

MNI Asia Pac Weekly Macro Wrap

13 March 2026 – By Jon Cavenagh, Jaime Grant, Stephen Petrie & Gavin Stacey

JAPAN

- Japan wage earnings were better than forecast, while headline PPI softened. Still, imported price pressures are likely to be a concern going forward given the spike in oil prices and a weaker yen. Verbal FX jawboning returned later in the week, but given the strong USD bid, intervention now may not give the authorities good bang for their buck. The BoJ is seen on hold next week, but risks are skewed towards tightening sooner rather than later.

AUSTRALIA

- Survey measures hinted at some early impact from the Iran conflict, but activity measures held up well. RBA tightening expectations for the March meeting rose notably this week, as we saw some hawkish RBA remarks in the context of inflation risks from rising oil prices and the limited spare capacity in the economy.

NEW ZEALAND

- New Zealand data flow was light this week and too soon to show the impact of the Iran conflict. Next week we get Q4 GDP, which is now dated, but will give an update to the RBNZ in terms of end 2025 economic momentum and spare capacity in the economy.

SHORT TERM RATES

- Over the past week, interest-rate expectations across the \$-bloc through December 2026 have firmed further in response to the Middle East conflict and its impact on oil prices, with moves led by the Canada (+28bps), followed by the US (+19bps), New Zealand (+14bps) and Australia (+11bps). This followed a 9-19bp firming the week before.

CHINA

- China inflation was stronger than forecast for Feb, aided by LNY. Still, coupled with the surge in energy costs has likely pushed out the PBoC easing window. In turn, local yields have edged back up. Yuan outperformance in basket terms remains a dominant theme in the FX space.

SOUTH KOREA

- South Korea is focused on managing financial stability, amid the external oil price shock. An extra budget seems very likely but the authorities are aiming to keep front end yields under control. USD/KRW remains close to 1500.

ASIA

- Fallout from the oil price surge continues throughout the region. Indonesia is likely to remain in focus, with local bonds and the currency potentially seeing further pressure if the 2022 scenario is a guide.

ASIA EQUITY FLOWS

- It has been a fairly consistent theme of net selling by offshore investors over the past week, albeit with a few days of net inflows into South Korea and Indonesia. Cumulative outflows stand at -\$16bn as markets grapple with the oil price shock from the Iran conflict.

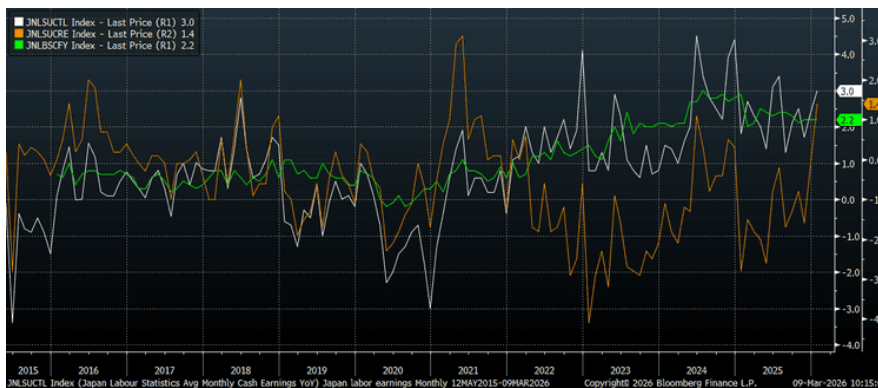
JAPAN

JAPAN DATA: Jan Wages Better Than Forecast, Real Wages Highest Since 2021

Japan Jan labor cash earnings data was mostly better than forecast. The headline nominal wage outcome was 3.0%/y/y, against a 2.4% forecast and 2.4% prior. In real terms, earnings were up 1.4%/y/y (0.9% was forecast and prior was -0.1%). This is the strongest real earnings outcome (in y/y terms) since mid 2021. Cash earnings, on a same sample base, were 1.9%/y/y, below the 3.0% forecast, but Dec was revised up to 3.2%/y/y (originally printed at 2.0%), while scheduled full time pay (same base) was 2.2%/y/y (2.3% was forecast and the Dec print was revised up 0.1ppt to 2.2%/y/y). The chart plots headline and real labor earnings, along with scheduled full time pay (all y/y), the focus will be on sustaining positive real earning outcomes (the orange line in the chart). This is seen as key driving sustained inflation at the 2% target from a BOJ standpoint.

- Bonus payments were up 3.8%/y/y, after a 2.7% rise in Dec. While BBG notes: "Last week the nation's largest labor federation Rengo announced that its member unions are seeking an average pay increase of 5.94%, indicating wage growth momentum is continuing."
- Last year the Rengo demanded a 6.09% increase (getting a 5.25% rise in the end).

