MNI Asia Pac Weekly Macro Wrap

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

JAPAN

- Japan revealed a large +¥21trln fiscal stimulus, amid rising bond yields. FX rhetoric also picked up, with intervention an option. Oct CPI was close to expectations and rose back around 3%. Q3 GDP (preliminary) in Japan was negative q/q, but not as much as the market forecast, thanks to upbeat business spending (+1.0%q/q versus -0.1% forecast). This was the first GDP decline since Q1 2024, but the detail paints a resilient underlying economic backdrop and comes ahead of fresh fiscal stimulus.

AUSTRALIA

- The November meeting minutes reiterated that the RBA's central scenario is "in balance" with risks to both the downside and upside. How these risks will develop is likely to determine whether monetary policy stays on hold or rates are cut further.
- Q3 wages rose 0.8% q/q to remain at 3.4% higher on a year ago, signalling a stabilisation. In November, the RBA forecast 3.4% y/y for Q4 2025 before moderating to 3% by end 2026. Thus, the Q3 WPI data don't change the outlook for monetary policy with rates likely on hold towards at least mid-2026.

NEW ZEALAND

- The Oct services PMI (via BNZ and Business NZ) edged up to 48.7 from 48.3 in Sep. We look to be on a steady improvement trend, but from depressed levels and the index hasn't been above the 50.0 expansion/contraction point since early 2024.

SHORT TERM RATES

- Interest rate expectations across the $-bloc out to mid-2026 were broadly stable over the past week, with all net moves confined within a narrow ±2bp range.

SOUTH KOREA

- Firmer Q3 household credit data, along with upbeat first 20-days exports for Nov points to an on hold outcome form Bok net week.

ASIA

- Bank Indonesia (BI) held rates at 4.75% as was widely expected. Its near-term focus returned to "maintaining Rupiah exchange rate stability and attracting portfolio inflows" after focusing on growth through Q3.
- Thailand Q3 GDP was weaker than forecast, falling -0.6%q/q, versus the market consensus of a -0.3% drop. This was the first fall in quarterly GDP since the end of 2022.

GLOBAL

- After frontloading of shipments to the US in H1 boosted prices, container rates fell from July but have risen sharply in November to date, possibly a sign of continued solid export volumes.

JAPAN

JAPAN: Cabinet Approves ¥21.3Trln Stimulus Plan, Extra JGB Issuance Expected

The Japan cabinet has approved PM Takaichi's fresh fiscal stimulus. As expected the stimulus is valued at ¥21.3trillion, which is well above last year's extra budget (+27%) and the largest since the Covid pandemic. Initial market reaction may not be large, as the ¥21trillion figure has been mentioned in recent days by various media outlets. USD/JPY is relatively steady, last near 157.20, still sitting down slightly for the sessions. JGB futures also haven't shifted too much, holding a positive bias, but away from best levels (last 135.19, +.23 for Dec futures).

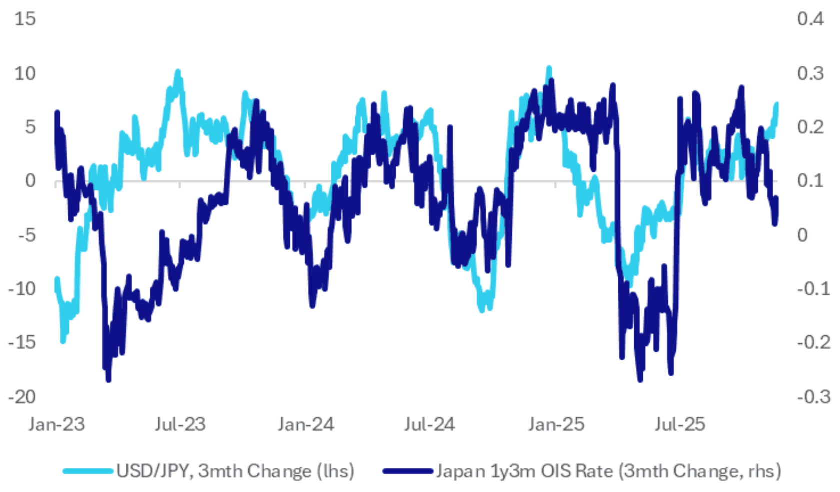
- BBG notes the bulk of the package is for price relief measures: "The plan includes ¥11.7 trillion for price relief, with measures such as subsidies for gas and electricity bills and cash handouts per child.", while adding "The price relief measures are expected to push down the overall inflation gauge by an average 0.7 percentage point from February to April." (per the Japan Cabinet office).
- There will focus on on additional bond supply from a JGB standpoint: Rtrs notes: "The size of additional government bond issuance has still to be finalised, but is expected to be larger than the 6.69 trillion yen issued for last year's stimulus, sources familiar with the matter said."
- The aim is also to pass this new extra budget by Nov 28 and parliamentary approval before year end (per Rtrs).

BOJ: Market BoJ Pricing Outlook & USD/JPY Gains Diverging

The weaker yen trend remains a key focus point for Japan policy makers. Earlier the FinMin stated that FX intervention was an option, a clear step up in rhetoric around yen weakness. BoJ Governor Ueda was also before parliament and warned that the weak yen could raise import costs and domestic prices, ultimately putting upward pressure on consumer prices. The chart below plots the 3 month rate of change in spot USD/JPY and the 3 month change in the 3 month OIS rate (1yr forward) as a proxy for the markets monetary policy outlook. The relationship has diverged somewhat recently, with little change in the 3mth rate of change in the policy proxy despite the break higher in USD/JPY. All else equal if USD/JPY continues to track higher risks, are likely to build around markets pricing in higher rates.

- There are a number of caveats of course. The new Takaichi regime is leaning against tighter BoJ expectations. The FinMin stated earlier that Japan is still halfway to achieving its sustainable, stable price goal (accompanied by wage gains). Katayama added that she understands the BOJ agrees with this assessment.
- Still, near term push back on BoJ rate hikes may drive the market to feel the central bank is at risk of falling further behind the curve. It may then price in more catch up later on.
- The other factor is that the market may not feel that policy rates are likely to go much beyond 1%. The 3mth rate 1yr forward OIS is currently 0.98% and this year we have spent little time above 1%.
- Such assessments could change though once we get a clearer picture of the new stimulus package the government is expected to announce soon. From late yesterday via BBG: Japanese Prime Minister Sanae Takaichi is set to unveil an economic package funded by an extra budget about 27% bigger than what was pledged in her predecessor’s spending plan a year ago, underscoring her commitment to an expansive fiscal policy.

Fig 1: Japan BoJ OIS Market Pricing Outlook & USD/JPY - 3 month Changes



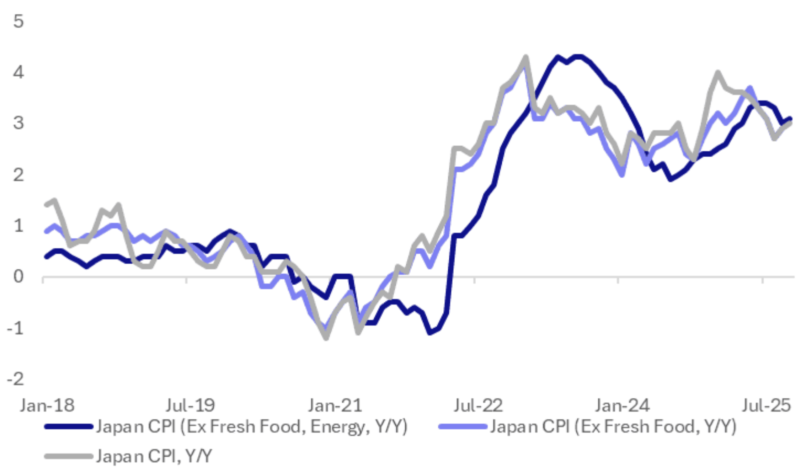
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Oct Inflation Ticks Up But Services Still Sub 2% Y/Y

Japan Oct CPI was in line with market forecasts across the three inflation metrics, and a slightly tick up from the Sep outcome. Headline printed at 3.0%y/y, as did the core ex fresh food measure (both measures were 2.9% in Sep). The ex fresh food, energy measure edged up to 3.1%y/y from 3.0% prior. The chart below shows the trends of the three inflation measures. We remain wedged close to 3%y/y. Our policy team noted: Services prices – a key gauge for the BOJ in assessing the strength of the wage–price cycle – increased 1.6% y/y in October, up from 1.4% in September. BOJ officials noted that services inflation remains below 2% and has not accelerated sufficiently to ensure achievement of the price target. So, the outcome is unlikely to shift BoJ thinking. We await Ueda's speech On Dec 1.

