

MNI Asia Pac Weekly Macro Wrap

17 October 2025 – By Jon Cavenagh, Jaime Grant, Maxine Koster, Stephen Petrie & Gavin Stacey

JAPAN

- Japan Aug core machine orders were below forecast and lost y/y momentum, implying some downside capex momentum risks (which has been a resilient source of Japan's GDP growth).

AUSTRALIA

- Labour market conditions eased in September. This makes a November rate cut more likely but given the RBA's inflation concerns, Q3 CPI on 29 October remains the key input.
- The RBA minutes clearly reflected the Board's caution at the 30 September decision to keep rates unchanged. Its "decisions", ie. not just last month's, "remain cautious and data dependent". Thus the outcomes of releases between now and 4 November are very important.

NEW ZEALAND

- The RBNZ and economists expect Q3 CPI to print at 3% - the top of the 1-3% target band. Underlying CPIs are expected to remain within the top half of the band though. A 25bp rate cut is expected in November.
- The BNZ services and manufacturing PMIs for September were consistent with the RBNZ's assessment in its October statement that "economic activity recovered modestly in the September quarter". Retail card spending also fell in September.

SHORT TERM RATES

- Interest rate expectations across the \$-bloc have softened over the past week, led by Australia (-15bps) and the US (-9bps), with New Zealand (-3bps) and Canada (-2bps) lagging.

CHINA

- The CPI at -0.3% missed estimates of -0.2% as one of the longest streaks of price declines in decades continues. To add to the PPI decline, factory gate prices (PPI) YoY declined -2.3% YoY.
- The moderation of exports in August was short-lived as September's numbers jumped +8.3% YoY, beating expectations and much stronger than the month prior. According to BBG estimates, the decline in exports to the US was significant, down -27% YoY.

SOUTH KOREA

- The BoK is seen on hold next week amidst housing/financial stability concerns.

ASIA

- The MAS held policy steady in Singapore this week (as expected). Easing risks are still likely to re-emerge in 2026 though.

ASIA EQUITY FLOWS

- Inflows are recovering some ground into India, whilst Taiwan has seen outflows this past week despite mostly positive local equity trends.

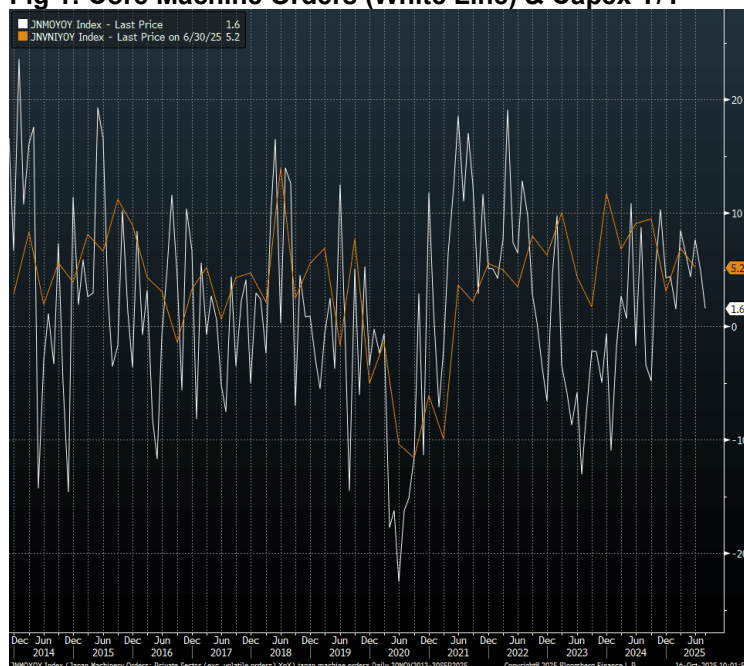
JAPAN

JAPAN DATA: Core Machine Orders Below Forecast, Hinting At Softer Capex Y/Y

Japan Aug core machine orders were below forecast and lost y/y momentum, implying some downside capex momentum risks (which has been a resilient source of Japan's GDP growth). We were -0.9% m/m versus +0.5% forecast, while July fell 4.6%. This dragged the y/y outcome down to 1.6%, with the market consensus looking for an unchanged 4.9% outcome in Aug. The chart below plots core machine orders y/y versus Japan capex, ex software, also in y/y terms (this series is the orange line on the chart).

- Weakness was evident for both manufacturing (-2.4% m/m) and non-manufacturing segments (-17.5%).
- Capex has been a solid contributor to GDP growth in the past 3 quarters, up 0.6% q/q Q4, then 0.7% in Q1 and 0.6% in Q2 of this year. Some downside risks and/or loss of momentum in this space could be a headwind for GDP growth momentum. Note though the Tankan survey for Q3 (released at the start of this month) pointed to a healthy capex outlook (+12.5% y/y for the current FY).
- At the margin this data adds some caution around assessing current economic trends from a BoJ standpoint. The next meeting is at the end of the month.

Fig 1: Core Machine Orders (White Line) & Capex Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Offshore Investors Continue To Return To Local Stocks

Japan weekly investment flows saw continued net buying of local stocks by offshore investors. In the past two weeks, this investor has bought over ¥4.3trln of local stocks, partially reversing the recent outflows seen since mid August. This follows the break higher in local stock indices in recent weeks, led by tech optimism and yen weakness. These trends have faltered somewhat though in recent sessions. Stocks bourses in Japan remain close to recent record highs, with offshore investors still likely to be overweigh given aggregate inflows in the past 6 months.

- Offshore investors continued to buy local bonds, after strong inflows in the prior week. Still, aggregate inflows are only marginally positive for recent months.
- In terms of outbound Japan flows, we saw local investors buying bonds, although only partially reversed the previous week's net selling. Global bond returns have firmed this week, given downside in US Tsy yields (break 4.00% on the 10yr).

- We also saw buying of offshore stocks, but local investors remain cautious on global stocks, with cumulative outflows seen in recent weeks.

Table: Japan Weekly Offshore Investment Flows

Billion Yen	Week ending Oct 10	Prior Week
Foreign Buying Japan Stocks	1885.0	2476.1
Foreign Buying Japan Bonds	199.4	1258.6
Japan Buying Foreign Bonds	596.4	-923.0
Japan Buying Foreign Stocks	59.3	-1450.2

Source: Bloomberg Finance L.P./MNI

AUSTRALIA

RBA: Minutes Reflect More Caution Than Downside Concerns, Nov Hold Plausible

The RBA minutes clearly reflected the Board's caution at the 30 September decision to keep rates unchanged. Its "decisions", ie. not just last month's, "remain cautious and data dependent". Thus the outcomes of releases between now and 4 November are very important and the tone of the minutes was clear that a rate cut at that meeting is not a given. Today's September NAB business survey was consistent with an ongoing recovery in activity.