Fig 1: Japan Labor Earnings Picked Up In Jan



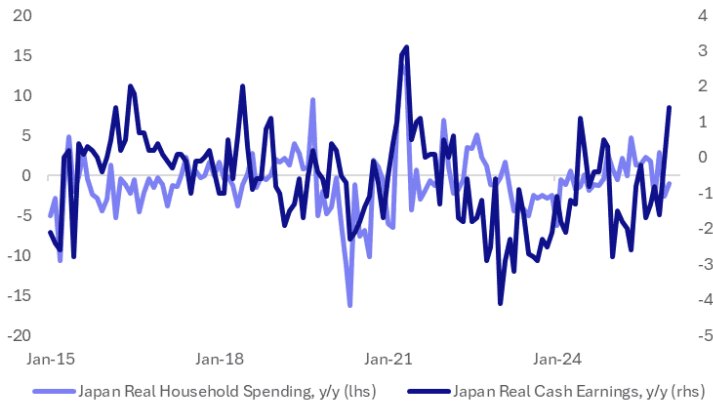
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Q4 GDP Revisions Positive, HH Spend Weaker But Wages Rising

Japan data outcomes have been mixed, but on balance better than forecast. The Jan household spending outcome was -1.0%/y/y, against a +2.4%/y/y forecast (-2.6%/y/y was the Dec outcome). Still, Q4 GDP revisions were better than forecast. Annualized q/q growth rose 1.3%, versus 1.0% forecast. Consumption was revised up to a 0.3%q/q gain (0.1% was forecast), while business spending grew by 1.3% (1.1% was the forecast). The inventory drag was slightly larger at -0.3ppts, (-0.2ppts projected), while the net exports contribution remained flat (as forecast).

- The positive capex revision was expected, but came in above market expectations, while the consumption revision will also be welcome. This points to a reasonable base for 2026 growth to continue from.
- The Jan household spending outcome was below expectations, but yesterday's labor earnings data, which showed firm real earnings growth, suggests a supportive outlook, particularly ahead of expected further negotiated wage increases. The chart below plots the household spending outcome versus labor earnings.

Fig 1: Japan Household Spending & Real Labor Earnings Y/Y



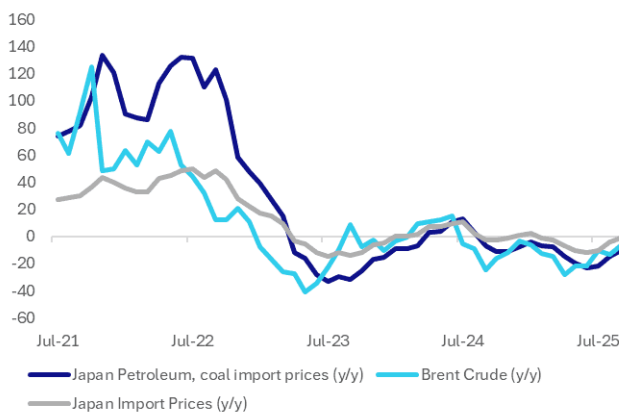
Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Import Price Pressures May Build Given Oil Spike, Weaker Yen

The spike in oil prices, if sustained, is likely to feed through into higher Japan imports in coming months. The first chart below overlays Brent crude y/y changes (which are extended to end March based off current spot prices), against petroleum, coal import prices y/y, along with aggregate import prices y/y. We can observe the sharp rises seen in 2022, following the Russian invasion of Ukraine and spill over to higher energy prices then.

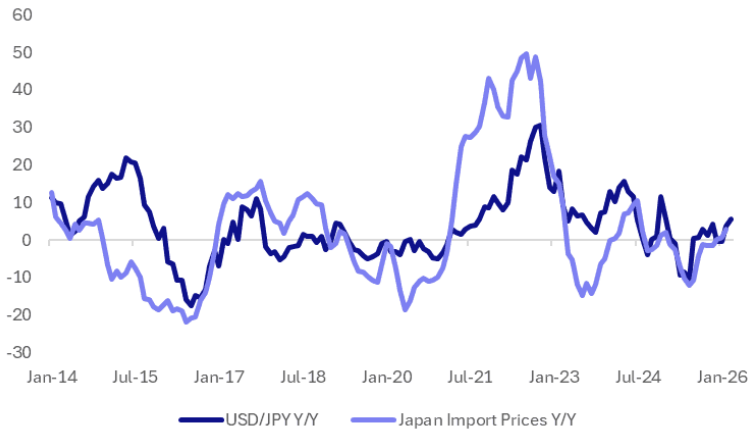
- At this stage, there is also no offset from the yen, with USD/JPY remaining elevated and rising in y/y terms. Without a sharp turn around in yen, y/y changes in USD/JPY are likely to remain positive in the first half of the year. The second chart below plots USD/JPY y/y changes against import prices y/y.
- This could in turn feed into stronger CPI pressures and impact the market outlook from a BoJ standpoint. For next week's meeting little is priced in terms of tightening risks, with a full hike not priced until the July meeting.
- The caveat is the government response to higher oil prices, while our policy team noted recently: The Bank of Japan is weighing upside risks to prices from higher crude oil costs against downside risks to growth from a deterioration in the terms of trade, a dynamic likely to reinforce caution and keep the 0.75% policy rate unchanged at the March meeting, while potentially delaying further normalisation, MNI understands.