- In terms of the detail, all of the measures in m/m terms were up 0.4%, while goods prices rose 0.3%m/m. Services posted a 04%m/m gain but these are often revised away.
- In terms of the segments, food rose 0.9%m/m after a 0.7% gain prior. The pace of fresh food gains did ease. Utilities rose 0.8%m/m, ending a four month run of declines. Household goods rose 1.3%m/m, after falling 0.7% prior. Entertainment was up 1.4%, after a 2.1% drop in Sep, but this segment tends to be volatile.
- In y/y terms we did see much of a shift from Sep outcomes.

Fig 1: Japan CPI Y/Y - Trends All Close To 3%



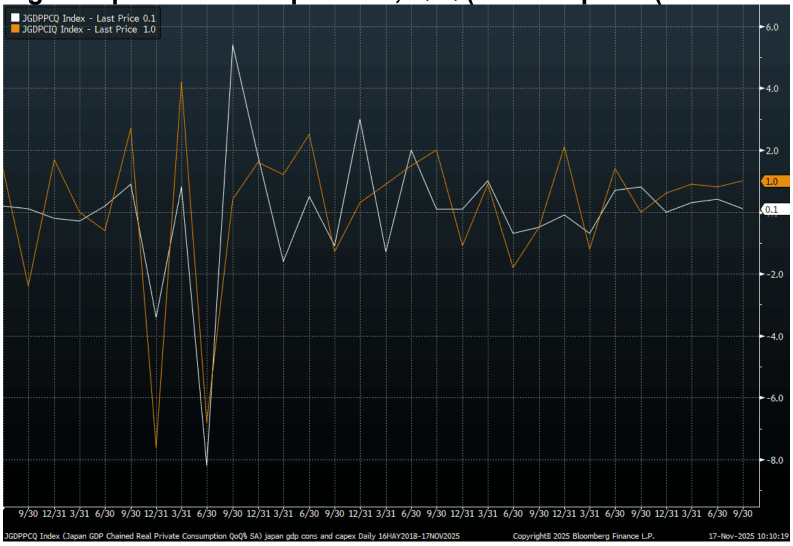
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Q3 GDP Contracts, But Resilient Detail, Particularly Business Spend

Q3 GDP (preliminary) in Japan was negative q/q, but not as much as the market forecast, thanks to upbeat business spending (+1.0%q/q versus -0.1% forecast). This was the first GDP decline since Q1 2024, but the detail paints a resilient underlying economic backdrop and comes ahead of fresh fiscal stimulus from the new Takaichi government. Today's GDP data should add some confidence, at the margins, the BOJ has in the GDP backdrop (particularly in terms of the drivers). We await Ueda's early Dec speech for details around hike timing.

- The q/q outcome for GDP was -0.4% against a -0.6% forecast. Note Q2 growth was revised to +0.6% from 0.5% originally reported. In annualized terms, growth -1.8%q/q, versus -2.4% forecast and a revised 2.3% gain in Q2. Note business s[ending was also revised up in Q2 to 0.8% from 0.6%q/q. Other components of GDP were close to forecasts, consumption up 0.1%q/q, while inventories were a -0.2ppt drag and net exports also trimmed -0.2ppt off growth.
- Whilst this is just a preliminary GDP print, the detail should be welcomed by the authorities. The q/q trends for private consumption (the white line) and business spending are plotted in the chart below.
- The resilience to strength in business spending, in particular, will be welcome. Via our Tokyo policy team: Private consumption and capital investment, the major components of the economy, are likely to firm in or after the fourth quarter, the official said. Private consumption, particularly non-durable goods, was hit by high prices and scorching weather in Q3, but is undergoing a moderate recovery supported by improving consumer sentiment, the official added.
- This also comes ahead of fresh fiscal stimulus, via BBG: "The Finance Ministry plans an economic package worth about ¥17 trillion ($110 billion), the Nikkei reported on Saturday, without identifying its sources. The supplementary budget to fund the spending is expected to reach about ¥14 trillion, exceeding last year’s ¥13.9 trillion compiled under former Prime Minister Shigeru Ishiba, the report said." - BBG

Fig 1: Japan GDP Components, Q/Q (Consumption (White Line) & Business Spending (Orange Line)



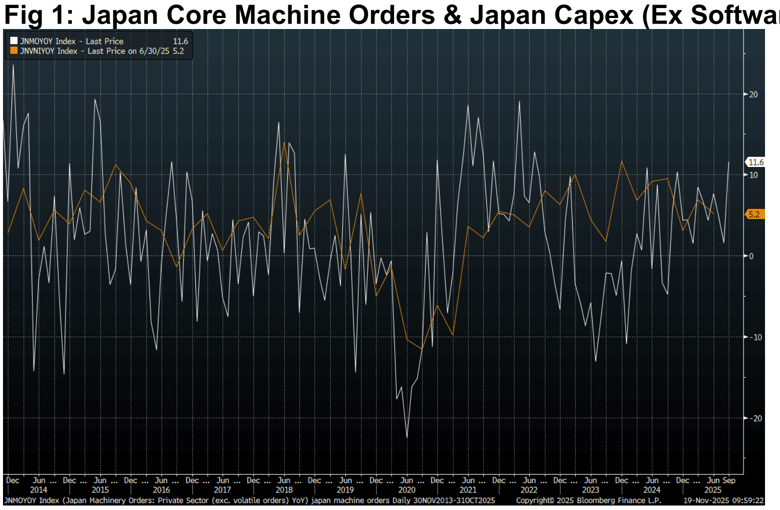
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Core Machine Orders Surge, Reinforcing Positive Capex Backdrop

Japan Sep core machine orders were comfortably above market forecasts, although arguably this was a risk after the recent Q3 GDP preliminary print (which showed stronger than expected business spending in Q3). From a policy makers standpoint, it suggests resilience/strength in the business/capex sector (reinforcing what the Q3 GDP print stated). Focus will be on if these trends sustain into Q4, while the wage outlook is also a key BoJ watchpoint. Our policy team notes that key wage data will not be available until the Jan policy meeting next year. This sets up a possible Dec hold from the BoJ (although sharp yen weakness could prompt a move).

- Core machine orders rose 4.2%m/m in Sep (versus a 2.0% forecast and -0.9% prior). In y/y terms, we rose to 11.6%, versus 4.7% forecast and 1.6% prior. This is the strongest y/y print since 2022. The chart below plots this series (the white line) against Japan capex, ex software (also in y/y terms) (the orange line). This bodes well for Q3 capex, which prints at the start of Dec.
- In terms of the detail from today's print, foreign orders were quite strong and are now up 37.9%y/y. Manufacturing orders rose 30.1%y/y.

Fig 1: Japan Core Machine Orders & Japan Capex (Ex Software) Y/Y



Source: Bloomberg Finance L.P./MNI

BOJ: Koeda - Gives Upbeat Comments On Inflation But No Hint On Rate Hike Timing

Headlines have crossed from BoJ board member Koeda's speech. At first glance they appear in line with recent rhetoric from key BoJ board members. There were some hawkish undertones, with Koeda noting that the central bank must normalize rates to avoid distortions in the future and that underlying inflation is around 2%. She added that inflation is relatively strong, but via RTRS: "IN ORDER TO ACHIEVE THE PRICE STABILITY TARGET, IT IS IMPORTANT TO EXAMINE THE EXTENT TO WHICH UNDERLYING INFLATION REMAINED STABLE OR BEEN ANCHORED". She also didn't give any hints on rate hike timing (which is hardly surprising ahead of Ueda's speech on Dec 1).

