petroleum, coal off 1.1%, iron ore and steel down 0.8%. However, nonferrous metals surged 5.9% after a 2.2% gain in the prior month.
- On the trade side, import prices in yen terms fell 1.5% y/y in October, marking the ninth straight decline but easing from September's 1.1% drop, suggesting weaker downward pressure from import costs. Export prices for automobiles to the U.S. fell 12.0% in yen terms and 13.0% in contract-currency terms, compared

with declines of 16.3% and 18.8% in August, indicating continued price cuts by Japanese carmakers that have squeezed profit margins. (via our Tokyo policy team).

Fig 1: Japan PPI & CPI Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Local Investors Return To Offshore Bonds, But Sell Global Equities

Aggregate Japan weekly investment flows were mixed in the week ending Nov 7 (last Friday). In terms of Japan outbound flows, we saw a pick up in offshore bond buying, which ended a 3 week run of net outflows from this segment. As we have noted in recent weeks, cumulative outflows to offshore bonds have remained positive, owing to chunky net buying through late Aug, early Sep. Global bond returns have broadly moved sideways, not providing a fresh impetus for local investors. Japan investors continued to sell overseas equities, with net outflows in 7 out of the last 8 weeks. Strength in local equities may be keeping the home bias firmer, particularly with new PM Takaichi's pro-growth regime.

- Offshore investors did sell local Japan equities last week, albeit only modestly. This ends a run of five straight week of inflows. Offshore cumulative inflows have also been strongly positive in the past 6 months. Japan equities remain supported on dips, but the NKY is off earlier Nov highs.
- Offshore investors added to local bonds, but only modestly.

Table 1: Japan Weekly Offshore Investment Flows

	Billion Yen	Week ending Nov 7	Prior Week
Foreign Buying Japan Stocks	-347.3	690.1	
Foreign Buying Japan Bonds	91.5	280.6	
Japan Buying Foreign Bonds	566.3	-354.5	
Japan Buying Foreign Stocks	-439.5	-581.1	

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

AUSTRALIA DATA: Steady Jobs Market Means RBA Can Hold To Reduce Inflation

After softer August/September prints, the labour market normalised in October in line with the RBA's view that "labour market conditions remain a little tight". The recent trend, if sustained, is likely to keep rates on hold given the Q3 increase in price pressures and uncertainty over policy restrictiveness.

- Much of the October data was in line with the Q3 average consistent with a stable labour market, looking through the monthly volatility.
- The October unemployment rate fell 0.2pp to 4.3% in line with Q3's 4.3%. The number of unemployed fell 17k bringing the 3-month average to +5k (Q3 +7.2k).

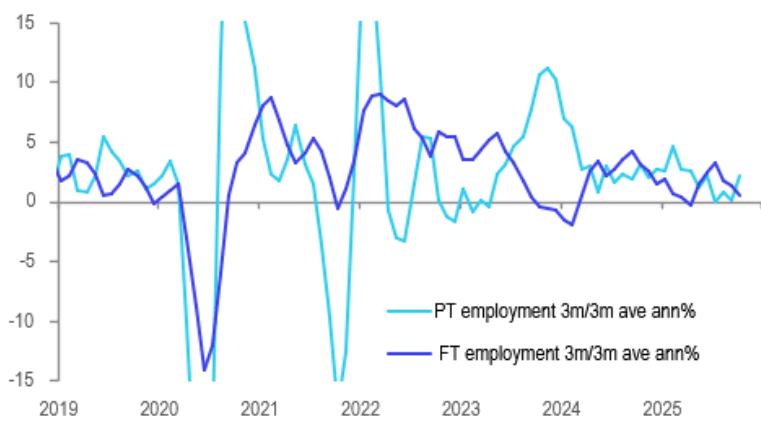
Australia unemployment rate %



Source: MNI - Market News/ABS

- Employment rose 42.2k in October, the highest monthly gain since April, with the annual rate rising to 1.6% y/y from 1.3% y/y. It rose 1% 3m/3m average annualised in line with the rate in Q3.
- The balance shifted towards full-time (FT) jobs in October rising 55.3k compared with part-time (PT) falling 13.1k but in terms of 3-monthly growth, PT is outperforming rising 2.1% annualised compared to 0.5%.
- Firms may have increased the hours of their existing PT staff rather than hiring new ones in October as their hours rose 0.7% m/m to be up 4.7% 3m/3m saar, contributing to the 0.2pp fall in underemployment to 5.7%. FT rose 0.5% m/m but falling 0.6% 3m/3m saar.
- Labour force growth was stable at 1.9% y/y with the participation rate holding at 67% around where it has been since April and the employment ratio at 64.0% for the third straight month.

Australia employment 3m/3m average annualised %



Source: MNI - Market News/ABS

RBA: Recent Data In Line With RBA View Of Stable Labour Market, Rates On Hold

In her November press conference, RBA Governor Bullock reiterated that the central bank looks at a range of labour market indicators and that overall they were stable and suggested a steady unemployment rate. The

October jobs data were in line with this view. She also noted that the quit rate had jumped and that surveys and the RBA's business liaison programme reported increased skilled labour difficulties. This will add to concern that policy may not be as restrictive as previously thought.

- The unemployment rate returned to 4.3% in line with the Q3 average. It has gradually risen and H2 is higher than H1 but it has been stable since June. Youth unemployment is another important indicator as the RBA says it leads the labour market. It fell 1pp in October to 9.6%, below Q3's 10% and the lowest since May.

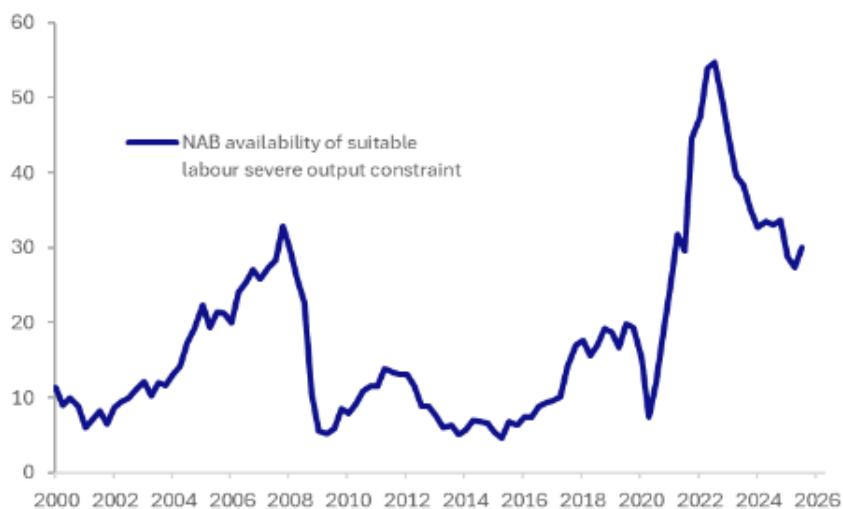
Australia unemployment rate 15-24 years %



Source: MNI - Market News/ABS

- Importantly underemployment fell 0.2pp in October to 5.7% below Q3's 5.8% and Q2's 5.9%. It has been trending lower since mid-2024.
- Hours worked rose 0.5% m/m to be up 2.1% y/y after 0.5% & 1.4% the previous month. Both full-time and part-time hours rose in October.
- Bullock observed that job vacancies remain elevated. SEEK new job ads are recovering recording their third consecutive monthly rise in September with the 3-month annualised rate rising to 6.8% from -2.5% in June.
- The Q3 NAB business survey showed "suitable labour being a constraint" up to 30.0 from 27.3. Also, labour demand was stronger with expected employment was up 3 points to 12.5 (highest since Q4 2023) and change in employees over next year +2 points to 18.6.