- There were a number of observations that suggest the Board may hold again. It noted that "early indicators" for Q3 showed private demand could be recovering a bit faster than expected, so not just the backward-looking Q2 GDP data, and that it may have underestimated consumption growth in August. Also on growth, the US is "steady" and the risk from "higher tariffs" has "diminished", while fiscal policy should support a weaker China.
- Not only do the July/August CPI outcomes suggest Q3 inflation may be higher than the RBA expected in August but that combined with "broadly stable labour market conditions" may imply that it underestimated the extent of capacity pressures. As Governor Bullock noted, elevated services in other countries may have "potential lessons for Australia" too.
- Monetary policy is deemed "restrictive" but the RBA doesn't know by how much. It is seeing the impact of previous easing on housing and credit growth and it knows that it hasn't fully fed through. It seems to be slightly uncomfortable with the current effect of easier financial conditions.
- There was little discussion of downside risks with the only consideration in the minutes that staff projections "were not taking sufficient signal" from "persistent weakness in consumer sentiment", softer employment and "timely indicators of wages".
- Key data coming up include 29 October Q3 CPI, 16 October September jobs, 31 October September private credit and 3 November September household spending.

RBA: RBA's Hunter Notes It Is Monitoring Housing & US-China Trade Developments

RBA Assistant Governor (Economic) Hunter said today that the RBA is looking to keep inflation close to the current rate which is around 2.6/2.7% for the trimmed mean. She noted that inflation expectations remain anchored and that the central bank is monitoring housing & resumption of US-China trade tensions. Her commentary on recent economic developments was consistent with the 30 September meeting minutes. There was nothing to suggest thinking for the 4 November decision. The Board remains flexible and highly data dependent.

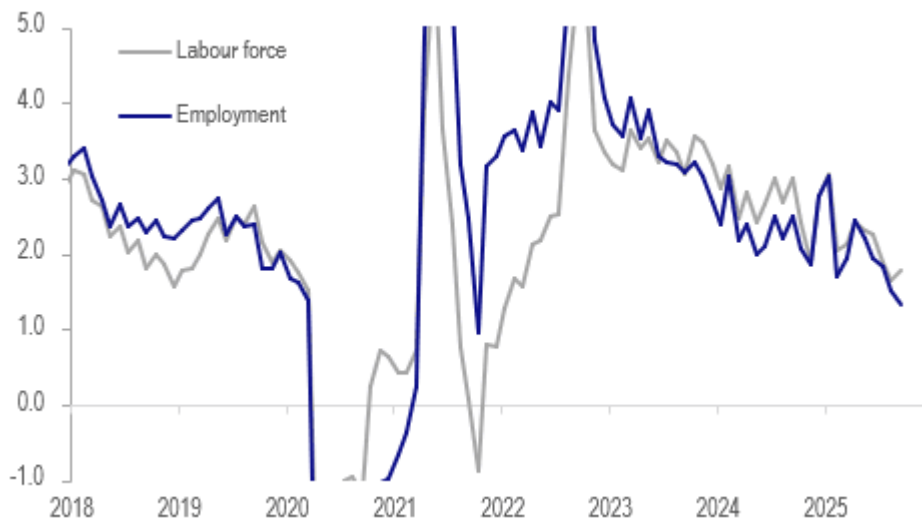
- Hunter commented that dwelling prices had reacted to 2025's easing as expected but with stronger housing and market services CPI components, it will be monitoring growth in the housing market.
- She wouldn't give an estimate of the "neutral" rate but said that it is a range and only a guide.
- She also spoke on the impact of the RBA's August downward revision to medium-term productivity growth to 0.7% from 1.0%, which was driven by an assessment that the slowdown was at least partially structural and therefore not temporary.

- The change reduces long-term nominal wage growth that is consistent with the 2.5% inflation target midpoint by 0.3pp to 3.2%. The RBA believes that consumers have already adjusted their spending to lower productivity and wage growth. Consumption per person is positively correlated with productivity.
- With potential growth revised down to 2% from 2.25%, 0.5% q/q GDP prints are now consistent with supply and demand in balance and inflation steady, whereas previously that was considered soft growth. As a result, the GDP profile was revised down but still showing a recovery.

AUSTRALIA DATA: Easier Q3 Labour Market Increases Rate Cut Chance, Q3 CPI Key

Labour market conditions eased in September. The generally softer Q3 is likely to drive RBA revisions in the near-term but it may want to see further developments before changing its medium-term view. There are now signs that job growth can't keep up with increases in the labour force resulting in higher unemployment and that any additional demand is being met by increasing hours. This makes a November rate cut more likely but given the RBA's inflation concerns, Q3 CPI on 29 October remains the key input.

Australia employment vs labour force y/y%



Source: MNI - Market News/ABS

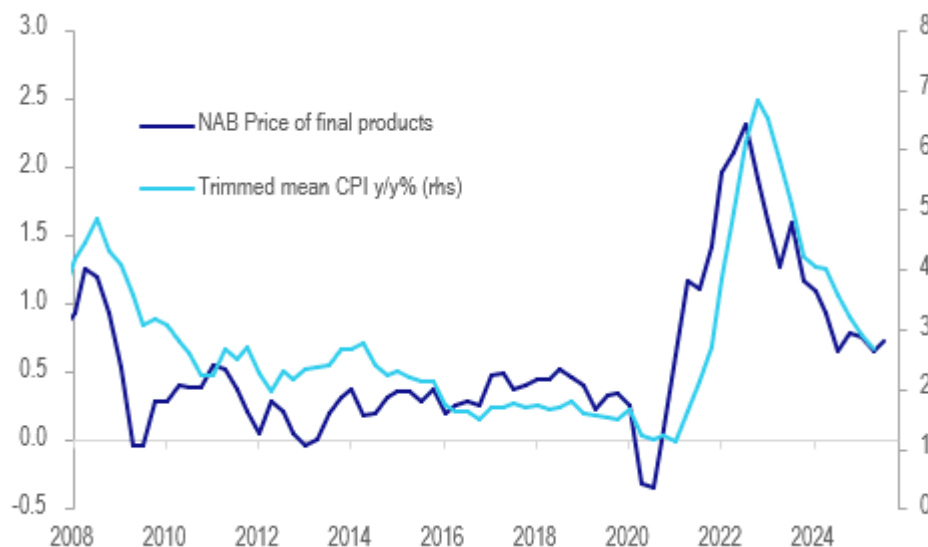
- The RBA forecast 1.6% y/y Q4 employment growth in August and September's 14.9k increase resulted in it rising 1.3% y/y and Q3 1.5% y/y down from Q2's 2.2%. The average Q3 monthly job gain was 12.3k down from 30.8k but above Q1's 4.3k decline.
- The unemployment rate rose 0.2pp to 4.5% in September, highest in almost four years, with the participation rate +0.1pp to 67%. Through the volatility it has been rising 0.1pp/qtr through 2025 with Q3 at 4.3%, the RBA's Q4 forecast. This could now be revised higher with the question being if it remains unchanged over 2026.
- The labour force rose 49k in September growing at 1.8% y/y up from 1.6% outpacing employment at 1.3% y/y down from 1.5% - the two are now diverging. Q3 labour force growth slowed to 1.8% y/y but exceeded employment's 1.5% over the quarter.
- Both full-time (FT) and part-time (PT) employment grew in September. While FT hours were flat on the quarter, employment grew, whereas PT was the opposite. Total hours worked rose 0.5% m/m & 1.4% y/y in September but Q3 slowed to 1.5% y/y from 2.2% y/y.
- Underemployment was the main indicator that improved over Q3 declining 0.2pp to 5.8%.