- On growth she reiterated the viewpoints from the Oct meeting around growth risks being skewed to the downside for fiscal 2026, but said the economy wasn't in bad shape.
- Note before Ueda's speech on Dec 1 we also hear from board member Noguchi on Nov 27.
- USD/JPY has crept higher as the headlines from the speech crossed, hitting fresh highs of 157.45/50 (but cross asset trends are supportive of yen losses, with US equity futures trending higher, while Tsy yields are ticking higher).
- JGB futures remain in a downtrend, sitting at 135.10, -.51, at the lunch time break.

JAPAN DATA: Offshore Investors Buy Both Local Stocks & Bonds

The highlights from last week's offshore investment flows, was strong inflows into both Japan stocks and bonds. The offshore buying of local stocks more than offset the prior week's outflow. It adds to the cumulative sum of net inflows going back to the start of Oct, which is now just short of ¥8trln. This week's flow update will be interesting, as local stock indices faltered amid the global tech rout. However, sentiment may end the week better due to Nvidia results lifting broader sentiment in the space.

- We also saw offshore investors buy local bonds for the third straight week. Cumulative inflows into local bonds are also positive since the start of Oct (albeit less so than equities). Focus will be on whether such inflows continue amidst a break higher in some JGB yields (amid fiscal spending concerns from the new government).
- In terms of Japan outbound flows, we saw Japan investors buy offshore bonds for the second straight week, but not enough to offset earlier net selling since the start of Oct. Local investors also bought offshore equities last week, but again this wasn't enough to offset recent net selling pressures.

Table 1: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Nov 14	Prior Week
Foreign Buying Japan Stocks	1020.9	-346.6
Foreign Buying Japan Bonds	961.6	101.5
Japan Buying Foreign Bonds	348.4	566.5
Japan Buying Foreign Stocks	183.3	-424.2

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

RBA: 2-Way Risks, How They Develop Likely To Determine If Hold Prolonged

The November meeting minutes reiterated that the RBA’s central scenario is “in balance” with risks to both the downside and upside. How these risks will develop is likely to determine whether monetary policy stays on hold or rates are cut further and while it is “not yet possible to be confident” about which scenario will materialise, the Board will “remain cautious and data dependent”. With core inflation above target and ongoing signs of a recovery in demand, policy is likely to be on hold in December and into early 2026, depending on the data.

- It can “afford to be patient” as it watches the data and assesses what the implications for its estimates of spare capacity and the degree of restrictiveness. The October jobs data came out the week after the decision and were tentatively in line with the view of stronger growth supporting the labour market, and thus rates on hold.

- The discussion was centred on the outlook for policy beyond the November decision. Rates could be held at the current 3.6% if the recovery is stronger than expected. This could be driven by a better global backdrop or stronger household consumption due to higher incomes and wealth.
- Also, if inflation stays high or productivity weaker than expected, then the RBA could adjust its spare capacity estimates lower. Another factor keeping rates unchanged would be a change in the view that policy is still restrictive.
- It noted that “information received since the previous meeting had increased the probability” of the factors above occurring.
- The Board would ease if spare capacity increased driven by the labour market weakening “materially” especially in the “market sector” or growth turning out softer than expected due to cautious households.

RBA: RBA Researching Why Inflation & Housing Stronger Than It Expected

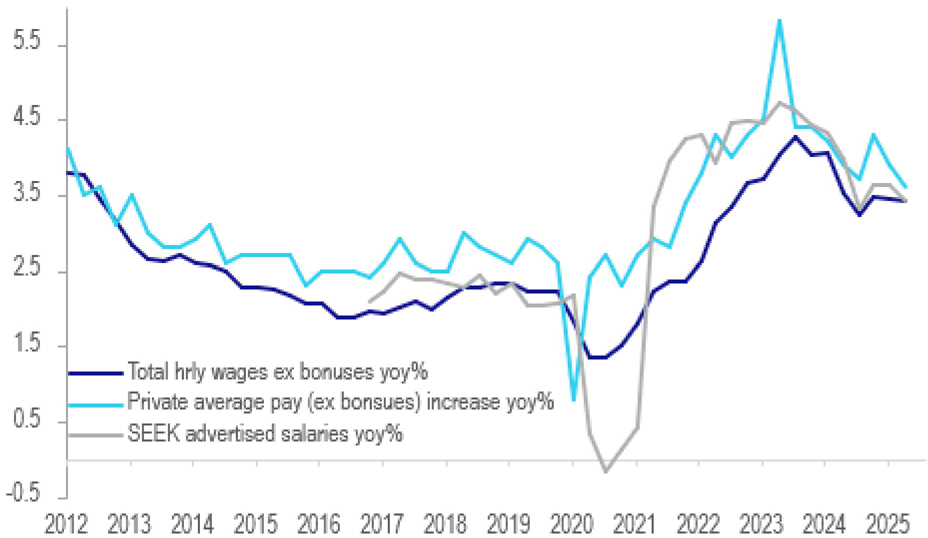
Assistant Governor (Economic) Hunter spoke today on RBA research in areas where the transmission of monetary policy may have changed. She said it is looking at if businesses have changed price-setting after Covid, how to estimate capacity and full employment, and if monetary policy transmission channels have changed, given the larger than expected housing response to 2025’s 75bp of easing. The research appears to reflect where the economy has been stronger than the RBA expected, including inflation. This may be another indication that its current pause could be prolonged.

- Q3 CPI printed above the RBA’s August forecasts and Hunter reiterated that the bank was “materially surprised by the latest data” but won’t respond to one month’s outcome. So, it is looking at whether businesses are now faster to pass on cost increases and how their margins change with activity.
- Research is particularly focussed on measuring labour market capacity and Hunter said “we think the labour market is currently a bit tight”, which is not sustainable with the inflation target. This could be a reason for the pickup in core CPI. The October unemployment rate returned to 4.3%.
- They are also looking at the uptrend in women and older people joining the labour force, if people are working less now inflation is lower and if there’s a skills mismatch.

AUSTRALIA DATA: Wages Stabilise But Private Sector Rises Moderating

Q3 wages rose 0.8% q/q to be 3.4% higher on a year ago, in line with Q2 and Bloomberg consensus, signalling a stabilisation consistent with SEEK advertised salary data. In November, the RBA forecast 3.4% y/y for Q4 2025 before moderating to 3% by end 2026. Thus, the Q3 WPI data don’t change the outlook for monetary policy with rates likely on hold towards at least mid-2026 as it monitors price and capacity pressures.