Australia NAB labour availability constraint



Source: MNI - Market News/LSEG

RBA: Economy May Already Be Close To Capacity, Makes Further Easing Uncertain

Deputy Governor Hauser answered questions at the UBS Australasia Conference and noted that given capacity pressures and policy stance are difficult to measure, the outlook is unclear and the Board is monitoring the incoming data closely. The main takeaway was that the economy could already be close to trend growth and therefore supply constraints making further rate cuts difficult. If growth rises further without strengthening the supply side, then the pickup in inflation seen in Q3 may be persistent.

- Hauser talked of three scenarios – 1. Capacity pressures and demand growth are not as strong as expected and rates are cut; 2. Growth picks up further and labour market is already tight and so no further easing; 3. Trend growth rises as supply-side of the economy grows and productivity growth improves.
- He reiterated there are no point estimates of the NAIRU or “neutral” policy rate but given that capacity is likely a bit tighter, policy is closer to “neutral” than thought a little while ago and the Board will “feel our way” to see how restrictive it is by the impact seen in the data.
- The RBA assumed that two-thirds of the upside surprise in Q3 underlying CPI was temporary with one-third “signal”. It is monitoring outcomes, to see how accurate this judgement call was. He noted though that if the economy is “stuck at capacity”, then inflation could rise again but at this stage the RBA doesn’t know if this is the case.
- The central case is for activity to recover with inflation returning to just above the band mid-point without a material rise in unemployment. However, given heightened uncertainty around the outlook, the only thing for certain is that the forecasts will be wrong.

RBA: Hauser Says RBA Debating Current Policy Stance - Per RTRS

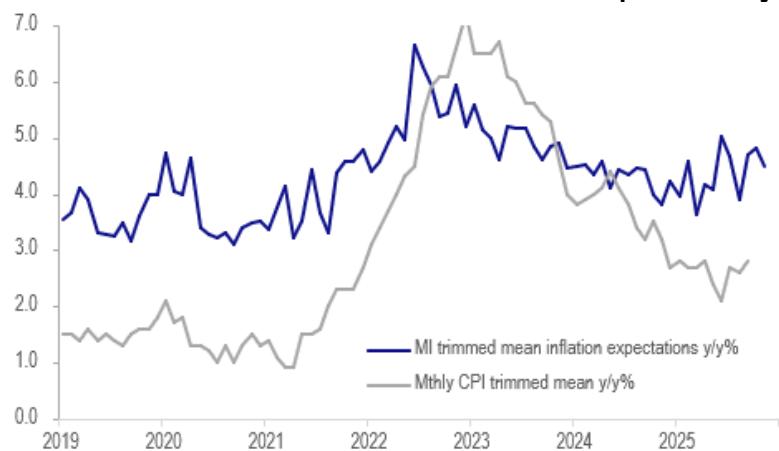
Headlines have crossed from an Rtrs interview with RBA Deputy Governor Hauser. Rtrs notes: "A top Australian central banker said on Wednesday that there was increasing debate about whether the current cash rate of 3.6% is restrictive enough to keep inflation in check, adding that the question is critical for the policy outlook."

- This reinforces the current on hold stance from the central bank, but also raises the prospect that we may have seen an end of the easing cycle. Hauser also played down yesterday's bounce in the Westpac Consumer Sentiment Index, with the RBA maintaining a case for gradual/modest recovery in consumption.
- This echoes earlier remarks this week from Hauser, as we noted - Deputy Governor Hauser answered questions at the UBS Australasia Conference and noted that given capacity pressures and policy stance are difficult to measure, the outlook is unclear and the Board is monitoring the incoming data closely. The main takeaway was that the economy could already be close to trend growth and therefore supply constraints making further rate cuts difficult. If growth rises further without strengthening the supply side, then the pickup in inflation seen in Q3 may be persistent.
- Note we also updated our RBA policy model yesterday: When updated for Q3 CPI, Q2 GDP and the RBA's November projections, our simple policy reaction function based on the core inflation and output gaps is signalling no further easing. As trimmed mean inflation doesn't return to the 2.5% band mid-point by the end of 2027 on current assumptions, there is a risk of monetary tightening.

AUSTRALIA DATA: Q4 Inflation Expectations Above Q3

Melbourne Institute consumer inflation expectations for November moderated 0.3pp to 4.5% despite news that Q3 inflation increased more than expected and an increase in petrol prices at the end of October/start of November. Even though November moderated the Q4 average inflation expectations are higher than Q3 at 4.65% compared to Q2's 4.4%.

- Households may have been reassured by RBA Governor Bullock's message that inflation is expected to moderate towards the band's 2.5% mid-point.
- Inflation expectations peaked this year at 5.0% in June and have been unable to hold breaks below 4%.
- Consumers also looked through higher inflation in Westpac's November consumer confidence survey as it jumped 12.8% but 76% of respondents now expect rates to be unchanged or higher in 12 months up from 60% in October. This could be adding to confidence that the RBA will bring inflation back down.

Australia core inflation vs consumer inflation expectations y/y%

Source: MNI - Market News/ABS/LSEG

AUSTRALIA: Easing Cycle May Be Done

When updated for Q3 CPI, Q2 GDP and the RBA's November projections, our simple policy reaction function based on the core inflation and output gaps is signalling no further easing. As trimmed mean inflation doesn't return to the 2.5% band mid-point by the end of 2027 on current assumptions, there is a risk of monetary tightening.

- The AUD OIS market has 17bp of easing priced in by September 2026 with almost nothing by the end of 2025.
- The reaction function implies around 75bp of easing in the year to Q3 2025 but that by Q2 2026 25bp of this has been reversed. The rate estimates then settle around 4% over H2 2026 and stay there in H1 2027.
- The equation uses a one quarter lead of trimmed mean inflation which the RBA revised up to 3.2% in Q4 2025 and Q2 2026 in its November projections. It then moderates towards 2.6%.
- Using the RBA's GDP growth expectations of around 2%, the output gap is likely to be slightly negative over the forecast period.
- It is worth noting that econometric calculations are just estimates and not predictions.