Fig 1: Brent Crude Spike To Drive Higher Import Costs



Source: Bloomberg Finance L.P./MNI

Fig 2: USD/JPY Y/Y and Japan Import Prices Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Feb PPI Below Forecasts, But Import Y/Y Pace Strongest Since 2024

Japan's Feb PPI was weaker than forecast, falling 0.1%/m (versus 0.2% forecast and 0.2% prior). In y/y terms we eased to 2.0%, against a 2.2% forecast and prior 2.3% outcome. The chart below plots the PPI y/y (white line), versus CPI headline y/y. The two series have broadly been tracking lower since the early parts of 2025, a non-threatening backdrop, although stickier underlying inflation pressures have been evident. The Feb print may be discounted to some extent in any case, given the surge in energy prices since the end of Feb due to the Iran conflict.

- In terms of the detail PPI for manufacturing eased to +0.3%/m (+0.5% was recorded in Jan). Petroleum, coal rose 3.1%/m, ending a run of monthly declines back to Oct last year. This will be a focus point for the March print and potentially longer.
- Import prices rose 0.1%/m, from +2.0% in Jan. In y/y terms, import prices rose 2.8%, the strongest pace since July 2024.

Fig 1: Japan Headline PPI and CPI - Y/Y



Source: Bloomberg Finance L.P./MNI

JAPAN DATA: Surge Into Japan Bonds Cools, Equity Inflows Continue

The recent surge into Japan bonds, from offshore investors cooled last week, see the table below. The near ¥1trln in net selling was the largest weekly outflow since end Sep last year. Still, cumulative inflows since the start of the

year remain strongly positive at just over ¥6.6trln. JGB yields mostly pushed higher last week, with rising oil prices raising global inflation fears. Benchmark yields remain well off mid-Jan highs though. Offshore investors continued to buy local stocks, but at a reduced pace compared to the prior week. Cumulative 2026 inflows into local stocks also remain strong. Japan equity sentiment has stabilized after dropping sharply in the first week of March.

- In terms of Japan outbound flows, we did see some buying of overseas bonds, the first such flow in 5 weeks. Cumulative net selling in this space remains firm since late 2025.
- Local investors also continued to buy overseas stocks, for the third straight week.

Table 1: Japan Weekly Offshore Investment Flows

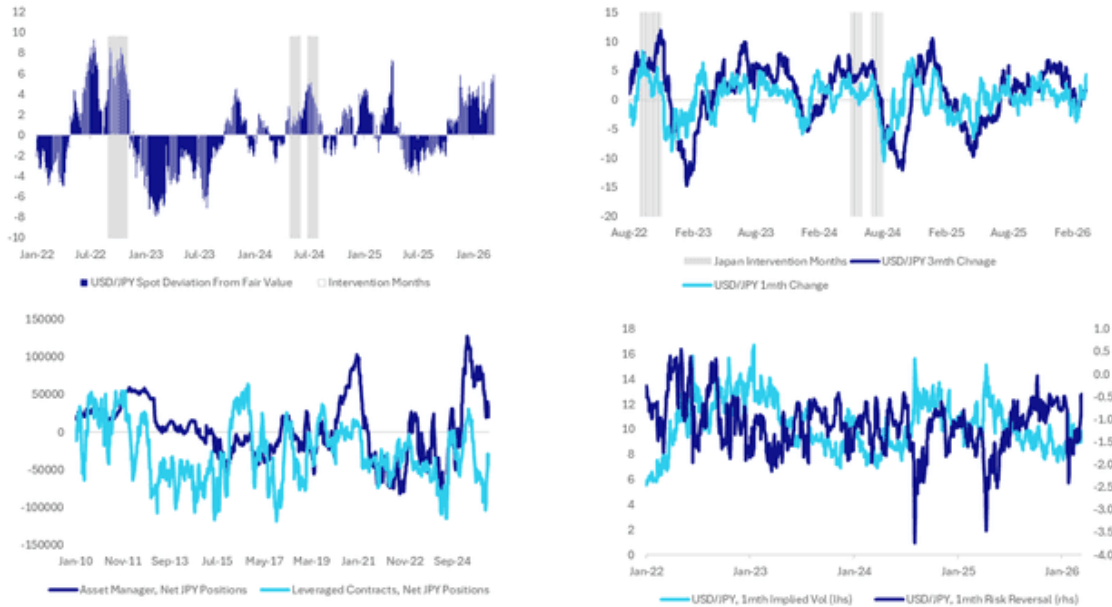
Billion Yen	Week ending Mar 6	Prior Week
Foreign Buying Japan Stocks	385.5	973.9
Foreign Buying Japan Bonds	-963.6	1365.1
Japan Buying Foreign Bonds	399.8	-673.1
Japan Buying Foreign Stocks	163.1	100.7