Australia unemployment rate %

Source: MNI - Market News/ABS

AUSTRALIA DATA: NAB Survey Shows Recovery Continued & Inflation Stable In Q3

The September NAB business survey showed the gradual recovery in the Australian economy continued. Business confidence rose to 7.3 from 4.3 while conditions were similar to August at 7.6. The Q3 averages though were their highest since Q1 2022 and Q2 2024 respectively, suggesting stronger Q3 GDP growth. While the price/cost components were a bit higher in September, they were little changed in Q3 signalling steady inflation. The data are consistent with activity picking up and concerns that disinflation has stalled, and so with the RBA remaining cautious.

Australia NAB business prices vs trimmed mean CPI %

Source: MNI - Market News/LSEG

- Given the volatility amongst some of the components of the monthly NAB survey, it is worth looking at Q3 averages to gauge the recovery and inflation picture in the quarter. Its measure of labour demand fell over 2 points to 2.9 in September but the Q3 average was stable at 3.5 consistent with the RBA's assessment that labour market conditions are "broadly stable". September jobs print Thursday and a 0.1pp rise in the unemployment rate to 4.3% is forecast.

- The increase in September business conditions was driven by a pickup in trading to 16.0, its highest since November 2023, and profitability to 5.9, best in almost 18 months. However, forward orders declined to -2.3 from +1.1 but while still weak in Q3 improved one point to -0.5.
- Average Q3 labour cost growth was steady at 1.6% 3m/3m while purchase costs moderated 0.1pp to 1.4% (it has held around 1.5% for 6 consecutive quarters). Final product prices rose 0.7% 3m/3m, in line with 2025 average, while retail prices increased 0.8% down from Q2's 1.0%, lowest since Covid-impacted Q4 2020. Cost, retail and final product price growth rose in September while labour costs fell 0.1pp.

Australia NAB business confidence vs GDP y/y%



Source: MNI - Market News/LSEG

AUSTRALIA DATA: Westpac Lead Indicator Signals Around Trend Growth

The Westpac lead index fell 0.03% m/m in September bringing the 6-month annualised rate to +0.04% from -0.16%. It has oscillated around zero over the last 5 months. This measure leads detrended growth by 3 to 9 months and signals that growth may slow in H2 but be around trend early in 2026. Westpac is forecasting 2% growth in 2025 with it improving in 2026.

- Westpac forecast a 25bp rate cut at the November meeting but now believes that while the next move in rates is down, the upcoming decision will rely on Q3 CPI on 29 October. It notes though that its lead indicator signals GDP growth remains lacklustre.
- The indicator was stronger in H1 this year with the H2 moderation driven by dwelling approvals and AUD commodity prices. Westpac expects both of these components to turn with the latter already higher driven by gold and lower rates and policy likely to boost housing supply.
- Equity prices have been positive for the lead indicator over the last 6 months.

Australia Westpac lead indicator vs GDP %



Source: MNI - Market News/LSEG

NEW ZEALAND

NEW ZEALAND: 3% Q3 CPI Unlikely To Derail Easing As Core To Remain In Band

Q3 CPI and the RBNZ's sector factor model measure of core are released on Monday 20 October. The RBNZ has been expecting it to reach the top of its 1-3% band since its August forecast update and 3% seems to be where economists project it to print. Underlying CPIs are expected to remain within the top half of the band though. A 25bp rate cut is expected in November but if inflation prints materially below consensus then 50bp may be considered. The easing outlook may become clouded if inflation appears more persistent though.

- The Q3 CPI pickup from 2.7% in Q2 and away from the band mid-point is assumed to be temporary given significant excess capacity in the economy and the influence of administered and food prices on Q3. September food inflation turned down to 4.1% y/y from 5.0%.
- The RBNZ has said the focus is medium-term inflation, which it can influence and expects to moderate towards 2% in 2026. Chief Economist Conway said this month that inflation around 3% is "nerve-racking" though, suggesting the MPC won't want Q3 to be materially above that point.
- The RBNZ forecast Q3 domestically-driven non-tradeables inflation to rise 1.0% q/q and 3.5% y/y down from Q2's 3.7%. There is a risk it could be higher with ANZ and Westpac forecasting a 1.2% q/q rise and ASB 1.1%. Rental inflation though continues to trend lower with it averaging 2.1% y/y in Q3 down from Q2's 2.8%.
- ANZ and Westpac expect Q3 tradeables CPI to rise 0.8% q/q in line with the RBNZ while ASB is higher at 0.9%. Either way annual growth is likely to continue rising after troughing at -1.6% y/y in Q3 2024 and increasing 1.2% y/y in Q2 2025.

RBNZ: RBNZ's Conway Nervous CPI Elevated But Further Easing Possible

RBNZ Chief Economist Conway revealed in a Bloomberg interview that the October 50bp rate cut decision was "finely balanced" and that it was a response to the sharp Q2 GDP contraction, which shifted the "balance of risks" towards less inflation pressures, and then was set by the soft Q3 QSBO survey. He reiterated that the MPC is open to further easing dependent on the data. While inflation is expected to moderate to 2% in 2026, Conway said it was "nerve-racking" that it was close to the top of the band. Q3 CPI prints on 20 October.