Australia policy reaction function with trimmed mean CPI %

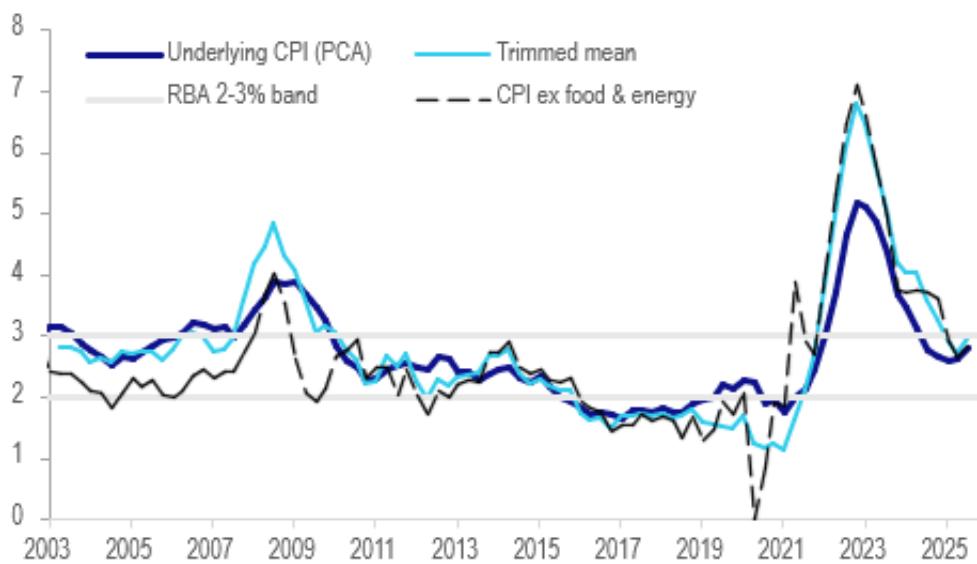
Source: MNI - Market News/LSEG

AUSTRALIA: Other Measures Of Core Price Pressures Also Rose In Q3

The RBA is unsure of the degree of its restrictiveness and if it's not "mildly restrictive" there could be "implications" for policy as the economy may be at trend growth, according to comments from Deputy Governor Hauser this week. In November, the RBA assumed that around two-thirds of the Q3 underlying inflation increase was temporary but around one-third could be persistent. It was not just trimmed mean inflation that rose but other measures of core price pressures. Our Q3 PCA measure of underlying inflation rose 0.2pp to 2.8% but is still within the band.

- Measures of underlying inflation include trimmed mean, excluding volatile items such as food and energy, the median. We have one using principal components analysis (PCA) based on Bank of Canada research. Unlike Q2, not all of these were within the band in Q3.
- The chart below shows PCA CPI against other measures. It is less volatile, with a standard deviation below trimmed mean's. After running ahead of trimmed mean from 2019 until mid-2021, it was below trimmed mean, CPI ex volatile items and ex food & energy in Q3.

Australia underlying inflation y/y %



Source: MNI - Market News/ABS/LSEG

- PCA is useful for when there are a large number of variables, as it finds common patterns that explain most of the variance in the data. In this case, it extracts the common movement in prices and thus creates a measure that reflects underlying developments in inflation and not sector-specific shocks.
- The share of CPI components above 3% also picked up in Q3 to 39% from 37% to be in line with Q4 2024.
- The median CPI has been stable through 2025 at just above 2%.

AUSTRALIA DATA: Sentiment Jumps, Higher Inflation & On Hold Rates Ignored

Despite lower rate cut and higher inflation expectations, Westpac consumer confidence surprisingly jumped 12.8% m/m to 103.8 in November, the highest since January 2022 and the largest monthly rise since Covid-impacted September 2020. Finally optimists exceeded pessimists, reflected in the "time to buy a major item" rising almost 15%. If sustained, then it is likely to reflect further recovery in the domestic economy and possibly a wealth effect from rising house prices.

- On Monday, RBA Deputy Governor Hauser noted that growth is already close to potential and thus the economy to capacity. While these concepts are difficult to estimate, any pickup in growth could potentially add to inflation. This large jump in confidence adds to the risk of that and the chance that rates won't be cut further.
- Consumers don't always behave in line with their survey responses and so monthly household spending data will be monitored closely to see if there is an increase in expenditure consistent with the pickup in confidence. October prints on 4 December with November 12 January.

- House prices are expected to rise with expectations +0.3% m/m to 172.4, a new record high. However, time to buy a home remains soft at 96.4.

Australia Westpac consumer confidence



Source: MNI - Market News/LSEG

AUSTRALIA DATA: Westpac Consumer Details Mixed, Spending Rise Not A Given

The details of the November Westpac consumer confidence survey are mixed signalling that there could be payback in December. It rose despite lower sentiment amongst mortgage holders as a group and less optimism regarding the labour market outlook but stronger domestic growth and less risk from US tariffs seemed to have driven the rebound into net optimism territory.

- Westpac asked about Christmas spending intentions and 15% said they would spend more than last year up from 11.6% in November 2024 with around 35% planning to spend less, similar to 2024. Westpac describes the responses as "less restrained" than 2024. It shows that the jump in confidence translating into strong spending is not assured.
- Family finances improved with expectations for a year ahead +12.3% to 109.1, significantly stronger than compared to a year ago, which Westpac believes was helped by the RBA not discussing a hike on 4 November despite the surprisingly high Q3 CPI. But 76% of respondents after the RBA decision to keep rates on hold expect rates to be on hold or higher in a year up from 60% in October.
- The economic outlook for the next year and 5 years rose 16.6% and 15.3% respectively and are above their historical averages. But unemployment expectations jumped 9.3% to 139.5 driven by 18-24 year olds and the unemployed. The RBA sees the youth unemployment rate as a lead indicator of the labour market (October prints 13 November).
- The "time to buy a major item" rose 14.9% m/m to 111.6, highest in four years.

Australia Westpac unemployment expectations

Source: MNI - Market News/LSEG/ABS

AUSTRALIA DATA: NAB Survey Signals Ongoing Recovery & Lower Inflation

NAB business confidence and conditions were little changed in October with the former down 1 point to +6 and the latter up 1 point to +9. The survey details were generally positive though with forward orders positive and their highest in two and a half years, investment up, labour demand steady and cost/price increases moderating. It is consistent with an ongoing economic recovery and contained inflation and therefore the RBA on hold.

Australia NAB business survey outlook

Source: MNI - Market News/LSEG

- Business conditions rose to their highest since March 2024 with profitability up 3 points, trading +5 and employment steady but one point below the 2025 average. Capital expenditure rose 4 points to +11. While exports remained positive, they are struggling as they weakened in October.

- The labour demand component is currently signalling a stabilisation in employment growth, which has trended lower since mid-year.
- The 3-month change in purchase costs moderated to 1.0%, the lowest since February 2021 and below Q3's 1.4% average. Labour costs rose 1.5% 3m/3m down from 1.6% in September.
- Final product prices increased only 0.5% 3m/3m after 0.75% in Q3 and the slowest since February 2021. Retail prices increased 0.7% 3m/3m after Q3's 0.8%.