Source: Bloomberg Finance

JPY: Market May Question Whether Now Is A Good Intervention Window

USD/JPY has shrugged off the earlier FX jawboning comments from Japan FinMin Katayama, and continues to test the authorities resolve. We were last near 159.40, just short of 159.40/45, the mid and late Jan high (before the reported US rate check was conducted). Katayama's comments didn't touch on language used previously that might suggest intervention was imminent. Via BBG: "Key phrases include describing moves as "one-sided," "rapid," or "excessive," stating they do not reflect "fundamentals," and warning they will "take appropriate action" or "not tolerate" speculation" were not present earlier.

- Katayama stating: WILL TAKE ALL POSSIBLE MEASURES ON FOREX AS HIGHER OIL PRICES COULD HAVE IMPACT ON DAILY LIVES - [RTRS]" RTRS, and "JAPAN FINMIN KATAYAMA: IN CLOSER CONTACT WITH US AUTHORITIES ON FOREX - [RTRS]"
- As we noted earlier, the risk/reward around intervention, during the current market risk off/oil price spike, may not give the authorities great bang for their buck.
- The slide below presents 4 charts, all of which suggest intervention risks are evident but that has been the case for a while.
- The top left hand corner is the deviation between spot USD/JPY and our simple short term fair value estimate. The fair value estimate is close to 150.50, representing close to a 6% wedge, which is wide, although we have been more stretched in recent years. Essentially, the two inputs into the model have offset each in recent weeks, with weaker global equities negated by higher US-JP yield differentials.
- Rates of change, in USD/JPY, are elevated but more so over a 1 month than 3 month period, see the top right hand panel chart.
- Leveraged positioning is still short but away from extremes, per CFTC data, while asset managers are still long, but have cut back noticeably (see the chart at the bottom left hand panel).
- Risk reversals are closer to recent cycle highs compared to implied 1 month vols (see the bottom right hand panel chart).



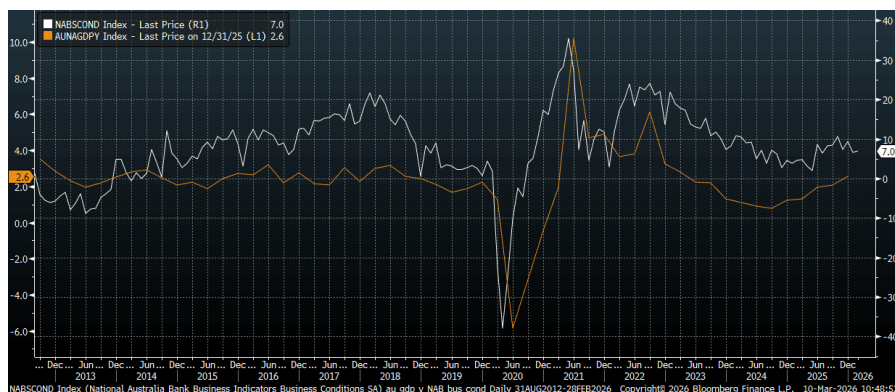
AUSTRALIA:

AUSTRALIA DATA: NAB Business Confidence Dips, But Conditions Unchanged

The Feb NAB business survey showed a reasonable dip in confidence, from a revised +4 in Jan, we have fallen to -1. This is the lowest read for confidence since March last year. This may reflect concern around the Iran war and spill over to energy prices/global growth outlook etc. Still, the business conditions index was unchanged at +7 though. The chart below plots the conditions index (the white line) versus Australian GDP y/y, with today's NAB update suggesting little change to the outlook.

- In terms of the detail, the exporters' sales fell to -1, from 4, while forward orders rose to 6 from 2. The Capex outlook also rose, while most other sub indices weren't too different from the Jan read.
- The labor cost index rose to 1.5% from 1.2%, while capacity utilization was at 82.8%, unchanged from the Jan read.