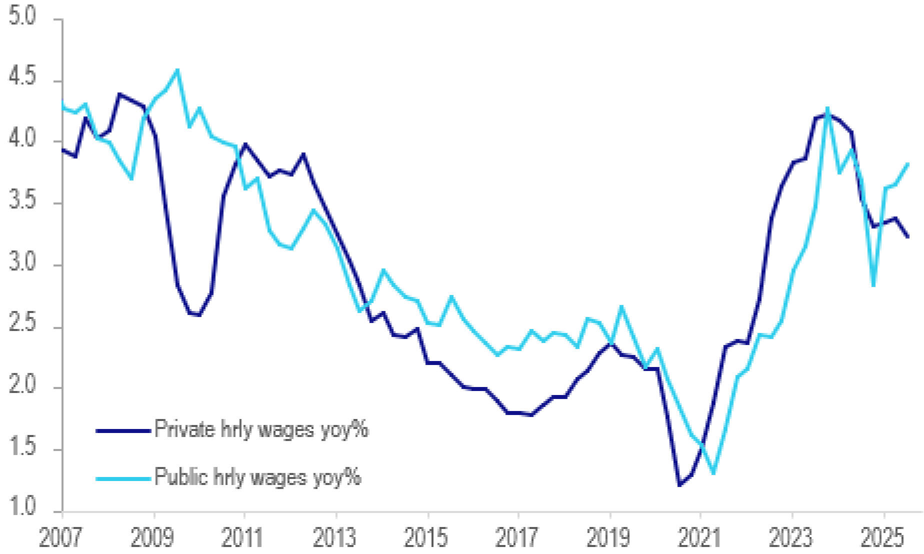
Australia wages ex bonuses y/y%



Source: MNI - Market News/SEEK/ABS

- Private sector wage inflation moderated to 3.2% y/y (+0.7% q/q) from 3.4% in Q2 and 3.5% in Q3 2024. This is the slowest rate since Q2 2022. Private wages peaked in Q4 2023 at 4.2% and have been trending lower since.
- The proportion of private sector jobs receiving a pay increase in Q3 has been fairly stable since the end of the pandemic but the size of the rise is trending down due to the moderation in minimum/award wage increases. On July 1 they rose 3.5% down from 3.75% in 2024 and 5.75% in 2023. In Q3 2025, the share of jobs with a rise was 47% after 49% in Q3 2024 with the average increase at 3.6% down from 3.9% in Q3 2024.
- Public sector pay also began to moderate in 2024 but has turned higher over this year. In Q3 it rose 0.9% q/q & 3.8% y/y up from 3.6% in Q2 and 3.7% in Q2 2024, the highest since Q2 2024.
- In Q3, 33% of public jobs received a pay rise (Q3 2024 30%) with the average increase at 3.1% up from Q3 2024's 3.0%.
- The share of jobs receiving large wage gains is also moderating with 24% obtaining a rise above 4% down from 31% in Q3 2024.

Australia private vs public sector wages y/y%



Source: MNI - Market News/ABS

AUSTRALIA DATA: Westpac Lead Indicator Consistent With Ongoing Recovery

The Westpac leading index rose 0.11% in October up from -0.01% bringing the 6-month annualised rate to 0.35% from 0.1%. The increase was due to stronger consumer confidence. The 6-month rate leads detrended growth by 3-9 months and so is consistent with the recovery gaining into H1 2026. The index had been around neutral since April, when the US announced reciprocal tariffs.

- Westpac expects the RBA to resume easing policy in May and August next year bringing rates back to around "neutral" as there will be enough inflation data by then to show it has moderated again.
- It is forecasting growth to improve to 2.4% y/y over 2026 from Q2's 1.8% y/y. Recently RBA Deputy Governor Hauser said that trend growth is expected to be around 2% over the rest of the 2020s. Stronger-than-expected growth is a risk to the RBA's forecast of core inflation trending back towards the band mid-point.
- Since April, consumer sentiment, Australian equities and hours worked have driven the recovery in the lead index. There is likely to be payback for the November jump in confidence and given the size of the rally in stocks, there could be a correction.

Australia Westpac lead indicator 6m/6m annualised %

Source: MNI - Market News/LSEG

NEW ZEALAND

NEW ZEALAND: Oct Services PMI Up But Still Sub 50, Pointing To Tepid Recovery

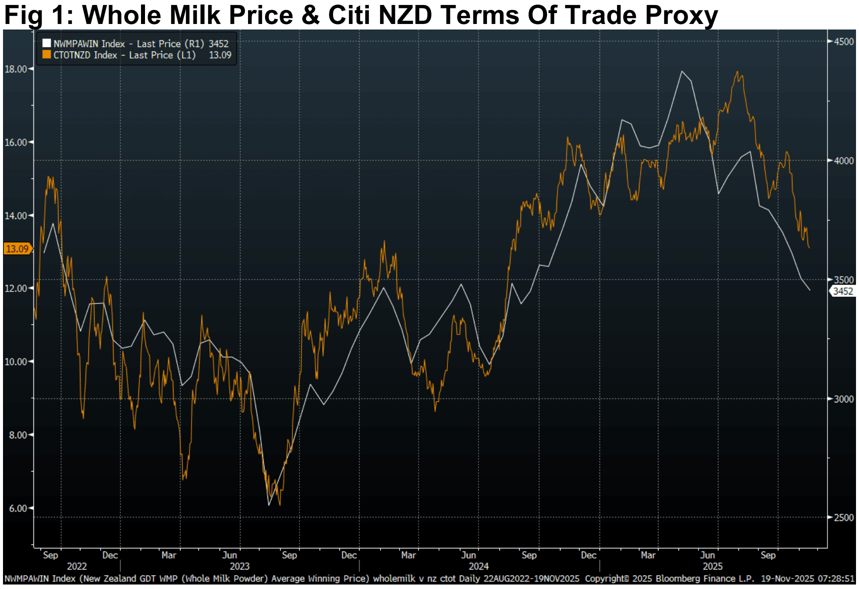
The Oct services PMI (via BNZ and Business NZ) edged up to 48.7 from 48.3 in Sep. We look to be on a steady improvement trend, but from depressed levels and the index hasn't been above the 50.0 expansion/contraction point since early 2024. The sub indices mostly ticked higher, but also remain under 50.0. Activity was 48.9, versus 48.0 prior, employment up to 48.8, versus 47.9 in Sep. The employment index eased back to 49.5 from 49.7 prior.

- The outcome doesn't point a sharp turn higher in early Q4 economic momentum. BNZ noted (via BBG): "Sector continues to struggle for forward momentum with the sub-component gauges all below long-term averages and making for ”dreary reading”.

NEW ZEALAND: Whole Milk Price Falls Continues, Further Terms Of Trade Risk

Overnight, the whole milk powder auction (held around twice monthly) saw further weakness (via Global Dairy Trade). We fell to $3452/ton from $3503/ton at the prior auction earlier in Nov. This is lows in the whole milk price auction result back to Sep last year. The chart below overlays the auction price against the Citi NZD terms of trade proxy. Fresh downside in whole milk prices is adding to downside risks to the terms of trade outlook, all else equal. NZD/USD has had a positive correlation with the Citi terms of trade proxy in recent months, although has outperformed (at the margins) the recent downturn.

Fig 1: Whole Milk Price & Citi NZD Terms Of Trade Proxy



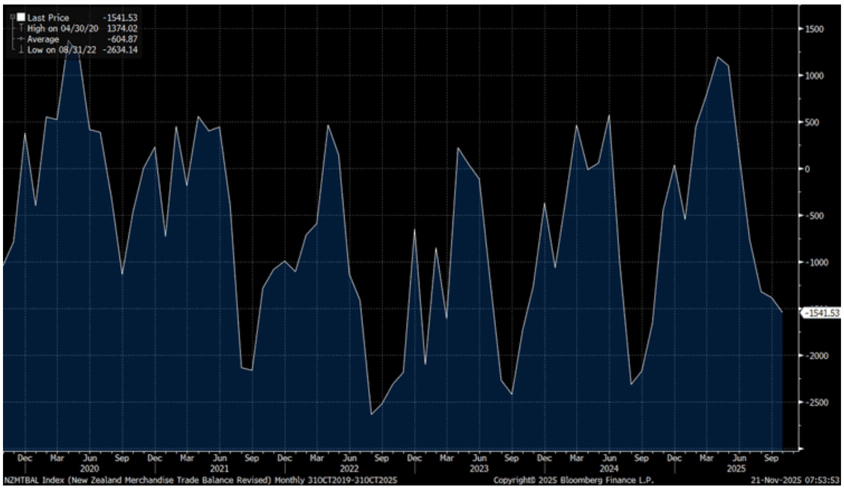
Source: Bloomberg Finance L.P./Global Dairy Trade/MNI

NEW ZEALAND: Trade Deficit Widens In Oct, Not Showing Typical H2 Improvement Yet

New Zealand Oct trade data saw the trade deficit widen slightly to -NZ$1542mn from a revised -NZ$1384mn in Sep. Both exports and imports rose in the month, with imports up by slightly more to drive the wider deficit. The chart below plots the trade deficit for NZ, which usually tends to improve throughout the second half of the year, but this trend isn't evident yet. This is a NZD negative at the margins, and comes after the further decline in whole milk prices earlier this week (at the GDT auction) (see this link). Note the 12 mth YTD deficit was -NZ$2281mn, showing a further trend improvement.