Australia NAB business survey price/cost components % 3m/3m

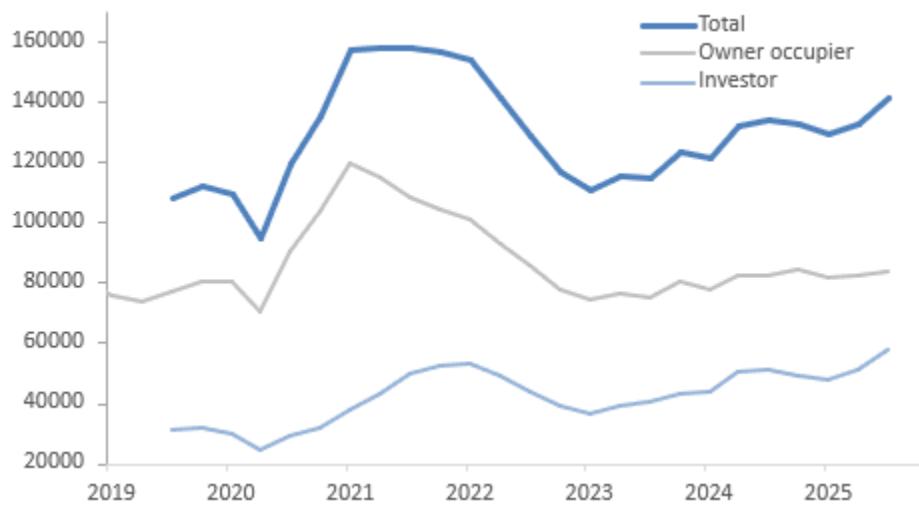


Source: MNI - Market News/LSEG

AUSTRALIA: Strong Home Lending May Contribute To Extended RBA Hold

There was a strong rise in the number of new dwelling loans and their value in Q3 as house price inflation rose. The recovery in home lending began in Q2 after the RBA began easing in February and the 75bp to August appears to have contributed to the sharp rise. The Board is unsure how restrictive policy is and remains cautious. It noted this month that "the housing market is continuing to strengthen, a sign that recent interest rate reductions are having an effect". The lending data is consistent with this and likely to add to its caution about easing further.

- The total number of home loans rose 6.4% q/q to be up 5.8% y/y driven by both owner occupiers and investors, but particularly the latter. Values increased 9.6% q/q to be 13.2% y/y higher as higher home prices added to the amount.
- Owner-occupier loans rose 2.0% q/q after 0.9% q/q to be +1.7% y/y with the growth split between first-time buyers (+2.3% q/q & 0.9% y/y) and others (+2.8% q/q & 3.3% y/y). The level is below that recorded in Q4 2024.
- The softness in owner-occupier lending compared to investors likely reflects poor affordability in the Australian housing market. Our affordability index has improved since Q2 2024 helped by higher incomes and lower rates but remains around 36% below trend and close to its series low.
- Loans to first-time homebuyers are likely to rise further in Q4 with the introduction of the government's 5% deposit scheme.
- Investor loans soared 13.6% q/q after 5.9% in Q2 to be up 12.3% y/y with strength across states and territories.

No. of new loan commitments dwellings ex refi

Source: MNI - Market News/ABS

NEW ZEALAND**NEW ZEALAND: Inflation Expectations Stable, RBNZ On Track For November Cut**

The RBNZ's Q4 survey of expectations posted unchanged inflation expectations. The central bank is likely to be relieved that not only are they within its 1-3% target band but they didn't increase in the latest reading following the rise in Q3 CPI to 3.0% y/y from 2.7%, although the RBNZ's measure of core held steady at 2.7%. The RBNZ has maintained for some time that the Q3 increase would be temporary and its August projections showed inflation moderating from Q4 and approaching the band midpoint in 2026 given the degree of spare capacity in the economy.

- The RBNZ is likely to cut rates 25bp at its 26 November decision but the easing cycle could be extended into next year.
- 1- and 2-years ahead inflation expectations were 2.4% and 2.3% respectively, where they have been for the last three quarters.
- The perception of monetary conditions in Q4 eased substantially over all time horizons with it falling to -46.2 from +47.5 for end Q4, to -64.1 from -22.5 for Q1 and -51.3 from -32.5 a year ahead.

NZ CPI vs inflation expectations y/y%

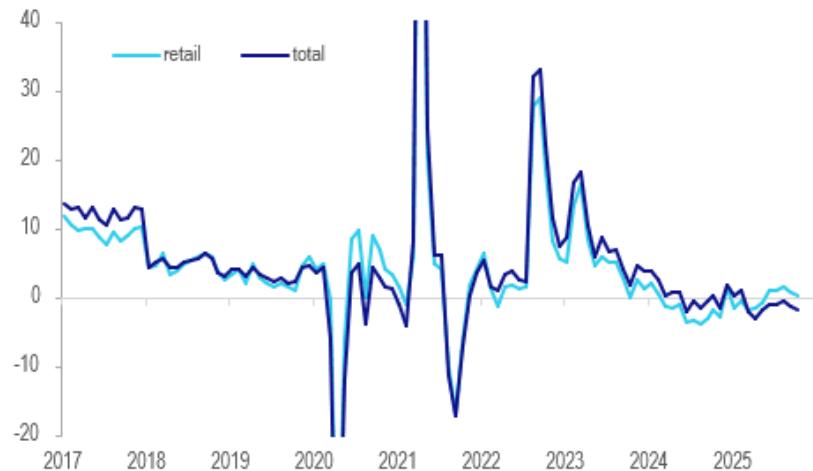
Source: MNI - Market News/LSEG

NEW ZEALAND: Retail Spending Growth Turns Down Again

Spending on cards continues to have positive momentum but remains soft with annual growth rates turning down. Data since the last RBNZ decision are consistent with only a weak recovery and so another rate cut, probably 25bp, on 26 November is likely. October retail transactions rose 0.2% m/m to be up only 0.2% y/y down from 0.9% but still up 2.2% 3m/3m annualised. Total expenditure was flat on the month and deteriorated to -1.7% y/y from -1.3%, the weakest since May.

- Core retail consumption was also up 0.2% m/m driven by a 0.8% m/m increase in consumables. However, apparel fell 0.6% m/m, hospitality -1.4% m/m and motor vehicles -1.2% m/m.
- Non-retail ex services fell 0.3% m/m while services were flat.
- Q3 real retail sales are released 27 November.