Fig 1: Australia NAB Business Conditions Versus Australia GDP Y/Y



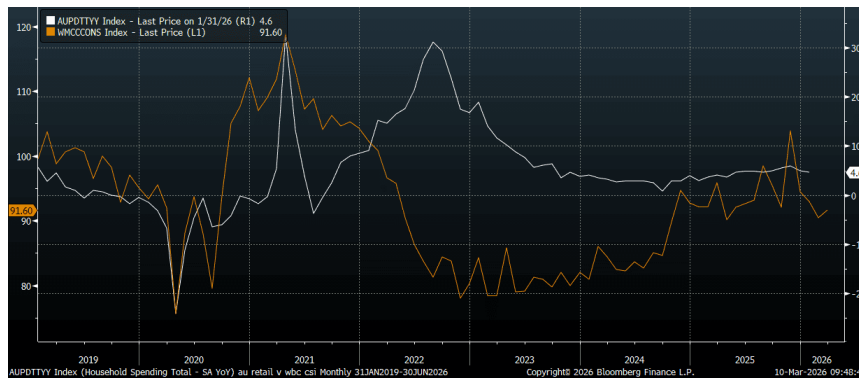
Source: Bloomberg Finance L.P./MNI

AUSTRALIA DATA: Westpac Sentiment Index Ends Run Of Declines, But Off 2025 High

The March Westpac Consumer Sentiment index rose 1.2% m/m to 91.6. This ends a run of three monthly falls for the index (after we surged 12.8% in Nov last year). In levels terms the index is still fairly close to 2025 lows, but comfortably above 2023 lows. The chart below plots the sentiment index (the orange line) against the ABS household spending measure in y/y terms (the white line). A backdrop where consumer pessimists continue to outweigh optimists (i.e the index stays under 100.0 for a period of time) is likely to see slowing spending outcomes, all else equal. This is likely needed as the economy bumps up against capacity constraints.

- The detail showed mixed results in terms of the sub-indices. Family finances and the economy, both 1yr ahead, both fell, as did buy a dwelling. The time to buy a major household item rose 4.9% m/m though.

Fig 1: Westpac Consumer Sentiment Index & Household Spend Y/Y



Source: Westpac/Bloomberg Finance L.P./MNI

AUSTRALIA DATA: Inflation Expectations Highest Since 2023

March Melbourne Institute consumer inflation expectations rose 0.2pp to 5.2%. The last time they hit this level was mid-2023 when the RBA was hiking rates. The series was likely impacted by the Iran-related increase in petrol prices but inflation expectations were rising before that with an already elevated 5.0% in February up from 4.7% in Q4 2025. The RBA meets early next week and faces a very difficult decision with the war in Iran meaning that its February inflation forecasts are likely to be exceeded but the rise in fuel prices imposing a tax on consumers and producers and therefore likely to weigh on growth. Another rate hike is possible if the Board assesses that there will be second-round effects from higher fuel prices.

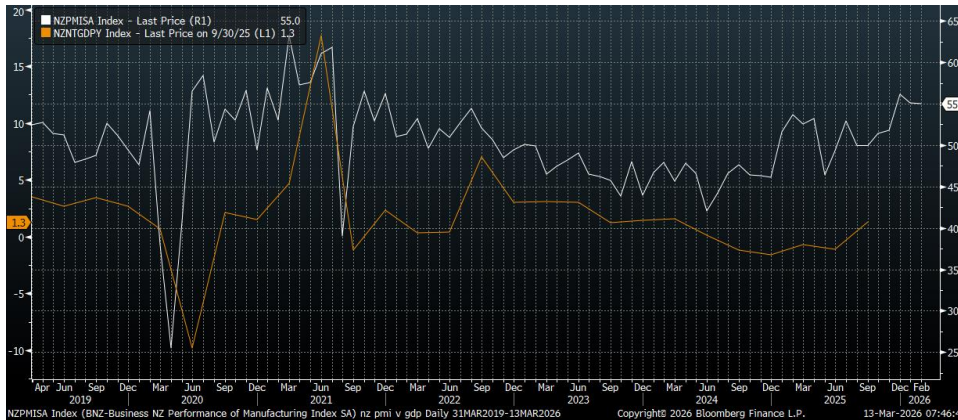
NEW ZEALAND

Feb PMI Elevated But BNZ Notes Note Too Early Assess Iran Impact:

The New Zealand Feb BNZ-Business NZ PMI (manufacturing) edged down a touch to 55.0 (from a revised 55.1 in Jan, originally reported as 55.2). The chart below plots the PMI against NZ GDP y/y. The PMI is still pointing to better y/y GDP momentum in to early 2026. Note next Thursday we get Q4 GDP for NZ, with the market consensus at 0.5%q/q (1.1% was the Q3 rise), while the y/y is projected at 1.7% (versus 1.3% prior). BNZ via BBG notes: "Subcomponents provide further evidence that the manufacturing sector started 2026 well. The new orders and production indexes are meaningfully above their long run-averages: BNZ" but adds: "Recent economic data have taken a backseat relative to the conflict in Middle East. "It is too early for the PMI to capture any of these impacts"

* The employment index eased to 50.4 from 52.6, while deliveries also eased, but new orders to 57.6 (from 56.6) were firmer.