- Exports were up 16% versus Oct 2024 levels, although we are still off earlier 2025 highs in levels terms. Strength was in milk powder and other related products. Exports to China rose 18%, but were up to other destinations as well.
- Imports were up 11% in y/y terms. Stats NZ noted - "petroleum and products**, up $209 million (30 percent); fertilisers, up $209 million (370 percent); mechanical machinery and equipment, up $192 million (19 percent); and electrical machinery and equipment, up $174 million (26 percent)."
- To the extent these import rises reflect a better local investment/domestic demand outlook, will be a watch point going forward.

Fig 1: New Zealand Trade Deficit - Not Showing The Typical Second Half Improvement Yet



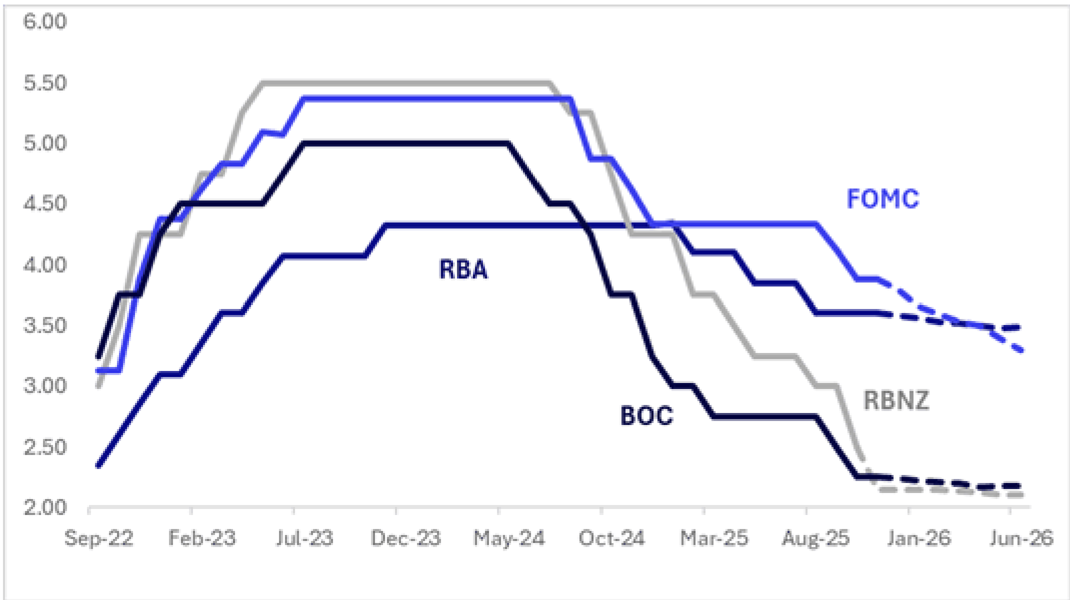
Source: Bloomberg Finance L.P./MNI

SHORT-TERM RATES STIR: $-Bloc Pricing Out To Jun-26 Little Changed Over The Past Week

Interest rate expectations across the $-bloc out to mid-2026 were broadly stable over the past week, with all net moves confined within a narrow ±2bp range.

- The main event was Wednesday's release of the FOMC Minutes from the October meeting (**link**). While views within the Committee "differed strongly," the minutes indicated that only a minority may push for a follow-up rate cut in December.
- This aligns with MNI's assessment that, based on post-meeting commentary, most of the broader Committee is leaning toward holding rates in December — though that does not necessarily imply that pro-cut voices form a majority within the 12-member voting group.
- The next key regional event is the RBNZ policy decision on November 26. 27bps 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): 3.30%, -58bps; Canada (BOC): 2.18%, -7bp; Australia (RBA): 3.49%, -11bps; and New Zealand (RBNZ): 2.10%, -40bps.

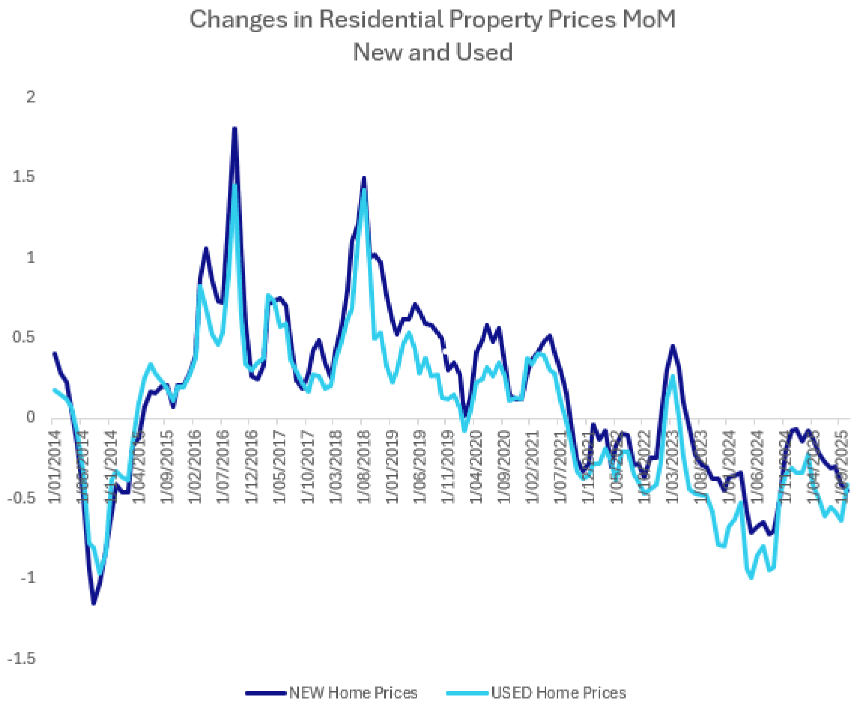
Figure 1: $-Bloc STIR (%)



CHINA

CHINA DATA: News Reports on Potential Property Stimulus

- BBG is reporting that new measures are being considered to bolster the property sector, where prices are in their fourth year of deflation.
- The report suggests that the housing ministry is considering measures such as mortgage subsidies for new home buyers, an increase in income tax rebates for mortgage borrowers and lowering home transaction costs.
- The new 5-Year plan is focused particular on the consumer and domestic demand. Given the importance of real estate to families, the downturn has fed sharply into decreased consumption patterns (retail sales trending around +3% versus 5-Year average of +4.9%).
- FITCH Ratings last month warned about bank's profitability given their exposure to property as bad loan books continue to expand.
- Whilst no announcements as yet have been forthcoming, it is believed it has been consistently one of the cornerstone discussions at recent party meetings.
- This comes at a time when moderate policy adjustments seem aimed at driving bond yields down. The PBOC has resumed modest purchases of government bonds, having been sidelined for 2025.
- The potential policies indicated could translate to further issuance by the government, ultimately requiring more intervention to keep bond yields in check. The size of the problem is significant yet the response is likely to be gradual.



source: Bloomberg Finance LP / MNI

SOUTH KOREA

SOUTH KOREA DATA: Q3 Household Credit Remains Firm, BoK Waiting For Policy To Impact