NZ card spending y/y%

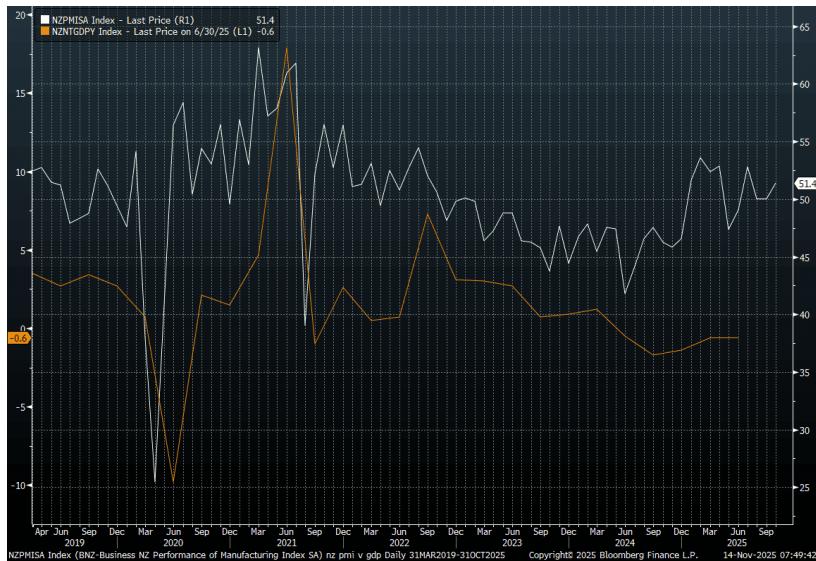


Source: MNI - Market News/LSEG

NEW ZEALAND: PMI Rise Points To Recovery, But Index Short Of 2025 Highs

New Zealand's BusinessNZ Manufacturing PMI rose to 51.4 in Oct, from a revised 50.1 outcome in Sep (originally reported as 49.9). The index has been above the 50.0 benchmark since July of this year, but we remain sub earlier 2025 cycle highs (53.6 recorded in Feb), see the chart below. The other line on the chart is NZ y/y GDP growth. We don't get Q3 GDP until Dec 18. Given the y/y decline in Q3 last year was -1.7%, base effects should help y/y momentum for Q3 this year, but broader evidence around the economic recovery remains patchy.

- In terms of the PMI detail, production rose to 52.0, from 50.5, while employment edged up to 48.1 from 47.7. We haven't been in expansion for this sub index since April.
- New orders bounced to 54.9, from 50.5, an encouraging sign, but this just takes us back to where we were in August for this index.

Fig 1: New Manufacturing PMI & GDP Y/Y

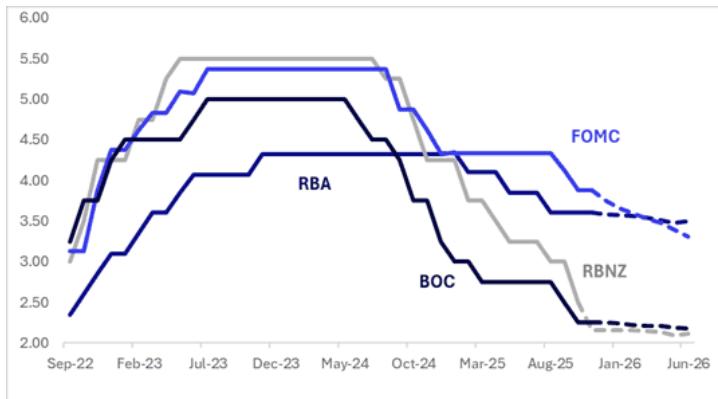
Source: BusinessNZ/BNZ/Bloomberg Finance L.P./MNI

SHORT-TERM RATES \$-Bloc Pricing Out To Jun-26 Firmer Over The Past Week

Interest rate expectations across the \$-bloc out to mid-2026 have firmed over the past week, with Australia (+9bps), Canada (+9bps), the US (+5bps) and New Zealand (+2bps).

- In Australia, the labour market normalised, with unemployment returning to 4.3% after September's 4.5% spike. Employment rose 42.2k (all full-time) following 12.8k in September.
- OIS pricing now implies just a 1% probability of a 25bp December cut (9% pre-data), with cumulative easing of 10bps priced by mid-2026 (down from 17bps).
- Even still, as previously noted, markets may still be overestimating the likelihood of further cuts, given that rising annual inflation has historically ended RBA easing cycles.
- In the US, renewed scepticism over prospects of a Fed cut in December received a boost from recent commentary from Fed officials. Indeed, the likely lack of new CPI and up-to-date labour market reports before the December 10 FOMC decision implies that it will be even more difficult to shift hawks' inertia.
- The next key regional event is the RBNZ policy decision on November 26. 26bps of easing is priced for November, with a cumulative 35bps by February 2026.
- Looking ahead to June 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.31%, -56bps; Canada (BOC): 2.18%, -7bp; Australia (RBA): 3.52%, -8bps; and New Zealand (RBNZ): 2.12%, -38bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

CHINA: Inflation to Lead Yields Higher?

- Over the weekend, China released its October CPI the YoY number inched up into +0.2% thanks to rises in Core. Core was up to +1.2% for its highest print since February 2024. When assessing the correlation with CGB yields, there appears a reasonable relationship with Core often leading bond yields higher.
- With mounting suggestions of more policy support given economic growth (for some forecasters) described as on weak footing, it would seem unpalatable for bond yields to gap higher from here. The issuance schedule at regional and federal level will remain elevated into 2026 and as asset allocation trends into equities from bonds grow, it is hard to see any allowance for bond yields to gap higher.
- If this relationship holds true, what this could predicate is an increased focus on liquidity injections over the remainder of 2025 with the aim of maintaining yields in tight, manageable ranges.