Fig 1: New Zealand Manufacturing PMI Versus GDP Y/Y

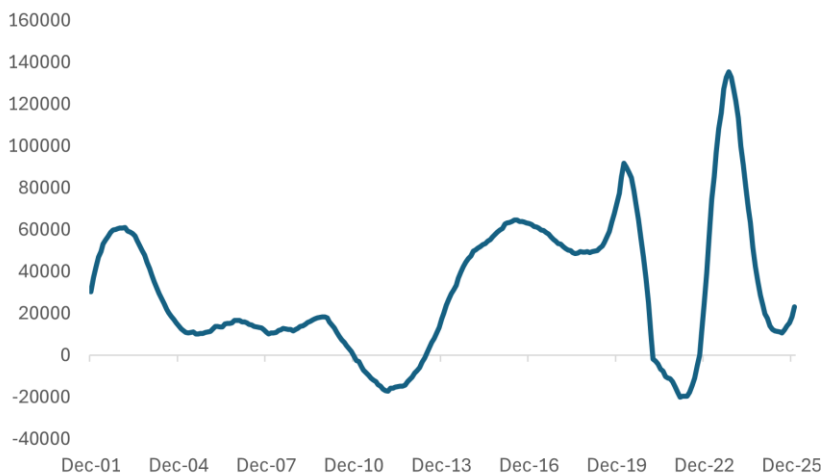


Source: BNZ/Bloomberg Finance L.P./MNI

Further Improvement In Net Migration, But Rolling Annual Sum Modest:

Jan net migration continued to improve, rising to 4460, from a revised 3600 gain in Jan. The Feb outcome was the highest since end 2023 in terms of net monthly migration. The start of 2025 was delivering close to flat net monthly migration. The rolling annual sum of net migration sits back at just over 23k. This takes us back to end 2024 levels for this metric. The chart below shows the trend improvement is coming from a low base though. Further improvement will support the broader economic recovery, all else equal.

Fig 1: New Zealand Net Migration - Rolling 12mth Sum



Source: Stats NZ/MNI

SHORT-TERM RATES \$-Bloc Pricing Firmer Again Over Past Week On ME Conflict & Oil Price:

Over the past week, interest-rate expectations across the \$-bloc through December 2026 have firmed further in response to the Middle East conflict and its impact on oil prices, with moves led by the Canada (+28bps), followed by the US (+19bps), New Zealand (+14bps) and Australia (+11bps). This followed a 9-19bp firming the week before.

* Oil prices remained highly elevated and volatile during the US trading day on Thursday as the market balanced a historic supply disruption against a massive emergency reserve release.

* Brent crude climbed above \$100/bbl (peaking near \$101) after Iran's new Supreme Leader issued his first public statement vowing to keep the Strait of Hormuz closed. This de facto closure has halted roughly 20 million barrels per day, effectively removing one-fifth of global supply from the market.

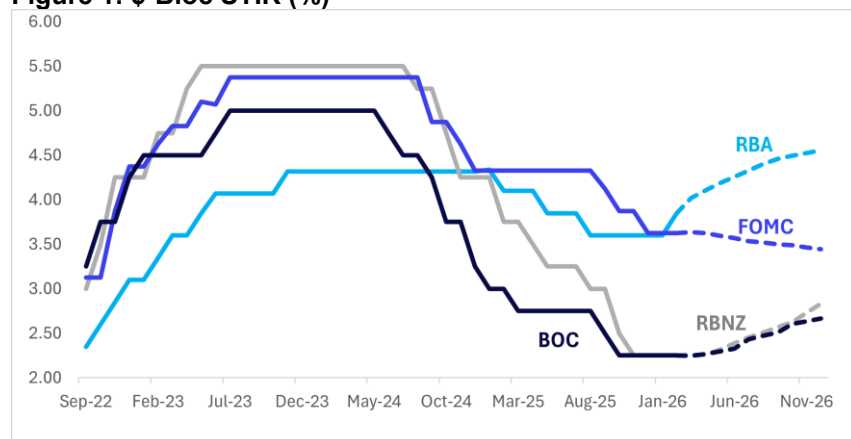
* In a direct attempt to cool prices, the International Energy Agency (IEA) announced its largest-ever coordinated release of 400 million barrels from strategic reserves. While this provided a temporary soft ceiling, prices rose anyway, signalling that the market views the reserve release as likely insufficient.

* Prices were further bolstered by reports of Iranian-led attacks on oil terminals and tankers in Iraqi waters. Iraq's production reportedly collapsed by 70% as export routes became unusable, forcing authorities to shutter major terminals overnight for safety.

* The next major regional policy events are the RBA meeting on 17 March and the FOMC and BOC meetings on the 18 March. 71% probability of a 25bp tightening by the RBA is priced, while the US and Canadian markets attach a 1% and 4% probability of a 25bp easing.

* Looking ahead to December 2026, current market-implied policy rates expected are as follows: US (FOMC): 3.44%, -18bps; Canada (BOC): 2.67%, +42bps; Australia (RBA): 4.33%, +48bps; and New Zealand (RBNZ): 2.84%, +59bps.

