

Asia Morning Bites

Japan's PPI beats expectations, though the BSI business survey disappoints. Indian inflation and Philippines' trade figures are out ahead of the US inflation report



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Global Macro and Markets

- **Global Markets:** US Treasury markets looked a bit jittery yesterday ahead of the February CPI release later today, which may well show only very slight progress towards the Fed's goals. 2Y US Treasury yields rose 6.3 basis points and 10Y yields rose 2.3bp to 4.098%. EURUSD slid back slightly to 1.0926. The AUD dropped slightly too to 0.6612. Cable also lost ground, but the JPY was steadier at 146.75. Asian FX didn't do very much on the whole yesterday, though the KRW continued to strengthen and has fallen to 1310.2. The CNH also made modest gains dropping to 7.1795. US stocks continued to lose ground on Monday. But Chinese stocks had a good day. The Hang Seng rose 1.43% and the CSI 300 rose 1.25%. The CSI 300 is now up for the year by 4.6%.
- **G-7 Macro:** After a quiet start to the week, things hot up today with the US February CPI inflation release. The Bloomberg consensus expects a 0.4% MoM increase to the headline CPI index, which would leave inflation at 3.1% YoY. A slightly smaller 0.3% MoM rise in the core index will allow core inflation to decline from 3.9% to 3.7%. The US small firm NFIB survey is also released today. Business optimism is forecast to improve slightly. Elsewhere, the UK releases its January labour report.

- **Japan:** PPI inflation for February came in slightly above expectations, rising from 0.2% YoY in January to 0.6%. The 1Q24 BSI survey was less positive. The all-industry figure fell from 4.8 to zero, while the manufacturing index fell to -6.7 from 5.7. This data is a diffusion index, so a negative figure suggests more firms seeing a negative outlook than a positive one.
- **India:** Our forecast for Indian inflation for February lies exactly on the consensus forecast of 5.05%. This is virtually unchanged from the January reading. Despite the apparent concurrence in our and the consensus forecasts, the consensus spread is very wide, veering from 4.7% to 5.5%. Some further moderation in vegetable prices is the only notable change in our forecast from last month, and there are no strong base effects to whip the headline inflation rate around. Today's figures would mark six months of inflation within the RBI's inflation target range.
- **Philippines:** Trade data will be reported today. We expect exports to manage a modest gain for January, possibly supported by the electronics subsector while imports are likely to pull back on lower energy imports. The overall trade balance should remain in deep deficit of roughly \$4.5bn, suggesting that the current account also stays in deficit. This supports the expectation that any possible rally by the PHP could be capped.

What to look out for: US and India CPI plus Philippine trade

- Philippines trade balance (12 March)
- India CPI inflation (12 March)
- US CPI inflation (12 March)
- South Korea unemployment (13 March)
- India trade balance (13 March)
- US MBA mortgage expectations (13 March)
- US retail sales (14 March)
- China MLF (15 March)
- Indonesia trade (15 March)
- Philippines remittances (15 March)
- US industrial production and University of Michigan sentiment (15 March)

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