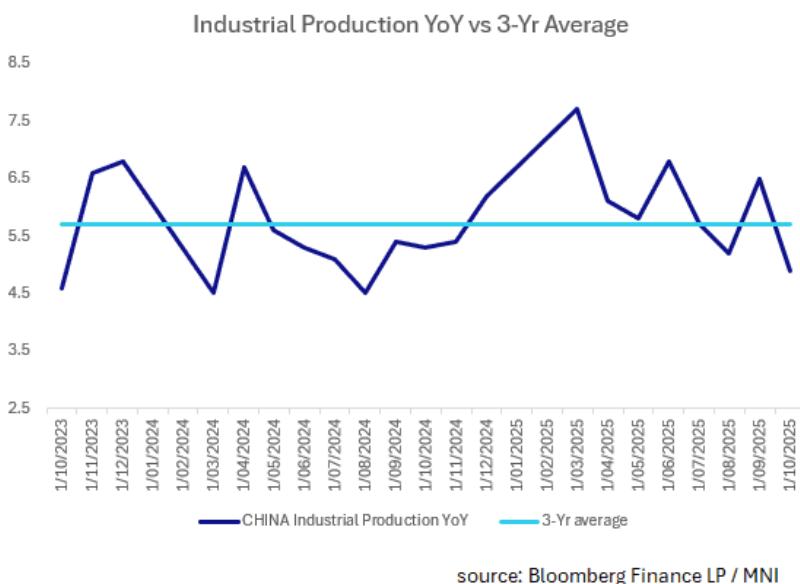
China Core CPI vs CGB 10-Yr



source: Bloomberg Finance LP / MNI

CHINA: Industrial Production Misses Forecasts, Retail Sales Steadies

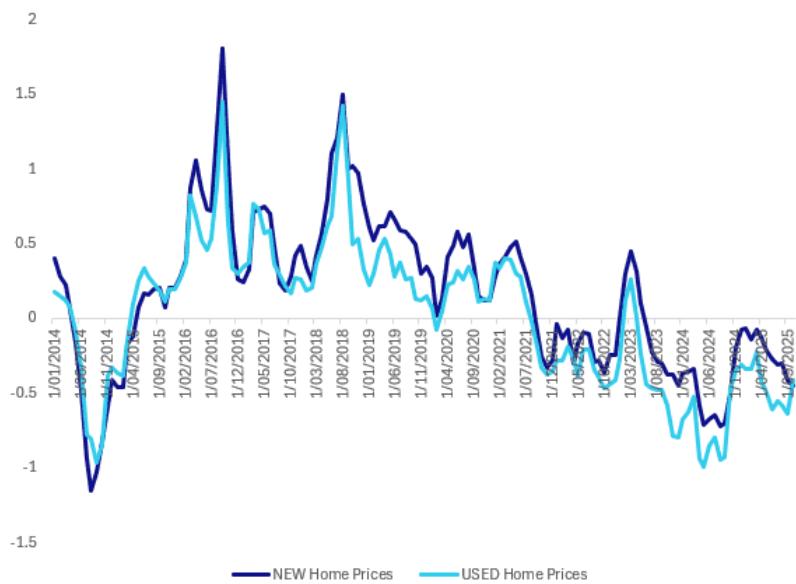
- Amongst all of the data released today, industrial production were the areas where focus is likely to be.
- The focus on the consumer and domestic demand is the cornerstone to the next 5-Year plan and whilst it seems that retail sales is becoming less likely to return to the days of +10%, October's result was slightly ahead of market expectations.
- Expanding +2.9% against forecasts of +2.8%, and below prior month of 3.00%. With the coming data to capture the Single's Days sales, which by all accounts was a success, there may be upside potentials for retail sales and we look back on October's result as being resilient.
- For industrial production September result was impacted by what appeared to be attempts to get goods out ahead of the Trump Xi meeting and any outcome from trade negotiations. At +4.9%, it missed expectations of +5.5% and below September +6.5%. However since the onset of the trade war in April, there have only been two months with an industrial production expansion below the 3-Yr average. This therefore suggests that the October result may not be a downward trend, rather an reaction to the increase in output in September.



CHINA: Housing Sector Woes Continue

- In a raft of October data, there was no good news for the property sector as the deflationary spiral continues.
- New home prices were down -0.45% in October, from -0.41% in September with Beijing slipping back into decline after one month of appreciation and Shanghai maintaining its modest expansion.
- Used home prices were down -0.66% in October, from -0.64% in September. Home Prices Fell in 64 out of 70 Cities in the survey from the prior month
- You have to go back to early 2023 for the last monthly price increases, as the sector moves into its third year of deflation.
- Aligned with this was an increase in the decline in property investment YTD YoY to -14.7% in October, from -13.9% prior. New home sales value declined 9.4%, whilst new home sales value declined -9.6%.
- Residential property sales declined -9.4% to CNY6tn YoY, from -7.6% the month prior and the worst monthly result this year.

Changes in Residential Property Prices MoM
New and Used



SOUTH KOREA: Bond Market Down Heavily Again, Rate Rises in Play

- The move in Korean bonds this week has been fierce, with bond futures gapping lower again today and KTB yields hitting new highs for the year whilst the move in IRS sees rate rises coming into reckoning.
- The move lower in the 10-Yr bond future takes the contract to 113.76, and oversold on the 14-day relative strength index and down almost 100pts this week alone.
- The 3-Yr future is down -0.10 to 105.65, a new contract low as it moves further into being oversold on the 14-day RSI
- Cash have been hit hard with yield 3-5.5bps higher across the curve. The 10-Yr is at 3.32%, the first time it has been above 3.30% since June 2024.
- Swap markets have re-priced the rate trajectory, with not only all cuts now removed partial rate hikes are priced further out the curve with the 12mth FWD pricing in almost a full rate hike.
- BBG's MIPR function now has +9bps of rate rises priced in over a 1-Yr time horizon.
- The governor's comments this week hasn't calmed markets instead markets have focused on key words which was interpreted as rates on hold for a long time, whilst keeping the easing bias. For now the bias is being ignored and the market is pushing hard on the BOK who meet again on November 27. Until then, the pressure on bond yields could provide an interesting input into monetary policy thinking for the committee members.

Fig 1 Korea 3-Yr bond future 14-day Relative Strength Index

Figure 2: BOK-Dated OIS Today & Pre-BoK Meeting OCT 23

	Today (%)	Pre-BoK (%)	Change (%)
1M Fwd	2.73	2.52	0.20
2M Fwd	2.76	2.51	0.25
3M Fwd	2.80	2.49	0.31
4M Fwd	2.81	2.49	0.32
5M Fwd	2.82	2.49	0.33
6M Fwd	2.83	2.49	0.33
7M Fwd	2.83	2.50	0.33
8M Fwd	2.84	2.51	0.33
9M Fwd	2.84	2.52	0.32
10M Fwd	2.87	2.50	0.37
11M Fwd	2.90	2.49	0.42
12M Fwd	2.94	2.47	0.47

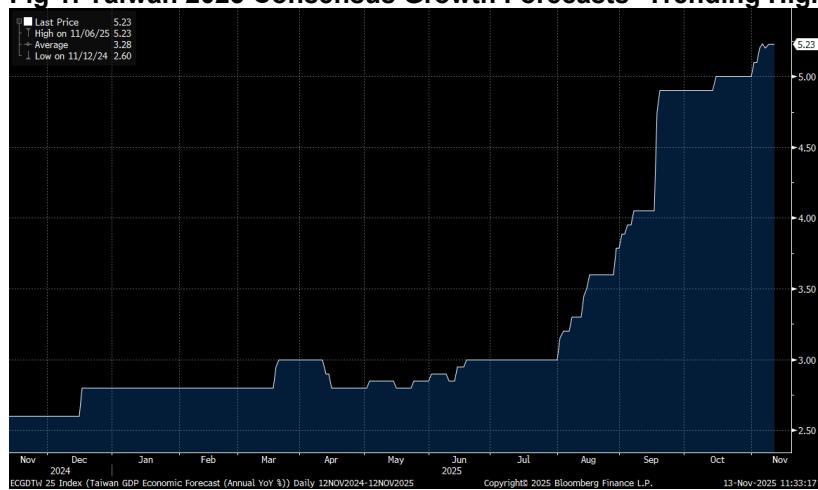
Source: Bloomberg Finance LP / MNI

TAIWAN

TAIWAN: Taiwan Expects 2025 Growth To Exceed 5.5%

A headline crossed earlier that Taiwan expects 2025 GDP growth to exceed 5.5% (per the Chief Statistician). Note the current economic consensus is for a 5.2% growth rate in 2025 (per BBG consensus). This has been trending up, see the chart below. So the above headline is unlikely to surprise the market too much. Note that the consensus sees growth slowing to 2.5% in 2026, so a meaningful payback. 2025 has seen growth surge on strong exports related chip/AI strength.