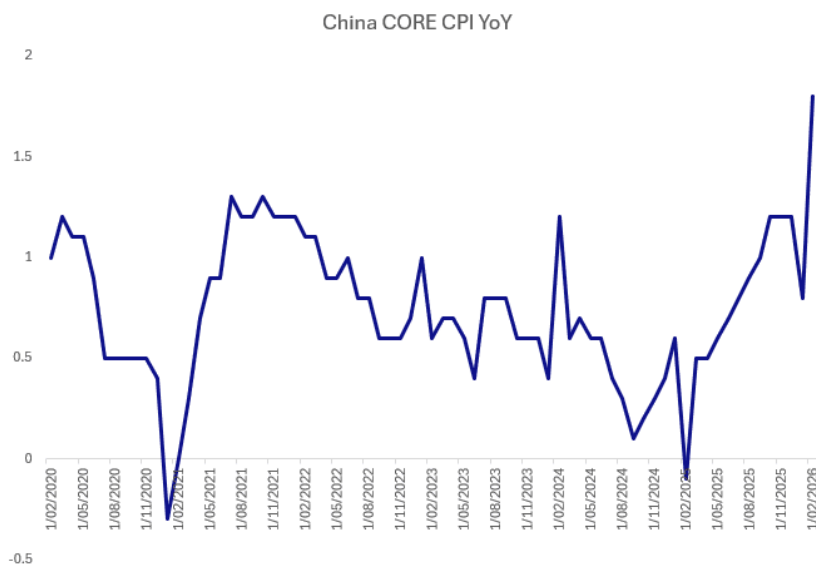
Figure 1: \$-Bloc STIR (%)



Source: Bloomberg Finance LP / MNI

CHINA

- China's February 2026 inflation data shows a significant rebound in consumer prices alongside moderating factory-gate deflation, though underlying demand remains muted.
- China's CPI rose +1.3% year-on-year, significantly exceeding the +0.9% market forecast. This follows a muted 0.2% increase in January, which was weighed down by unfavorable base effects and a later Lunar New Year. The sharp rebound is largely attributed to the LNY holiday surge in spending on travel, food, and services, though January / February releases are best considered as a combined read.
- The PPI fell -0.9% YoY, marginally better than expectations and down from January's -1.4%. This marks the 41st consecutive month of PPI contraction. The moderation is driven by firmer global commodity prices (especially non-ferrous metals and gold) and government efforts to curb "involution" or excessive price competition in key industries.
- Core CPI was up also at +1.8%, its highest since March 2019.
- The narrowing PPI decline suggests that Beijing's push to reduce industrial overcapacity and end aggressive price wars is beginning to take some effect at the factory gate.
- Whilst the official 2026 CPI target is set at around 2%, markets treat this as a ceiling rather than a forecast, with most economists projecting actual full-year inflation between 0.8% and 1.0%.
- Consensus is building for a RRR cut post the NPC, which would inject c. CNY1tn of liquidity to support government funding objectives.



source: Bloomberg Finance LP / MNI

10-Yr Back Above 1.80% on RRR Cut Delay :

- * China bond yields are set to finish the week marginally higher following what appears a softening of expectations around monetary policy changes.
- * Leading into the NPC - expectations were for an imminent RRR cut. This seemingly has been pushed out (and likely to May) following very strong February export data.
- * The 10-Yr CGB had crept below 1.80% in expectation of the RRR cut but is set to finish the week around 1.82% and re-establish itself in the 1.80- 1.90% range, drifting higher next week.
- * The 10-Yr bond future is down -.275 for the week at 108.27 sitting just above the 50-day EMA of 108.257. A break below would be the first since early January and could bring the 100-day EMA into play at 108.09.
- * The 2-Yr bond future is down only marginally on the week at 102.464 and maintains its position wedged between the 20-day EMA at 102.468 and the 50-day EMA at 102.456.

SOUTH KOREA

3-Yr Performs Within Higher Trends - UST Moves Continue to Dominate:

- * South Korea rates are higher again Friday and continue to follow the lead from US treasury yields.
- * The 10-Yr is up +2.5bps Friday and on track to finish the week almost 6bps higher in yield on oil price / US treasury yield moves.
- * The momentum for higher yields remains and likely sees the KTB 10-Yr test 3.70% in the short term, even despite BOK intervention (that occurred earlier in the week).
- * The bright spot was the 3-Yr. Unfortunate timing for the BOK saw a new 3-Yr supersize auction print at the wides of 3.46% Monday, with the 3-Yr set to close around 3.30% Friday.
- * The Finance Minister announced a strategy to curb the spike in yields by aggressively tightening the supply of government paper.