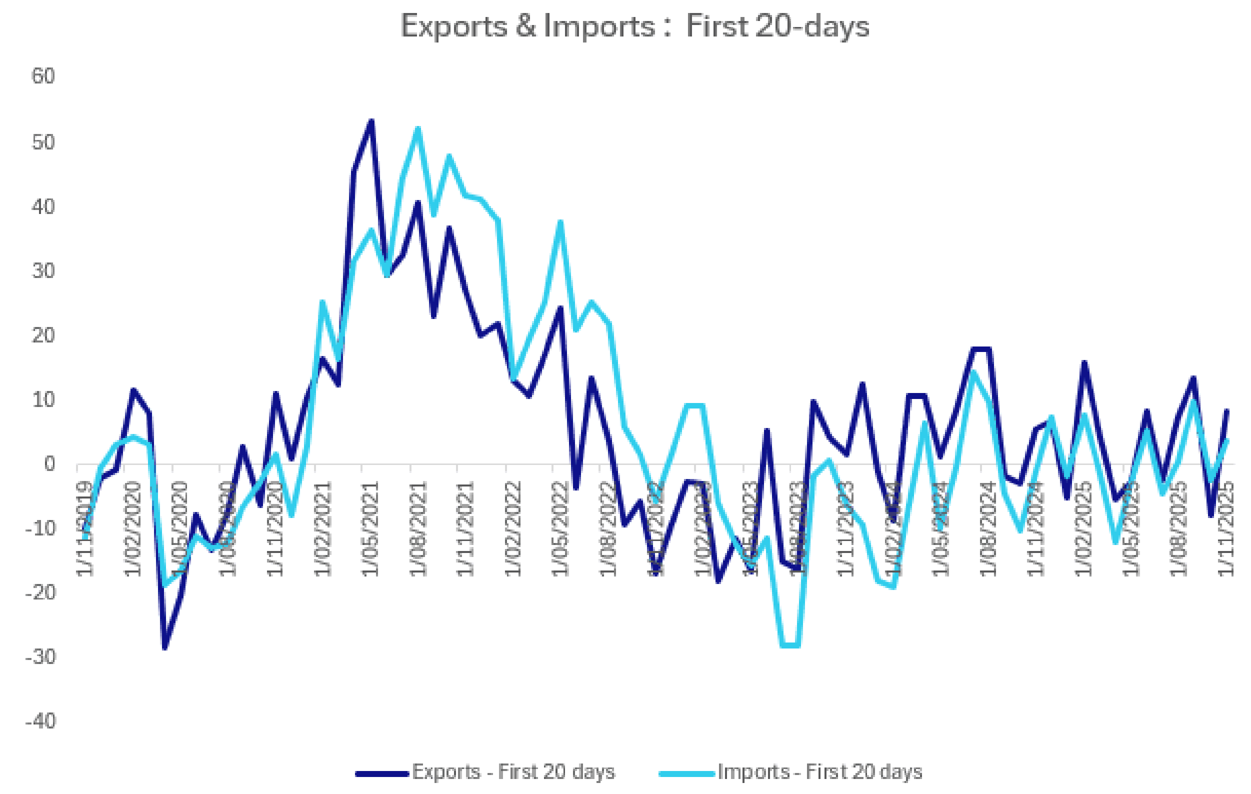
Q3 credit data to households broadly maintained recent trends, albeit at a slightly slower pace compared to Q2. In level terms we rose to a fresh record high of KR1968.3trln. This should add to the bias for a steady hand at next week's BoK meeting. Recent comments from Governor Rhee noted that while the official bias is easing, the policy outlook is data dependent and will determine the next move in rates (which could also shift to a tightening bias at some stage). Rhee noted last week, via BBG: "But the magnitude and timing of the cut or even the change of direction will depend on the new data that we'll see."

- The data showed credit to households up 0.8%q/q, versus a 1.3% gain in Q2. In y//y terms, we were up 2.8%, versus 3.0% in Q3. Credit card debt continues to rise at a faster clip, but is a much smaller aggregate share (relative to loans).
- Via Yonhap, quoting the BoK: "Overall, the slower growth in household credit was largely attributable to government regulations. The additional measures announced in October to ease conditions in the property market are expected to help stabilize the pace of mortgage lending," he added."
- These measures were announced Oct 15, and designed to cool rising household debt, with additional areas in Seoul designated as speculative zones, while lending rules were also tightened (per Yonhap).

KOREA: First 20-day Trade Data Jump Supports Rates Hold

- Korea's first 20-days exports and imports were strong, rebounding from last month's decline. The main driver for the decline last month was the adjustment for working days differences.
- Exports rose +8.2% above the 5-Year average of +5.4%. Chip exports rose +26.5% YoY and exports to China were up +10.2% and US +5.7%
- Korea's first 20-days imports rose +3.7%, following a decline of -2.3% yet remains below the 5-Yr average of +5.5%

- Trade data has been impacted over the last two months by frontloading of shipments, particularly chips / electronics, ahead of the Trump Xi meeting yet the underlying trend is strong suggesting the worst of the trade war may be over and potential upside for the Korean economy.
- This comes at a time when rate expectations have moved away from cuts, with markets now suggesting an extended hold.
- The challenge remains with the Won which has lost ground by -2.7% in the last month, and is feeding into the higher PPI released this morning.



source: Bloomberg Finance LP / MNI

ASIA

INDONESIA: BI Holds & Refocuses On IDR Stability Given Fed Policy Uncertainty

Bank Indonesia (BI) held rates at 4.75% as was widely expected. Its near-term focus returned to “maintaining Rupiah exchange rate stability and attracting portfolio inflows” after focusing on growth through Q3. Ahead of the November meeting USDIDR rose a percent from the October decision and around 0.6% m/m, the fourth consecutive monthly increase. The rupiah also weakened against Indonesia’s trading partners. USDIDR moderated 0.25% to 16,702 on Wednesday but BI is forecasting it to average 16,430 in 2026, signalling it would like it to appreciate.

- BI reiterated the need for strengthening the transmission mechanism so that rates come down in the banking sector. It notes in its statement that while it has cut rates 125bp in 2025, lending rates are down only 20bp. It is forecasting 2026 loan growth of 8-12%.
- Also yesterday, US 10 December Fed rate cut pricing fell to 37% from 50% after the October payroll data was officially cancelled adding to opacity around economic conditions and the October FOMC meeting minutes showed that at the time there was only minority support for another cut in December. This drove a USD BBDXY rise of 0.5%, which mainly occurred after IDR stopped trading.

- BI's hold allows it to watch US and FX developments and any changes to the outlook for the December Fed meeting as delayed US data begins to be released following the government shutdown.
- A Fed hold with comments suggesting a high bar for further easing may drive BI to hold again on 17 December and wait until Q1 for further cuts, especially if Indonesia's transmission mechanism remains slow. The outlook will be highly dependent on rupiah moves though.

INDONESIA: BI Cautious But Retains Easing Bias, Further Cuts Forecast

Bank Indonesia left rates at 4.75% as was widely expected as it shifted its focus to rupiah stability and noted a lower "probability of a further reduction in the Federal Funds Rate this year". Its concern around portfolio inflows also suggests it would like to rebuild FX reserves given its consistent intervention to support the rupiah. It appears that it has become more cautious after cutting rates 3 times in Q3 but retains an easing bias.

- JP Morgan notes that the slowdown in BI's government bond purchases may be to encourage portfolio inflows by "restoring carry appeal to foreign investors". Given the lower probability of further Fed easing and increased domestic risks from the 3% budget ceiling review, it has pushed out its remaining 2 rate cuts to Q2 2026.
- Societe Generale highlights the risks around lending observing that the government injection of IDR 200bn into state-owned banks could improve transmission of BI easing but increases inflation risks and "as credit growth accelerates amid weak economic fundamentals, banking sector stress could intensify". It believes that growth concerns will drive BI to cut three more times bringing rates to 4.0%.
- MUFG estimates the neutral rate to be around 4.5%, only 25bp below where BI is now. It expects another 25bp cut at the 17 December decision with two in H1 next year to stimulate growth. It notes that the key risks facing Indonesia given both accommodative monetary and fiscal policy are "higher inflation, fiscal slippage, and rupiah weakness". MUFG also expects "USDIDR to rise to 16,900 by end-2025 before easing slightly to around 16,700 by end-2026", above BI's 16,430 2026 forecast.
- Given its easing bias to support growth, Goldman Sachs expects BI to cut 25bp in December and then again in Q1 2026.

INDONESIA: Q4 Activity Data Better But Still Soft Spots

Bank Indonesia left rates unchanged at 4.75% as was widely expected. With inflation firmly within its band, BI is likely to focus on broad-based rupiah weakening but also the limited pass through of 2025's 125bp of easing to lending rates. Its three consecutive cuts in Q3 and statements that it would support government policy, which is expansionary, signalled a shift to a pro-growth stance.