Fig 1: Taiwan 2025 Consensus Growth Forecasts -Trending Higher



Source: Bloomberg Finance L.P./MNI

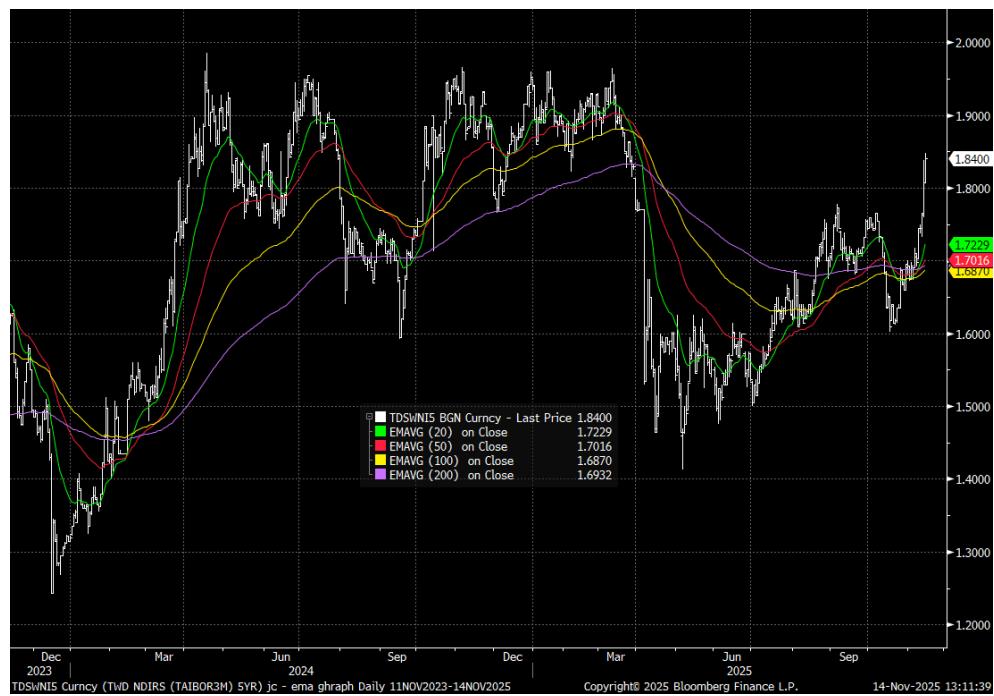
TAIWAN: 5yr NDIRS Surges, As Rate Cut Expectations Erode, TWD Still Weaker

Taiwan's 5yr NDIRS rate has surged higher in recent sessions, last near 1.84%, after starting the week closer to 1.70%. Upside focus is likely to rest around the 1.90-1.95% area, which marked highs in the first part of the year (see the chart below). As we noted earlier in the week, risks were skewed towards steadier policy rate settings in the near term, reflecting a host of factors (including spill over from higher China inflation pressures) (see this [link](#)).

We saw risks of higher short term rates, with Taiwan likely seeing spilling in recent sessions, via BBG: "Hedge funds unwound positions after paring back expectations for rate cuts in Asian markets, driving IRS rates higher," said Henry Lin, an IRS trader at SinoPac Securities".

- The upside projections for Taiwan 2025 GDP growth (with the government noting GDP growth should exceed 5.5% earlier this week), is another factor, although growth projections from the sell-side have been steadily rising in recent months. US and Taiwan officials have also been noting progress in terms of trade talks.
- These rate moves aren't doing much for TWD FX though, which remains weaker, last near 31.125 for USD/TWD, fresh highs back to the start of May this year.
- Equity markets are under pressure amid global tech headwinds, while offshore investors have sold over \$1bn of local stocks so far this week. The flagship equity for chipmaking in Taiwan TSMC touched all time highs earlier this month. It is now down almost 5% from those highs on profit taking falling six out of the nine days post the highs.

Fig 1: Taiwan 5yr NDIRS To Fresh Multi Month Highs



Source: Bloomberg Finance L.P./MNI

ASIA

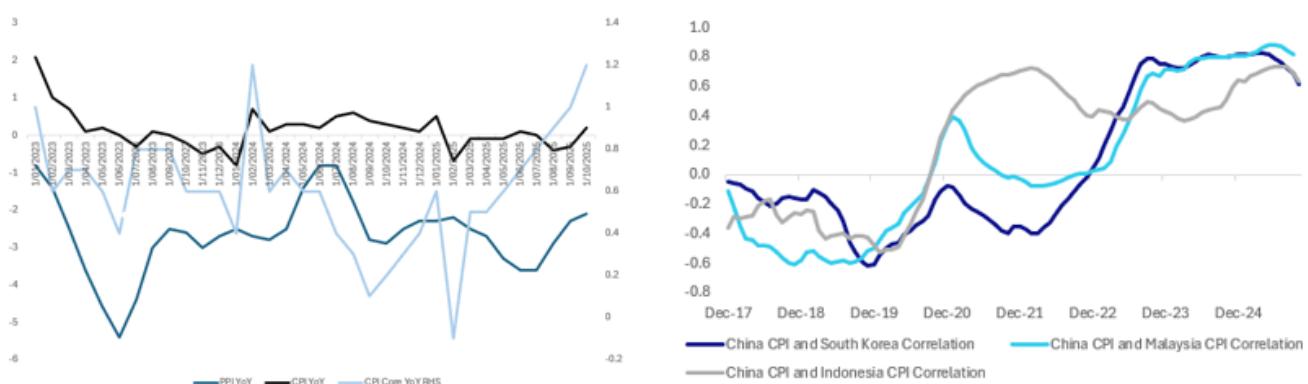
ASIA: Inflation Green Shoots Could See Rates on Hold For Near Term

- Over the weekend, China's YoY CPI rose to +0.2%, after months of flipping between very modest to no inflation and deflation. Core inflation however jumped to +1.2%, its highest reading in over a year.
- The Q3 Monetary Policy Report described inflation as 'weak' whilst the broader economy as stable and fundamentals solid. Following this report Goldman Sachs pushed their rate cut call out to Q1 2026, from Q4 2025.
- Over the last decade in various cycles China's deflation challenges have impacted the region. In 2014-16 a commodity slump pushed on a slowing economy after years of heavy investment particularly in manufacturing resulting in Asia facing cheap Chinese imports, which pushed PPIs in the region negative. From 2018-19 the early stages of the trade war under the Trump administration resulted in manufacturing excesses being dumped in the region, pushing down producer prices. Again in 2023-25

manufacturing overcapacity, particularly from EV related industries has seen extreme price competition, pushing down producer prices in the region.