- Growth is still expected to improve over H2 2025 and into 2026. While the factors driving inflation to the top of the band are expected to fade.
- Conway would accept attributed votes but said that it will be up to the new governor who starts on 1 December.

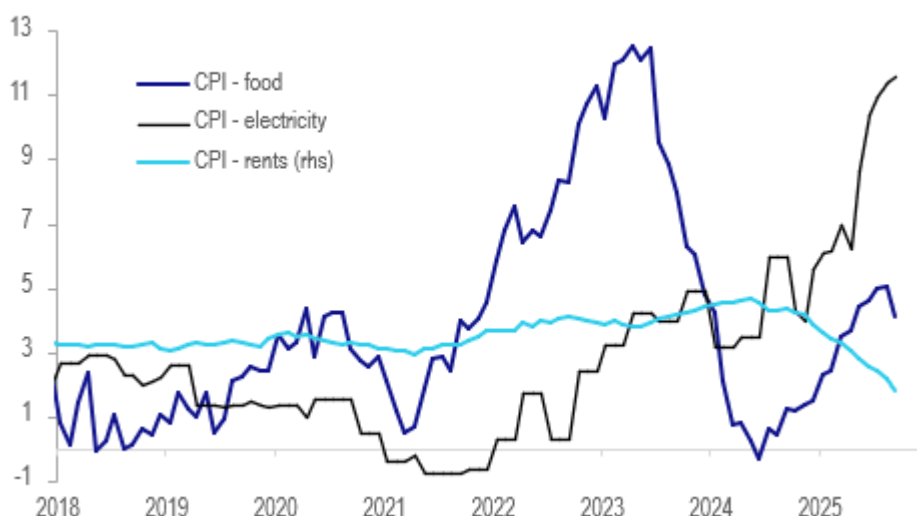
- TD Securities now expects the RBNZ to cut the OCR 25bp to 2.25% in November, according to Dow Jones.
- Given the importance of the QSBO survey to the last decision, it is worth noting that the September BNZ services and manufacturing PMIs were consistent with the RBNZ's assessment in the October statement that "economic activity recovered modestly in the September quarter".
- Key data before the 26 November RBNZ decision include Q3 CPI on 20 October, Q3 jobs/wages 5 November, Q4 inflation expectations 11 November, October ANZ business confidence 31 October, October card spending 13 November (Sept fell), October BNZ PMI & PSI 14 & 17 November, and October prices 17 November.

NEW ZEALAND: Q3 Food & Electricity Inflation Higher, Rents Ease, Q3 CPI 20 Oct

The monthly price series for September accounting for around 46% of the quarterly CPI to be released 20 October were mixed. There was an easing in food and rental inflation but power price, petrol and air travel inflation picked up. Q3 average annual inflation saw upward pressure from food, electricity and accommodation with petrol making less of a negative contribution. RBNZ's Conway said that he's nervous that inflation is around 3% but significant spare capacity should bring it towards 2%.

- Food inflation fell 0.4% m/m bringing the annual rate down to 4.1% from 5.0% in August, the lowest since April, driven by a 2.5% m/m in fruit & veg prices. Grocery prices were down 0.6% m/m rising 3.9% y/y, the lowest since December. Q3 average food inflation picked up to 4.7% y/y from 4.2% though.
- Power price inflation remains elevated and has become a cost-of-living issue. Electricity prices rose 0.2% m/m & 11.6% y/y in September up from 11.4% y/y and averaged 11.3% y/y in Q3 after 8.4% in Q2. Gas picked up to 17% y/y in September from 14.5% but Q3 moderated 0.7pp to 15.2% y/y.
- In contrast, rental inflation continued to moderate in September reaching 1.8% y/y from 2.1%, the lowest since February 2011 and the first flat monthly outcome since October 2009 reflecting the weak housing market. The RBNZ is monitoring the transmission of rate cuts into the sector.
- Petrol price inflation has put downward pressure on the CPI but rose 0.9% m/m & 1.8% y/y in September up from -0.4% m/m & -2.4% y/y. Q3 should still make a negative contribution but less than Q2 as it fell 1.4% y/y after -8.0%.

NZ prices y/y%



Source: MNI - Market News/Statistics NZ

NEW ZEALAND: Q3 Retail Spend Up On Quarter But Still Soft Consistent With Easing

September retail card transactions fell 0.5% m/m after rising 0.6%, the first negative after three consecutive increases. Annual growth slowed to an anaemic 1.2% y/y signalling that while consumption is off its lows the

recovery remains weak making additional RBNZ rate cuts more likely. The extent of further easing including in early 2026 remains highly data dependent though.

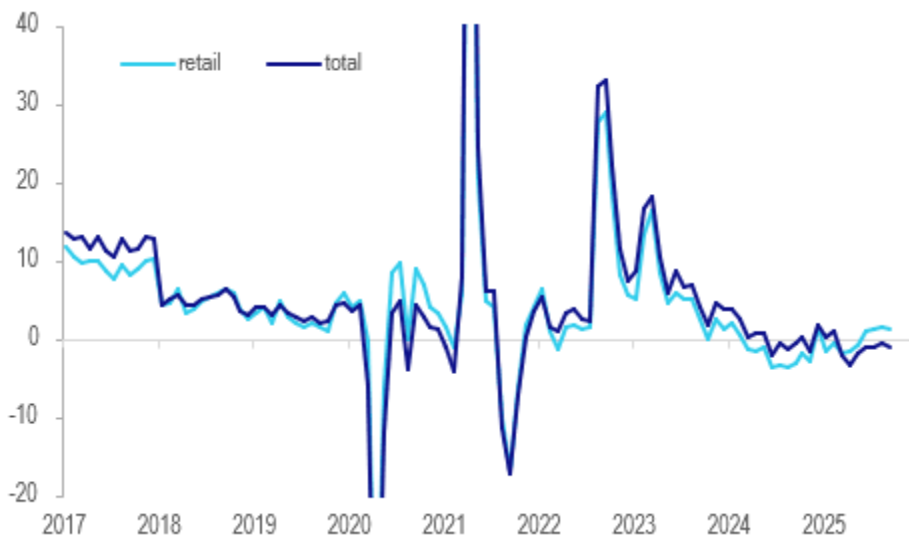
NZ retail spending y/y%



Source: MNI - Market News/LSEG

- Despite the soft end to Q3, the quarter saw a 0.6% q/q increase in nominal retail spending driven by consumables (+1.0%), hospitality (+1.4%) and motor vehicles (+2.7%). Q3 retail sales volumes are released 27 November. They rose 0.5% q/q & 2.3% y/y in Q2.
- Total expenditure was down 0.4% m/m in September after rising 0.4% to still be down 1% y/y. The total was up 0.7% q/q in Q3.
- Core retail spending fell 0.4% m/m in September but rose 0.7% q/q in Q3. The September decline was broad based with all the major categories falling except hospitality (+1.5% m/m). Motor vehicles sank 2.6% but consumables were down 0.5%, durables -0.8% and apparel -1.4%.
- Services fell 1% m/m while non-retail spending ex services was flat (includes healthcare but also travel).

