

## Asia Morning Bites 13 March 2024

JPY weakens as Bank of Japan Governor Ueda raises concerns about Japanese consumption weakness



### Asia Morning Bites

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#### Global macro and markets

- **Global markets:** Global Markets: Tuesday's upside miss on the US CPI release pushed up US Treasury yields. But the increase was not as big as it might arguably have been and suggests that the market is not giving up on its expectation for multiple rate cuts this year. Both 2Y and 10Y UST yields rose by about five basis points. The 10Y yield is now 4.151%. The USD briefly received support from the higher yields, but it didn't last. EURUSD is 1.0928 – about the same as it was at this time yesterday, and despite comments from ECB Governing Council member, Villeroy de Galhau, who said that there was broad agreement at the ECB to begin lowering rates in the spring. Other G-10 currencies are mostly weaker against the USD, but only very slightly, although the JPY has shown a bit more weakness, rising to 147.61 as Governor Ueda noted that Japanese consumption remained weak, effectively crushing expectations for a March rate hike. Asian FX had a quiet day yesterday, though will likely show some weakness in early trading today. The THB was the only notable mover, losing 0.51%.
- **G-7 macro:** The US February CPI release was a disappointment on many levels. Expectations were already for a fairly high 0.4% MoM increase to the headline measure, which was on target, but rounding helped the year-on-year inflation rate to edge higher to 3.2% from

3.1%, against a forecast for no change. Moreover, the core rate, which was forecast to rise 0.3% MoM, rose 0.4%, and though core inflation declined, it only fell 0.1pp to 3.8% - still a long way above the Fed's 2% target (though admittedly the core PCE inflation rate is lower). Unexpectedly, the NFIB small firm business survey came in weaker than expected. And the index for planned price rises fell slightly, so things may not all be bad on the inflation front. Elsewhere, the UK labour report showed a drop in employment, a rise in the unemployment rate, and a fall in wage growth. And while this isn't great news, it does at least put the Bank of England on watch for some monetary easing later this year. The UK also dominates today's G-7 calendar, releasing production and trade figures. These are not forecast to provide much to cheer about.

- **South Korea:** The Unemployment rate for February has dropped more than expected. The unemployment rate now stands at 2.6%, down from 3.0% in January (3.0% consensus expectation). The biggest gains were in the business / personal services sector. Manufacturing also saw some small gains, while construction was weaker. There was also a large increase in the labour force, which will have been the main reason for the decline in the unemployment rate.
- **India:** Indian CPI inflation for February was virtually unchanged from the 5.1% reading in January, dropping a fraction to 5.09% YoY. This result was very close to the consensus and has no implications for monetary policy.

## What to look out for: A quiet day beckons

- 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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