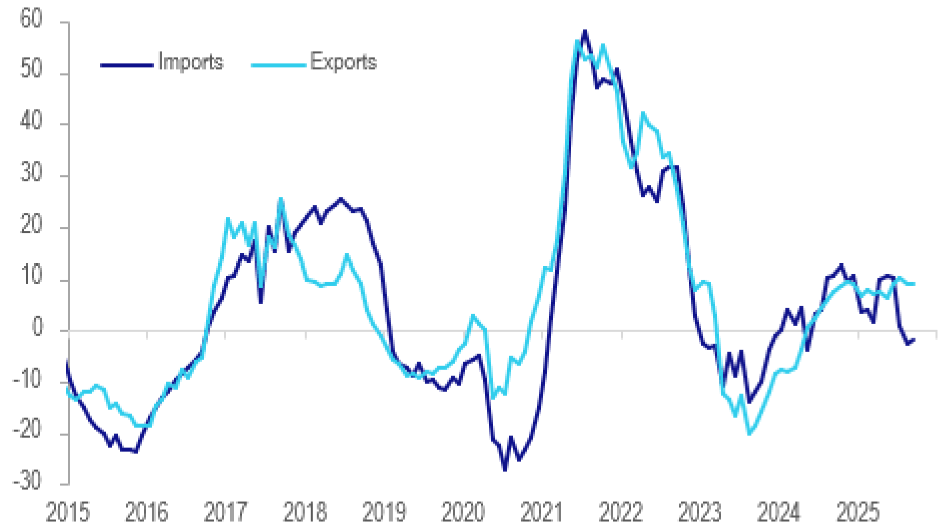
- Trade and survey data since the October meeting have signalled stronger Q4 growth to date but the details show some weakness such as soft imports, wages and foreign orders.
- Q3 GDP slowed slightly to 5.0% y/y from 5.1% driven by weaker investment but was supported by a pickup in government spending. BI expects 2026 GDP to rise to 5.3% and said that it will continue to support the government's pro-growth measures.
- Q3 consumption slowed marginally to 4.9% y/y from 5.0% but consumer sentiment fell 1.9% q/q. It rebounded in October to 121.2 from 115.0 despite Q3 manufacturing wages rising only 0.7% y/y after Q1's 2.1%.
- October S&P Global manufacturing PMI rose to 51.2 after averaging 50.4 in Q3 driven by stronger domestic orders and associated increase in hiring. However, it underperformed ASEAN.

Indonesia activity outlook

Source: MNI - Market News/LSEG/Bloomberg Finance L.P.

- Robust merchandise export growth at 11.4% y/y drove the September 3-month average trade surplus to its highest since December 2022. Shipments to China, US, Europe, Singapore and Thailand have been strong but weak to Japan, India and Australia.
- However, 3-month average import growth fell 1.7% y/y, a sign of soft domestic demand.
- Tourist arrivals are also slowing but still rose 9.6% y/y 3-month average in September but down from 20.7% a year ago.

Indonesia merchandise exports vs imports y/y% 3-mth moving average



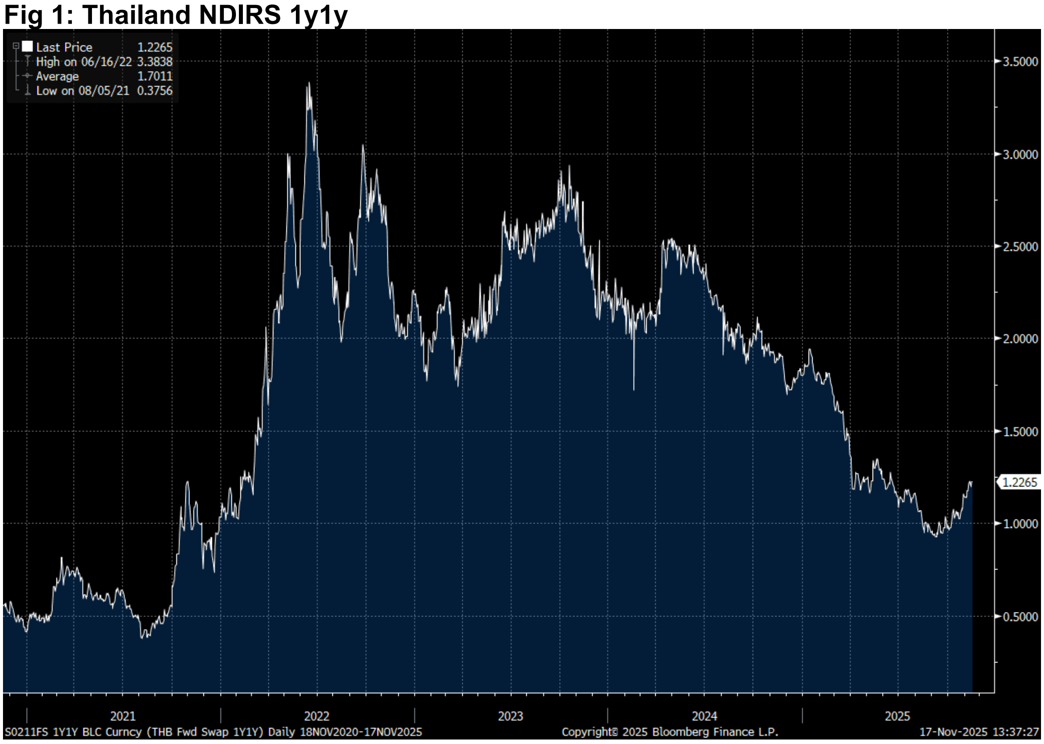
Source: MNI - Market News/LSEG

THAILAND: Q3 GDP Sub Expectations, Will This Help Slow The Rise In Local Rates?

Thailand Q3 GDP was weaker than forecast, falling -0.6%q/q, versus the market consensus of a -0.3% drop. This was the first fall in quarterly GDP since the end of 2022. Y/Y growth was 1.2% (against a 1.6% forecast and 2.8% prior). This is the weakest growth pace in y/y terms since the end of 2021. The planning agency notes that growth in y/y terms for Q4 may be around 0.6%y/y. Full growth for this year is expected at around 2%, while the 2026 projection is 1.2-2.2%.

- Such a backdrop is likely to keep the BoT with an easing bias, while the government will hope its recent stimulus efforts gain traction. The planning agency noted that Q4 GDP in q/q terms may not be a contraction. Inflation is expected to remain benign into 2026 (0% to 1%).
- The Thailand NDRIS 1y1y rate sits near +1.23%, around multi month highs. Early Sep lows were close to 0.93%. The current policy rate is at 1.50% and as noted above the bias is likely to be further easing over the coming 6 months rather than a shift to tighten policy settings.
- The detail on today's print showed private consumption down lightly in q/q terms, but still up 2.6%y/y (unchanged from Q3). Government consumption fell 3.9% y/y (from 2.2% in Q2). Investment growth slowed to 1.1% from 5.8%y/y prior. Exports were softer, up 6.9% from 11.2%y/y prior, with services exports slowing to -10.7% from -2.6% prior, as tourism slowing started to impact.