- PPI's correlation to CPI is strong. Likewise CPI's correlation to Core. As core rises, it is likely to result in CPI rises, which in turn can feed into PPI. Whilst PPI and CPI remain negative and barely positive, it is their delta that raises the most interest. From their lows they have retraced 40% for PPI and 120% for CPI and with Core CPI now pushing to it's highest since 2022, are we about to see a bottoming and or a resurgence of inflation and what does that mean for the region and the rate cycle?

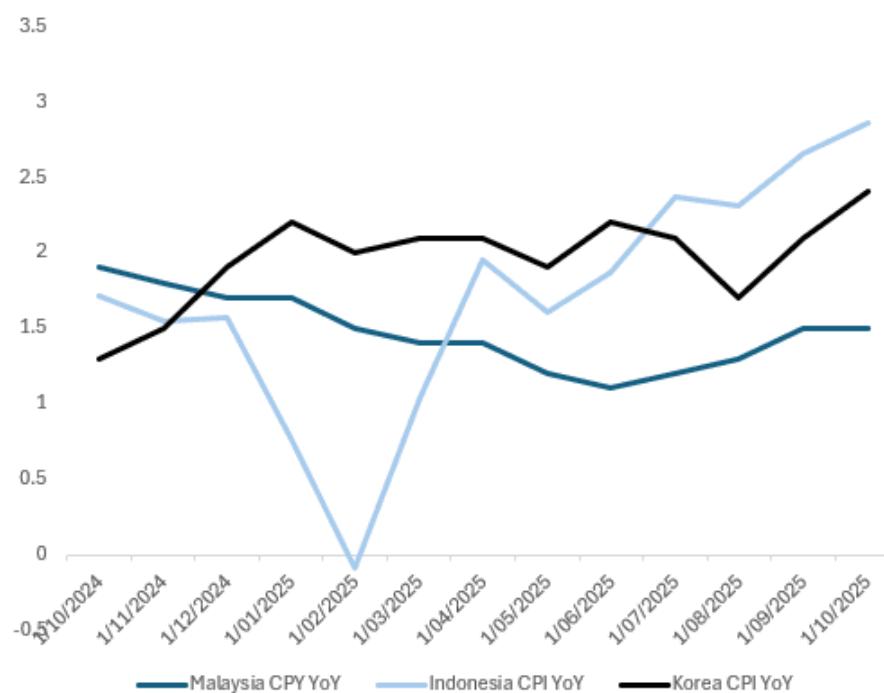
Fig 1: China PPI YoY, CPI YoY and Core CPI YoY & China CPI Correlations with Korea, Malaysia + Indonesia - Rolling 3yrs



source: Bloomberg Finance LP / MNI

- Regionally, whilst on an historical comparison CPI remains low, the delta of CP from lows is worth noting.

Fig 2: Malaysia, Indonesia & Korea CPI YoY



source: Bloomberg Finance LP / MNI

- When looking back, Malaysia's meeting last week could mark the turning point in the rates cycle for region. Bank Negara (BNM) held rates steady with a balanced assessment of inflation and growth, a view likely re-

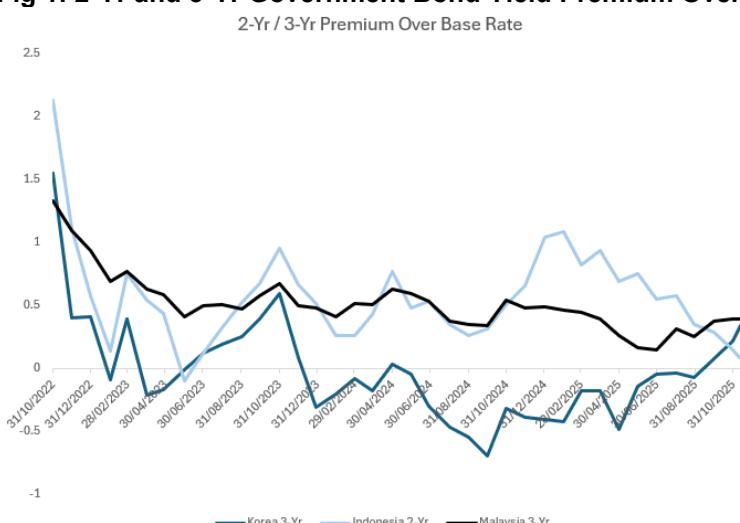
enforced by the US trade deal. The BNM sees inflation as contained through 2026 noting global costs moderating. The BNM cuts rates only once whereas the Bank Indonesia five times and Bank of Korea four times.

- The BOK faces a housing crisis with house price escalation at the forefront of policymakers minds. When added to the trend in CPI, it suggests the BOK could be on hold for some time.
- In Indonesia, the Rupiah has lost -2.5% over the last three months and is down -3.4% year to date. This at a time when 3Q GDP topped 5% and the JCI is up 40% from the trade war induced April lows.
- As US rate cuts now appear less certain, the outlook in Asia appears similar. What could follow for Asia's Central Bank's could be an extended hold, with those markets with rate cuts priced in still, progressively taking them out.
- The Goldman Sachs change may just be the start of more to come across the region, as rate cut expectations get pushed out. Central Bank's need to maintain flexibility to cut rates further and worry about taking rates too low especially if their currencies are pressurized.
- The BOK is on hold for now with the BNM joining them. Markets will watch with interest as the BI deals with the competing interest.

ASIA: Inflation Green Shoots Could See Rates on Hold for Near Term (Part 2)

- Bond markets in the region have moved to price out cuts, yet the potential for further moves remains. In Korea and Malaysia we assess the 3-Yr (due to the presence of a bond future) versus the bas rate and the premium over the base rate. For Indonesia we use the 2-Yr.
- What we found is that since the mid part of 2025, the premium over has been increasing. A sign that can be interpreted as the bond market starting to question further rate cuts.
- During the mid part of this year this relationship was negative in Korea, but has moved to +33bps, pricing out cuts and suggesting the BOK is on hold for some time. When considering the last time the BOK was on hold for an extended period in mid 2023, this spread traded around +60bps for some time.
- In Indonesia, the premium over currently is +9bps yet in the period in late 2023, this relationship above +70bps.
- In Malaysia, the period in early 2024 when the BNM was on hold for an extended period saw this relationship get to +65bps whereas today it stands at +40bps
- The analysis when added to Part 1 of "Inflation Green Shoots Could See Rates on Hold for Near Term" suggests that if inflation continues to increase at the pace it has been increasing, and BOK, BI and BNM are on hold for an extended period, short end rates have room to move higher from today's levels.

Fig 1: 2-Yr and 3-Yr Government Bond Yield Premium Over the Base Rate



source: Bloomberg Finance LP / MNI

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