

Asia Morning Bites

The Monetary Authority of Singapore maintains settings with the Bank of Korea also tipped to pause. China trade is out later today



Asia Morning Bites

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Global Macro and Markets

- **Global Markets:** A mixed US PPI inflation report and expectations of strong earnings helped support a rebound in select stock indices overnight. The Nasdaq and the S&P rose 1.7% and 0.74% respectively after producer prices were slightly below consensus although the core PPI figures were still higher. With the earnings season kicking off today, investors are looking forward to some decent earnings reports from banks and tech-related companies. Data overnight from the US showed still persistent price pressures which may have nudged up the yield for the 10s by roughly 4bp, although the 2s were steady. Investors have pared down their rate cut magnitude expectations as well as pushed back the timing for a potential first rate reduction all the way back to between September and November with now only a little more than one cut priced in for the year.
- **G-7 Macro:** The ECB met last night to discuss policy and kept the setting untouched as expected. The ECB's general tone remained watchful of sticky domestic inflation while also acknowledging moderating wage growth. Our team believes that a [June rate cut](#) remains in play although any rate cut would be a "hawkish" reduction meaning it won't likely be going in full steam with accommodation but rather opt for a more modest fine-tuning with a mild loosening of its current restrictive stance. In terms of data, the University of Michigan

sentiment survey will be reported later with particular focus on the headline number as well as on their inflation expectations gauge. For Fed speak, we have two speaker, Bostic and Collins, who will be delivering separate remarks today. Elsewhere in the region we do get a fair share of data reports with two key central bank meetings (BoK and MAS) and China trade figures.

- **China:** China publishes its trade data today, where markets are looking for export growth to fall back to negative levels in March. This expected decline is in large part due to an unusually strong March 2023, though risks are balanced toward an upside surprise given the trade data that we've seen in other regions. Trade has been a pleasant surprise to start the year for China, with autos, clothing, textiles, and plastics exports doing well in the first two months of the year. Export orders also recovered to expansion for the first time in 12 months in the March manufacturing PMI data, and export demand has contributed to a stronger-than-expected start to industrial activity and is also a factor behind recent upward revisions to 1Q24 GDP forecasts. That said, we remain relatively cautious on the full year outlook as there are signs we may see more trade friction ahead, and as global trade growth is expected to be below historical averages this year.
- **South Korea:** We think the BoK meeting itself should be uneventful. We expect another hawkish pause. Inflation rose a bit more than in the previous month, while exports have been solid (the first 10 days of April exports also showed a continued gain). We expect the BoK to continue to express its confidence that inflation will converge to the bank's target range thanks to tight monetary conditions and the government's continued efforts. But, as the inflation path will be bumpy in the last mile, the BoK wouldn't commit to any policy actions in the future.

For now, we are still expecting a rate cut in July, but the increased upside risk to inflation raises the possibility that the timing could be pushed back by a couple of months. Moreover, the terms of two hawkish members of the committee expire after tomorrow's meeting. Therefore, we will need to monitor how this reshuffle will play out in the decisions of the BoK over the next couple of months.

- **Singapore:** GDP growth expanded but missed market expectations, rising 2.7% YoY compared to consensus forecast for a 3.0% YoY gain. Compared to the previous quarter, the economy managed to grow 0.1% versus the market forecast for a 0.5% increase. Meanwhile, the MAS kept all policy setting untouched with the MAS keeping an eye on core inflation.

What to look out for: US University of Michigan and China trade

- BoK meeting (12 April)
- China trade (12 April)
- India CPI inflation (12 April)
- US University of Michigan sentiment (12 April)

Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

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