NZ card expenditure y/y%



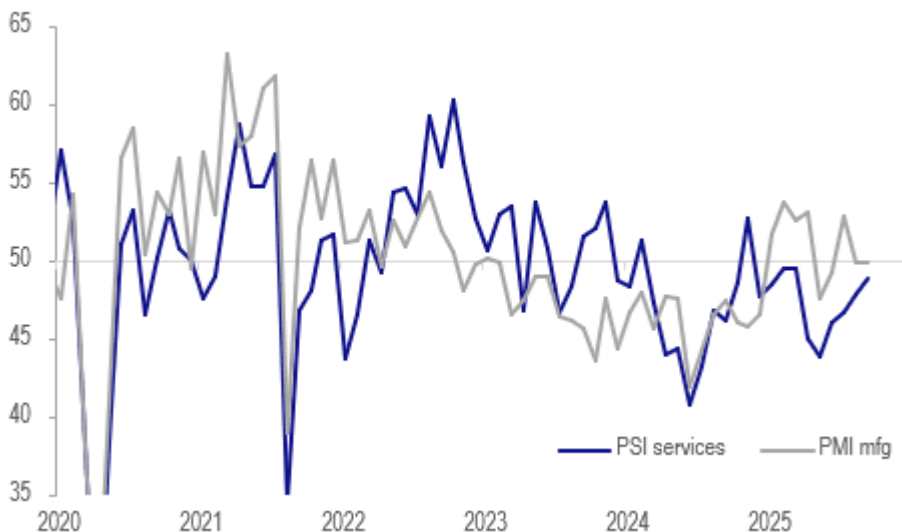
Source: MNI - Market News/LSEG

NEW ZEALAND: Services & Manufacturing Indices Signal Ongoing Weak Q3 Activity

The BNZ services and manufacturing PMIs for September were consistent with the RBNZ's assessment in its October statement that "economic activity recovered modestly in the September quarter". The manufacturing sector stagnated in August/September, while services continued to contract but at a slower rate with September up one point to 48.8, highest since March. Continued weak activity, including employment, at the end of the quarter is consistent with further RBNZ easing with policy likely to become stimulatory.

- The Q3 averages of the PMI and PSI show that there was some improvement in the quarter compared to Q2. Manufacturing rose 1 point to 50.9, slight growth, and services almost 3 points to 47.7, ongoing contraction.
- Forward-looking services orders rose to 51.4 from 47.8, the highest since November 2024. They continued to contract in Q3 overall at 48.6 but at a slower pace than Q2's 45.5. Manufacturing saw an increase in orders in Q3 at 53.1 up from 49.5.
- Labour demand remained soft consistent with other data signaling a weak Q3 print on 5 November. September services employment fell to 47.8 from 48.7 with Q3 showing a further contraction in staffing at 47.6 (Q2 46.4). Manufacturing employment contracted too in the quarter.

NZ BNZ services vs manufacturing indices



Source: MNI - Market News/LSEG

NEW ZEALAND: New Zealand AA+ Rating Affirmed By S&P

Headlines have crossed from S&P that it has affirmed NZ's credit rating at AA+, with the outlook remaining stable. The rating agency noted, via BBG: "S&P sees New Zealand to gradually consolidate its fiscal deficit over the next three years."

- S&P noted the economic challenges from a growth standpoint NZ has face in recent years, but also commented on the structural improvement in the current account position.
- NZ Finance Minister Willis stated recently a return to surplus was still the government's goal (by 2028) and that fresh fiscal spending/stimulus is not needed for the economy (despite current headwinds).

STIR: \$-Bloc Pricing Softer Over Past Week, Led By AUS & US

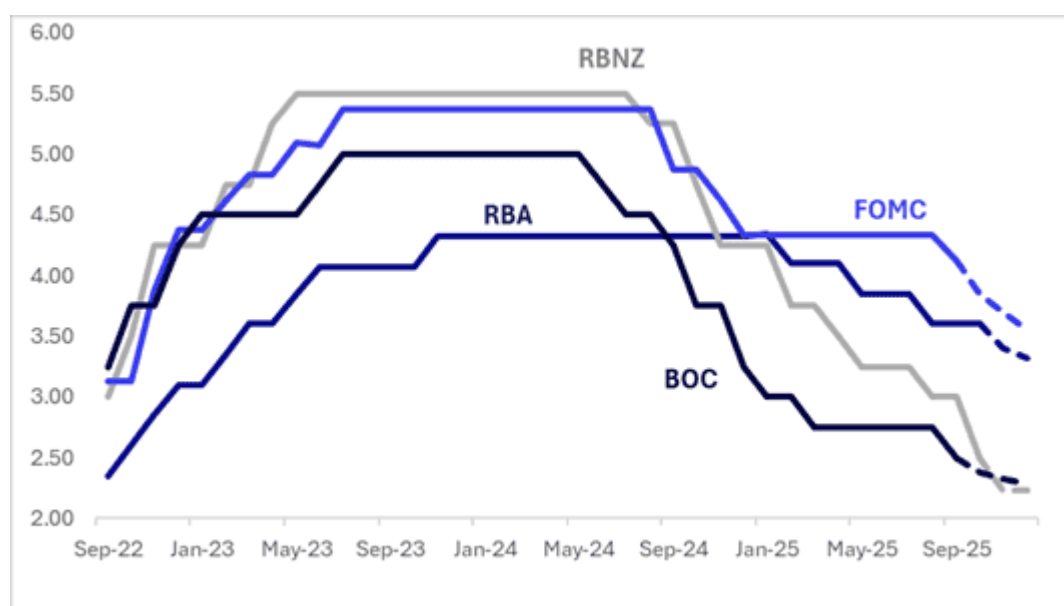
Interest rate expectations across the \$-bloc have softened over the past week, led by Australia (-15bps) and the US (-9bps), with New Zealand (-3bps) and Canada (-2bps) lagging.