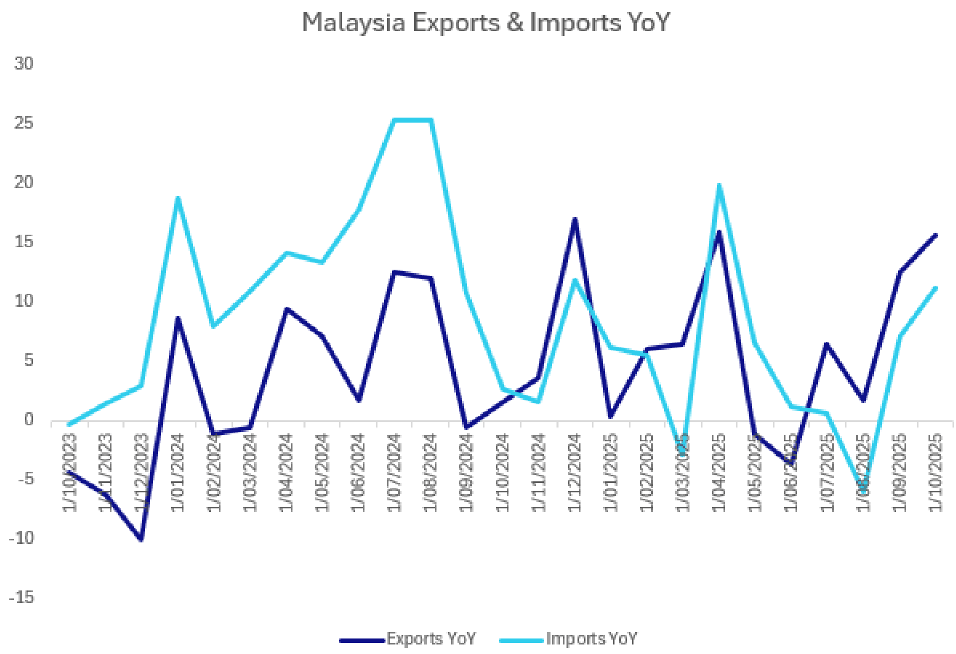
Fig 1: Thailand NDIRS 1y1y



Source: Bloomberg Finance L.P/MNI

MALAYSIA: Electronics Exports Surge in October Data Release

- It was widely forecast that September's export results were distorted by frontloading of electronic shipments ahead of the Trump Xi meeting. However that trend continued into October's release with exports up +15.7% (forecast +7.6%; prior +12.5% revised up) and imports up +11.2% (forecast +4.8%; prior +7.3%) with the import of electronics up by +30.6% YoY.
- The result was a trade surplus of MYR18.9bn, beating estimates of MYR16.4bn.
- Regionally, exports to Singapore were up +27% YoY, China +7.5% whilst to the US a decline of 2.6%.
- LNG and Petroleum products exports declined alongside chemicals.
- At this stage it looks like this data is impacted by the surge pre Xi Trump meeting and that the expected moderation in data could be delayed to next month.



source: Blooomberg Finance LP / MNI

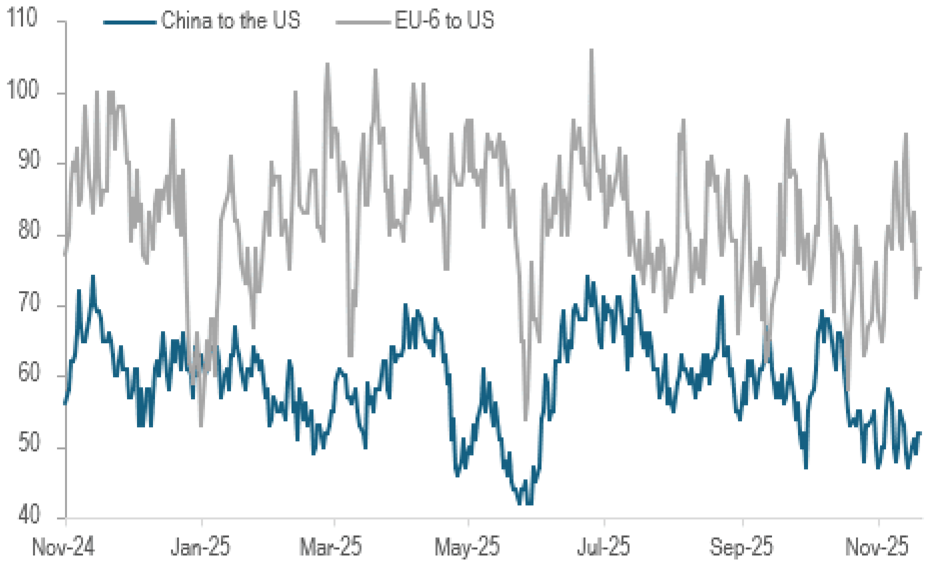
GLOBAL

GLOBAL MACRO: Data Point To Robust Global Export Volumes

Shipping companies reported Q3 volumes were strong in line with CPB data showing higher monthly global export volumes in July and August. There had been fears for global trade following the announcement of US reciprocal tariffs in April but it appears to have been more resilient with it up 3.7% y/y in August. After frontloading of shipments to the US in H1, container rates fell from July but have risen sharply in November to date, possibly a sign of continued solid export volumes.

- After rising over H1, departures to the US have normalised over H2 with only those from the EU-6 below the pre-February 2025 average with major Asian shippers all now around their averages, according to Bloomberg's container ship count.
- Departures from China peaked in July and trended lower thereafter but then took a sharp turn down from mid-October coinciding with the latest US-China trade dispute centred around rare earths. Presidents Trump and Xi met on 31 October and came to an agreement on many issues and as a result ships leaving China for the US tentatively appear to have increased again and are around average.

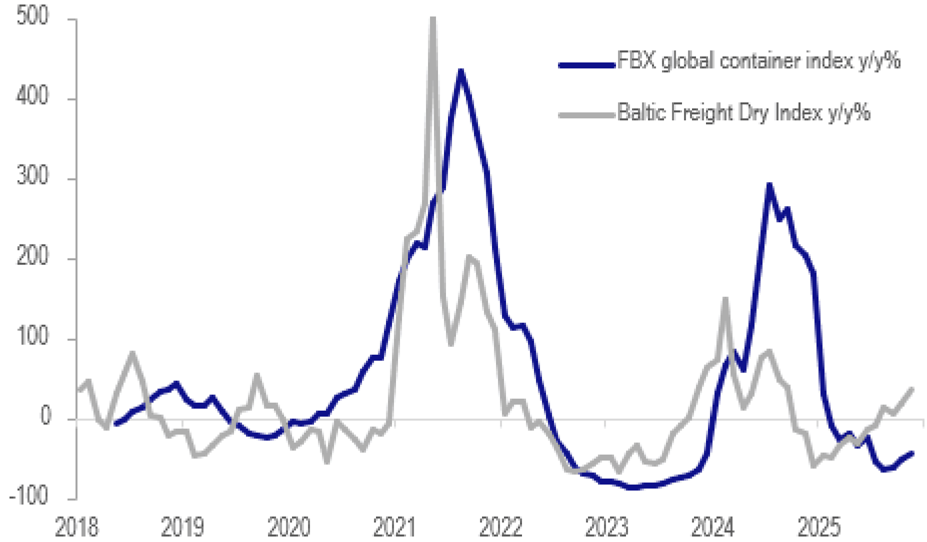
Bloomberg container ship count



Source: MNI - Market News/Bloomberg Finance L.P.

- FBX global container rates fell each month from July but are up 21.3% m/m in November, possibly signalling tighter capacity. They are still down 41.9% y/y but off the 60% y/y decline in September. Rates on the China-East Asia to east coast North America route have also been weak but outperformed the global aggregate and to the Mediterranean.
- There have been reports of tanker shortages pushing up rates for oil and LNG given the current record amount of seaborne crude. Bulk rates are also higher with the Baltic Freight Index up 7.5% m/m in November to be up almost 40% y/y.

Global shipping rates y/y%



Source: MNI - Market News/LSEG

UKRAINE: US Discussing New Peace Plan With Russia & Ukraine, No Details Yet

One of Trump's goals for his second presidency was peace in Ukraine but it has remained elusive with his discussions with Russia only resulting in frustration. President Putin didn't follow through on promises, refused to agree to a ceasefire and demanded territory Russia currently doesn't occupy. As a result, sanctions have been extended to include Russian oil majors Rosneft and Lukoil from Friday but Axios is now reporting that the US has put together a new 28 point peace plan following its negotiated Israel-Hamas deal.

- Oil prices are lower following the report with WTI down 0.5% to $60.45 and Brent -0.5% to $64.58.
- The news is based on comments from both US and Russian officials and includes plans for peace, security guarantees for Ukraine and Europe, and the prospect for US relations with Russia & Ukraine. However, details have not been revealed including on contentious issues such as territory, international peacekeepers in Ukraine, Zelenskyy-Putin meeting and a ceasefire before negotiations begin.
- The US has been engaging in unilateral talks with Russia throughout the process this year against the belief that both Europe and Ukraine should be involved. This new plan has apparently been discussed between the US envoy Witkoff and Russia's Dmitriev, and Witkoff and Ukraine's Umerov, and is now being presented to the EU, according to Bloomberg.
- Dmitriev said in an interview with Axios that he felt "the Russian position is really being heard", signalling that Ukraine will not be able to agree to this new US plan. It also apparently takes the ideas Trump & Putin discussed in Alaska in August.