INDONESIA 10-Yr Yields Risk 7.00% Test; BI Faces 17,000 IDR :

* The current surge in oil prices has similarities to the fiscal challenge Indonesia faced during the 2022 Russia-Ukraine conflict. During that period local 10yr government yields surged beyond 7.50%, while USD/IDR spent most of the year tracking higher as well (see the chart below). 10yr yields were last around 6.725%, while USD/IDR was close to 16900, largely kept in check by continued BI intervention.

* In 2022, Indonesia's energy subsidies tripled to over Rp 500 trillion to keep fuel prices stable. Today, every \$1/bbl increase in local price of oil adds an estimated Rp 6.8 trillion (\$400 million) to the deficit. Whilst higher palm oil / coal prices provide an offset the cost of fuel compensation consistently outpaces these gains.

* Indonesia has a strict legal limit on fiscal deficits at 3% of GDP. Forecasts suggest that if oil averages \$92/bbl, the deficit could hit 3.6%. Note as well, the starting point for the fiscal position was arguably better in 2022 compared to today: -2.4% as a share of GDP for 2022, as the balance improved post the Covid shock, while 2025's deficit was -2.6%.

* To avoid a repeat of the 2022 legal suspension of this cap, the government is likely to scale back ambitious new projects, whilst trying to stave off being forced to raise subsidized fuel prices to protect the budget.

* 10-Yr yields are correlated to fiscal discipline, rising recently on fiscal fears. Yields are likely to face upward pressure toward 7.00% on widening deficits and weakening Rupiah concerns.

* This leaves the BI in a difficult spot, whilst trying to defend a weak currency and in 2022, BI was forced into aggressive rate hikes.

* The Subianto government seems to have little appetite for higher rates which will likely see the BI try to hold the BI rate steady for now to try and anchor bond yields and the currency.

* The risks are now are for either rate hikes to be forced upon the BI, or risk a steeper curve.

Fig 1: Indonesia 10yr Yield & USD/IDR



Source: Bloomberg Finance L.P./MNI

ASIA EQUITY FLOWS: Net Outflows Strong Last Week, Rolling Monthly Outflows Large:

It has been a fairly consistent theme of net selling by offshore investors over the past week, albeit with a few days of net inflows into South Korea and Indonesia. Cumulative outflows stand at -\$16bn as markets grapple with the oil price shock from the Iran conflict. As we noted earlier in the week, outside of South Korea, markets in the region aren't at previous cycle lows in terms of outflow pressures on a rolling 1 month sum basis. We are getting close though, see the updated chart for South Korea, Taiwan and India below. Taiwan net outflows for the past trading month are nearing -\$10bn, India is close to -\$5bn.

* Sentiment may remain cautious though, with little signs, on the surface at least, of de-escalation in terms of the Iran conflict.

* In South East Asia, we have seen some stability in Indonesian outflow pressures, but it is mostly outflow momentum elsewhere.

* Thailand net inflows for 2026 to date continue to be pared back, now just over +\$1bn (the peak was just under \$1.9bn).

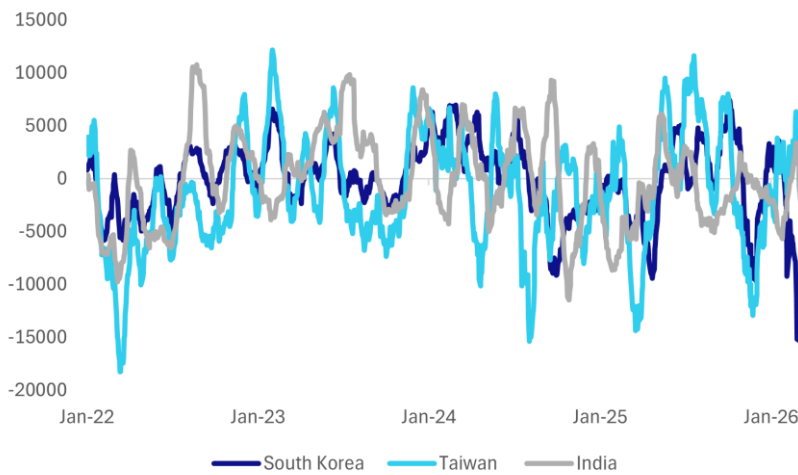
Table 1: Asian Markets Net Equity Flows

	Yesterday	Past 5 Trading Days	2026 To Date
South Korea (USDmn)	-2061	-5942	-20826
Taiwan (USDmn)	-2423	-6157	-4230
India (USDmn)*	-643	-3020	-5906
Indonesia (USDmn)	59	-102	-523
Thailand (USDmn)	-75	-687	1057
Malaysia (USDmn)	-35	-55	338
Philippines (USDmn)	-8	-50	307
Total (USDmn)	-5186	-16013	-29784

* Data Up To Mar 11

Source: Bloomberg Finance L.P./MNI

Fig 1: South Korea, Taiwan & India Net Equity Flows, Rolling 1month Sum (USD Mn)



Source: Bloomberg Finance L.P./MNI

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