- In Australia, Thursday's data showed that labour market conditions eased in September. Most notable was the spike in the unemployment rate to 4.5%, versus 4.3% (4.3% was the Aug outcome). The

participation rate rose to 67.0%, versus 66.8% forecast, so that played a role. Job growth of +14.9k was close to the +20k forecast.

- The generally softer Q3 is likely to drive RBA revisions in the near-term, but it may want to see further developments before changing its medium-term view. There are now signs that job growth can't keep up with increases in the labour force, resulting in higher unemployment and that any additional demand is being met by increasing hours. This makes a November rate cut more likely, but given the RBA's inflation concerns, Q3 CPI on 29 October remains the key input.
- The next key regional events are the FOMC and BOC policy decisions on October 29. Market pricing currently implies an 108% probability of a 25bps cut by the Fed and a 58% chance of easing by the BOC.
- Looking ahead to December 2025, current market-implied policy rates cumulative expected easing is as follows: US (FOMC): 3.55%, -58bps; Canada (BOC): 2.28%, -22bps; Australia (RBA): 3.32%, -28bps; and New Zealand (RBNZ): 2.23%, -27bps.

Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

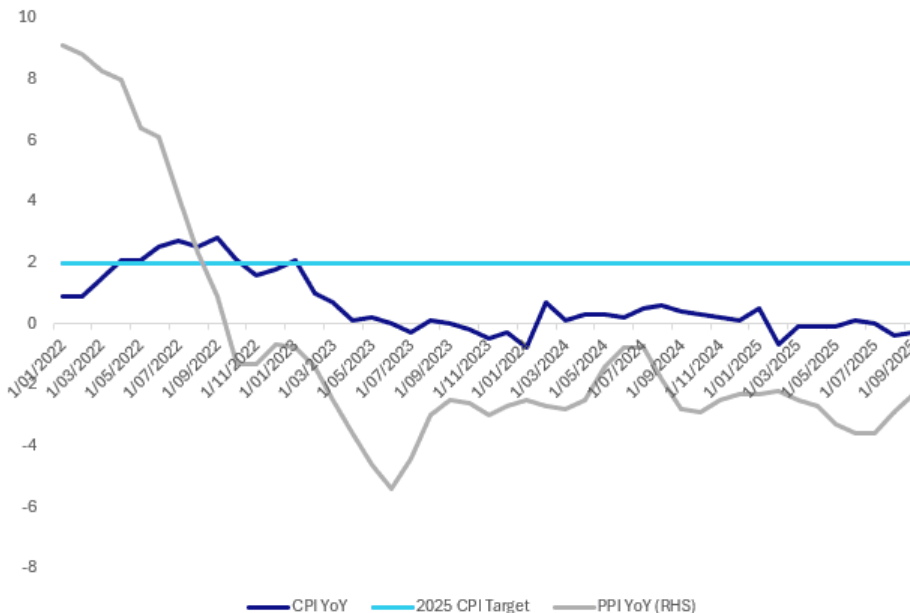
CHINA

CHINA: No Good News from Inflation Releases

- The deflationary problem facing the Chinese economy was in full view today with the release of the September CPI and PPI.
- The CPI at -0.3% missed estimates of -0.2% as one of the longest streak of price declines in decades continues.
- To add to the PPI decline, factory gate prices (PPI) YoY declined -2.3% YoY.
- What started with a housing market crash post pandemic morphed into over capacity issues by manufacturers leading to price wars and has resulted in the government attempting to intervene to stop the price cuts.
- The GDP deflator has been in decline also for two years and as the broadest measure of prices; shows that the deflationary pressures are the strongest they have been since data began.
- Some domestic media outlets suggest that policy adjustments are needed imminently, though the first half of the year saw GDP better than expected. In the coming days we will get 3Q GDP (forecast is a decline to +4.7% from +5.2%).

- The next potential for seeing policy adjustment is the 1-Year and 5-Year Loan Prime Rate decisions on October 20. LPR's were last changed in May with some market commentators suggesting a further cut could be getting closer. Other market observers suggest a further adjustment to the RRR is the likely pathway for policy.
- The CBG 10-Yr had edged up in yield this morning to 1.84% whilst 10-Yr bond futures are lower by -0.12.

CPI YoY vs Target & PPI YoY



source: Bloomberg Finance LP / MNI

CHINA: September Exports Surge (Ex US) As Trade War Intensifies

- The moderation of exports in August was short-lived as September's numbers jumped +8.3% YoY, beating expectations and much stronger than the month prior.
- According to BBG estimates, the decline in exports to the US was significant, down -27% YoY. This points to the growth of demand from non US markets, arguably weakening the US's position in a trade war. Exports to Africa, India and other Asian nations are soaring with the latter back to pre-COVID levels.
- US President Donald Trump had threatened to raise tariffs on China and withdraw from a high-profile upcoming meeting with Chinese President Xi Jinping, in a lengthy statement on Truth Social, citing a letter from Beijing which he claims lays out new rare earth export control measures.
- The new Chinese rare earth export control measures are scheduled to take effect on December 1. Starting November 8, Beijing will also restrict exports of equipment needed to manufacture batteries for electric cars in a bid to protect the competitiveness of Chinese autos, per The New York Times.
- Imports climbed +7.4% in September for it's largest monthly expansion since April 2024. Despite being a crude indicator for domestic demand, the result nevertheless comes at an invaluable time as the US rhetoric ramps up.
- Along with the decline in exports to the US, imports from the US declined -16.1%, widening the trade surplus with the US to [\\$22.bn](#).
- Whilst this data captures a period before the weekend's escalation it may slightly strengthen Beijing's position in negotiations, given the ever growing decline in the US's importance to China's trade outcome.

China Data Preview: GDP to Moderate, LPRs Unchanged

- Next week could be a pivotal week for policy for the remainder of the year with the loan prime rate decision and GDP third quarter released. The current forecast for GDP 3Q is for it to moderate to 4.7% from 5.2%.
- The decline from Q2 is likely as much about the upside surprise in Q2, then a dramatic slowdown with 4.7% a somewhat fairer reflection. Exports have rebounded with September expanding by +8.3%, from 4.4% the month prior though retail sales and industrial production out next week also is forecast at the weakest pace of expansion this year.
- The outlook for retail sales and service related data releases could be revised up following the October Golden week holiday numbers showing a surge in spending on travel and retail, despite long standing property woes.
- The Chinese party officials meet next week with the fourth plenum in Beijing. The output will provide guidance for the next 5-years and may be the catalyst for further policy intervention, specifically targeting domestic consumption (which has declined as a percentage of GDP) whilst mindful of the impact of the trade war on manufacturing and exports.
- We don't expect any change in the LPR given the pressure on bank margins and look for signals from the party meeting as guide for potential moves in monetary or fiscal policy.

