

Asia Morning Bites

Friday's data calendar features PMI reports from China and the region. Indonesia also reports its latest inflation number.



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** There were no big surprises from the core PCE figures overnight, and this has left the US Treasury market relatively unperturbed. 2Y yields are down 1.9bp, and 10Y yields are down just 1.4bp at 4.25%. The USD has strengthened a bit and EURUSD is now hovering just above 1.08. The AUD is little changed, but the GBP has dropped to 1.2623 and the JPY has made some gains and is now just above 150.0. Asian FX has made some gains in the last 24 hours, led by the MYR and THB. US stocks have made small gains. The S&P 500 is up 0.52% and the NASDAQ is up 0.92%. US equity futures look negative today though. Chinese stocks had a more constructive day, and while the Hang Seng made small declines of 0.15%, the CSI 300 rose 1.91% ahead of next week's "2 sessions" policy meetings.
- **G-7 macro:** January [US core PCE inflation dropped 0.1pp to 2.4% overnight](#), following a 0.4% MoM increase in the core PCE price level. The move was in line with consensus expectations. Today, the University of Michigan publishes consumer confidence figures. These follow some disappointing Conference Board numbers earlier in the week. The two series don't always coincide, but if they do, it may signal something is genuinely happening.
- **China:** The Feb CFLP PMI will be published this morning. We expect the manufacturing PMI to be broadly stable, and are forecasting a very minor dip from 49.2 to 49.1. The Lunar New

Year effect could act as a drag on the February data as factories shut down for the break. This year's 8-day holiday is also a day longer than normal. The PMI will likely come in below the critical 50 threshold for the fifth consecutive month. On the other hand, we expect an uptick from 50.7 to 51.0 for the non-manufacturing PMI, which would translate to a small improvement amid a strong recovery of travel and tourism over the Lunar New Year period, which bodes well for service sectors. The Caixin manufacturing PMI will also be released.

- **India:** Indian GDP came in way higher than forecasters were expecting. The consensus was looking for a decline from 7.6% YoY in 3Q23 to 6.6% in 4Q23 but in the event, the 3Q23 GDP growth figure was revised up to 8.1% and the 4Q23 GDP figure showed a growth rate of 8.4%. The industry output-based measures of Gross Value Added were more in line with consensus and did indeed show a sizeable slowdown.
- **Hong Kong:** Jan retail sales data will be published in the afternoon. Markets expect a moderation of retail sales growth, as tourism spending has been modest and a strong base from Jan 2023's border reopening and Lunar New Year holiday will affect this month's YoY numbers.
- **Indonesia:** February inflation is set for release today. Market consensus points to a 2.6%YoY increase, roughly a 0.2% increase from the previous month. This would be well-within BI's recently adjusted inflation target of 1.5-3.5%. Despite inflation staying behaved, BI recently reiterated that rate cuts would likely need to be pushed back to the second half of the year.

What to look out for: Regional PMIs

- Regional PMI (1 March)
- China PMI non-manufacturing and manufacturing, Caixin PMI (1 March)
- Indonesia CPI inflation (1 March)
- US ISM and University of Michigan sentiment (1 March)

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