SOUTH KOREA

SOUTH KOREA: Mortgages Increase In September

- Given the government's focus on cooling the housing market, particularly in Seoul, today's release of the September Loans to households was worth considering to see if the focus on housing is having an effect.
- However with mortgage loans increasing 2.5t won MoM to KRW932.7 tn at end of September, markets may have to wait awhile longer before the impact shows up in the data.
- South Korea has announced further measures at cooling the sector including tighter loan limits specifically in Seoul, higher risk weights on banks' home loan portfolios and reducing loan to value ratios for purchases.
- "The recent instability in housing markets is spreading on global rate-cut expectations and persistent supply-demand imbalances that are driving concerns over excess capital inflows into real estate," said the Minister of Land, Infrastructure and Transport Kim Yun-duk said in a briefing Wednesday. "In response, we're going to take preemptive measures to curb instability in the housing market early and to ensure that capital is directed toward more productive sectors of the economy," he added. (as per BBG)
- Since October the Bank of Korea has cut rate four times but in April went on hold, following the release of the initial policy changes by the then new government. The BOK then cut rates in May and as next meeting approaches, markets remains uncertain with no rate cuts priced in over a one month time horizon and just -6bps over the next three months.

SOUTH KOREA: Housing Market Focus Is Key According To FinMin

- Finance Minister Koo Yun-cheol said Monday the government will focus on stabilizing the housing market to ensure residential stability for the public, amid a recent surge in home prices in Seoul. "The government will seek to manage supply and demand in the real estate market in a balanced manner with the goal of ensuring stable housing for the people," Koo said during a parliamentary audit of the Ministry of Economy and Finance. (source [Korea Times](#))
- Korea's exports went down 15.2 percent from a year earlier in the first 10 days of October, data showed Monday, mainly due to fewer working days stemming from the extended Chuseok holiday. (source [Korea Times](#))

SOUTH KOREA: BOK on Hold Given Housing Concerns

- The BOK meets next week on the 23rd at a time when the government is focused on slowing the housing sector.
- Given the government's focus on cooling the housing market, particularly in Seoul, yesterday's release of the September Loans to households was relevant to next week's BOK. However with mortgage loans increasing 2.5t won MoM to KRW932.7 tn at end of September, there seems to be no immediate impact from policy and this limits the ability of the BOK to cut.
- South Korea has announced further measures at cooling the sector including tighter loan limits specifically in Seoul, higher risk weights on banks' home loan portfolios and reducing loan to value ratios for purchases. "The recent instability in housing markets is spreading on global rate-cut expectations and persistent supply-demand imbalances that are driving concerns over excess capital inflows into real estate," said the Minister of Land, Infrastructure and Transport Kim Yun-duk said in a briefing Wednesday. "In response, we're going to take pre-emptive measures to curb instability in the housing market early and to ensure that capital is directed toward more productive sectors of the economy," he added. (as per BBG).
- Since October the Bank of Korea has cut rates four times going on hold in April, following the release of the initial policy changes by the then new government. The BOK then cut rates in May and as the meeting next week approaches, markets remain uncertain with no rate cuts priced in over a one month time horizon and just -6bps over the next three months.
- Market consensus on BBG is for no change and we see limited possibility of any change from the BOK.

ASIA**SINGAPORE: MAS Holds On Resilient Growth, Easing Risks To Persist Into 2026**

As expected, the MAS kept its policy parameters unchanged at the Oct policy meeting. Market reaction has been muted, with USD/SGD down a touch, last near 1.2990. We dipped towards 1.2980 post the on hold outcome. The SGD NEER per Goldman Sachs estimates is a touch firmer at -0.94% from the top end of the band, we were closer to -1% prior to the decision. The market bias is likely to fade SGD NEER bounces, with easing risks likely to persist from the MAS as we head into 2026 (as growth comes off the boil). For USD/SGD broader USD trends will be important in the near term, SGD FX maintains a positive correlation with USD/JPY moves. If USD/SGD can test through the 200-day EMA (1.3015) a move up to 1.3100 could be targeted. The 100-day EMA support point is back at 1.2910/15.

- The central bank noted, "MAS has eased monetary policy twice this year. Singapore's economic growth has turned out stronger than expected and the output gap will remain positive in 2025 and come in around 0% next year. MAS Core Inflation should trough in the near term and rise gradually over the course of 2026 as temporary factors dampening inflation fade. MAS will therefore maintain the prevailing rate of appreciation of the S\$NEER policy band. There will be no change to its width and the level at which it is centred."
- With the policy announcement came the advanced Q3 GDP print, which was stronger than expected, up 1.3% q/q (versus 0.6% forecast), while in y/y terms we printed at 2.9% (2.0% was forecast and 4.5% was the Q2 outcome). This reinforces today's on hold outcome.
- On growth, the central bank noted: "In 2026, GDP growth is projected to slow in line with external developments to a near-trend pace, such that the output gap narrows to around 0%. The GDP growth forecasts for 2025 and 2026 will be announced in November by MTI.
- On inflation: "All in, MAS Core Inflation is forecast to trough in the near term and rise gradually thereafter. It should average around 0.5% for 2025 as a whole and come in between 0.5–1.5% in 2026.... The inflation outcome is subject to risks. Supply shocks, including those stemming from geopolitical developments, could lift some imported and shipping costs abruptly. Conversely, core inflation could stay lower for longer should growth be more hesitant and weaker than projected. Another significant decline in global oil prices could also temporarily tamp down the pace of price increases."
- These will be watch points for easing risks into 2026.

MALAYSIA: Differing View On Budget 2026

- The CEO of Malaysia's largest bank (Maybank) applauded the 2026 budget suggesting it strikes a balance between delivering investment stimulus, supporting the growth of new economic sectors and providing social relief, while maintaining fiscal discipline to stay on track with the Fiscal Responsibility Act's medium-term target of a 3% budget deficit to gross domestic product. (source [The Edge](#))
- The budget 2026 falls short in terms of addressing the revenue challenges for the government. The fiscal improvements were driven by reductions in subsidies, not growth increases (source: [The Star](#))

INDIA: September CPI Suggests No Impediment to Further Rate Cuts

- With cash and swap markets in India pricing in very little over the next RBI meeting, the overnight CPI release underscored that there is still no impediment to cutting, should the monetary policy committee deem necessary.
- Reserve Bank of India (RBI) has a CPI target, which is to keep headline CPI inflation at 4% within a tolerance band of +/-2%. This framework was enacted in 2016 and is scheduled to remain in place until March 2026.
- September's Result of 1.54% was lowest since 2017, falling below the bottom of the tolerance band.
- Food prices have turned negative down -1.4% YoY as it captures the period last year when they moved sharply higher due to vegetable shortages (i.e. base effect).
- Core inflation was up though to +4.5% from +4.1% in August due to housing, but is forecast to moderate into year end.
- The recent rationalization of GST rates is further expected to have a downward impact on the overall inflationary environment, with estimates as to how much it could lower annual CPI ranging from a 60-80bps.
- The risks now for markets remain that a rate cut could become a possibility in an environment where little is priced in. The BBG MIPR function has -4bps priced in on a one month time horizon and -25bps over a three month time horizon. The RBI Base Rate currently is at 5.50% and the 2-Yr IGB at 5.63%. A move sub 5.60%, would take us to fresh cycle lows. In this environment, when coupled with global trade related risks and their impact on INR and equities, the risks for investors and yield movement for now likely remain lower from here given the inflationary backdrop.

ASIA EQUITY FLOWS: Tech Sensitive Inflows Up, Indian Inflows Recovering

Yesterday saw decent offshore inflows into both South Korean and Taiwan equity markets. The Kospi remains in a strong uptrend, getting close to fresh highs of 3800 in the first part of trade today, although we sit off best levels now. AI/chip sentiment remains strong, underscored by Taiwan's TSMC Q3 results yesterday. Indeed, in Thursday US trade the SOX index still finished higher despite broader credit concerns (which weighed on bank/financial stocks). The US-South Korean trade negotiations continue, with still uncertainty as to how investment/FX concerns on the South Korean side will be met, (particularly given US demand around when the \$350bn investment inflows should take place). This, along with broader equity trends, will be watch points.

- In Taiwan, even with yesterday's net inflow, we have still lagged the positive trends seen in local equities (last 5 trading days has seen cumulative outflows near -\$2bn). TSMC results bode well for the tech sector, although shares in the tech bellwether are down so far today.
- Indian inflow momentum is better and there is scope for a further recovery (given YTD outflows are still over -\$16.5bn). Th break higher in local stocks, the NIFTY through 25500 may induce more inflow momentum. A more stable to stronger FX backdrop may aid with inflows, but broader trends are likely to be dictated by US-India trade discussions and RBI easing expectations.
- In South East Asia, outflows have been evident, with Malaysia now seeing 10 consecutive sessions of outflows. Most markets in this part of the region sit off recent highs or are tracking sideways.

Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2025 To Date
South Korea (USDmn)	403	1135	3224
Taiwan (USDmn)	426	-1932	7669
India (USDmn)*	79	995	-16512
Indonesia (USDmn)	-37	-22	-3297
Thailand (USDmn)	-62	-146	-3035
Malaysia (USDmn)	-3	-260	-4130
Philippines (USDmn)	-3	-28	-710
Total (USDmn)	803	-258	-16790

* Data Up To Oct 15

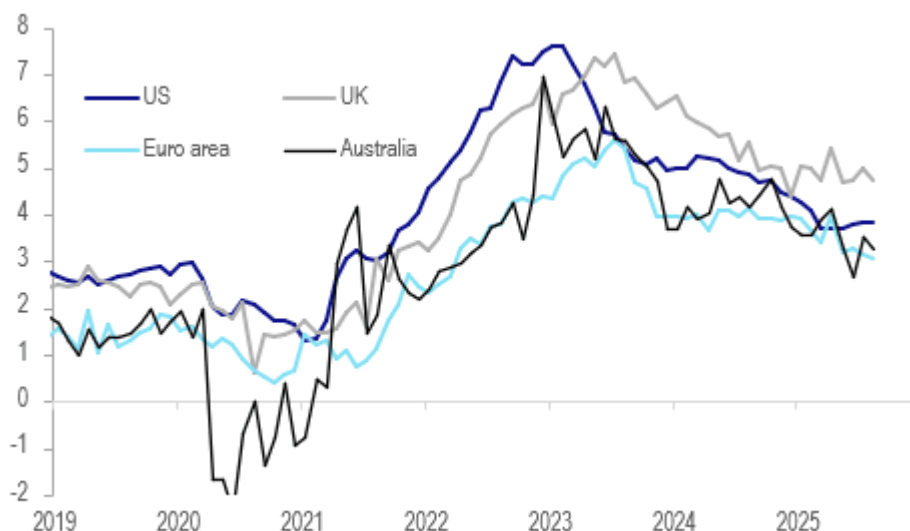
Source: Bloomberg Finance L.P./MNI

GLOBAL

GLOBAL MACRO: Central Bankers Cautious On Stalling Services Disinflation

RBA Governor Bullock at the September 30 press conference and Kansas City Fed President Schmid (FOMC 2025 voter) last week commented on higher services inflation. Given that it reflects domestically-driven factors especially labour costs, as Bullock said, it is a key variable for central banks. They are also monitoring how it is behaving overseas and Bullock noted that it has been sticky and so the RBA needs to be careful. Q3 to date rose in the US and stabilised in the UK and Australia.

OECD services CPI y/y%



Source: MNI - Market News/LSEG/ABS

- Schmid said that services inflation has been higher than is consistent with meeting the 2% target. Bullock said in Australia that it has been a little higher than the RBA expected and that given its persistency overseas, the central bank will need to look at how far it moderates in its forecasts in the update due 4 November.
- Q3 average-to-date US services inflation is a little higher at 3.8% after 3.7% in Q2. September CPI was originally scheduled for 15 October but has been delayed to 24 October due to the government shutdown.
- Australia's Q3 average monthly services CPI is steady at 3.4%, higher than the euro area and Canada but lower than the US, UK and Norway. The RBA focuses on quarterly data with Q3 due 29 October.

- UK Q3 average services inflation is stable at 4.9% suggesting that it has stalled at an elevated rate.
- Euro area services price pressures have moderated in Q3 to 3.1% after 3.5% in Q2 and Norway's are also slightly lower at 3.75% compared to 3.9%.
- Canada is struggling with softer growth and higher unemployment and its services inflation moderated 0.5pp to 2.8% in Q3 to date, the lowest in our group, but even August was in line with July's 2.8%.

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.