

Asia Morning Bites

Ongoing conflict and upcoming Fed meeting provide backdrop for cautious trading on Monday.



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Macro Outlook

- **Global:** Last Friday saw US stocks close lower again though equity futures this morning are looking positive so it looks as if we might be in for another whipsaw day despite the international backdrop remaining grim. Among news items that may weigh on sentiment are claims by the US that Russia has asked China for military aid, an Iranian missile attack on Iraq linked to the breakdown of nuclear talks, and the lockdowns in Shenzhen as China struggles to maintain its grip on its zero-Covid policy. With the US Fed kicking off its rate tightening cycle later this week, thoughts about an aggressive removal of global accommodation may also weigh on risk assets. The EURUSD drifted a little lower on Friday, starting at just under 1.10 and trading around 1.0930 now. US Treasury yields saw further rises at the front end of the curve with the 2Y yield rising more than 5bp to 1.74%, but 10Y yields were little changed at just under 2.0%. It is not clear how much longer this sort of flattening can continue though, with there seeming to be more upside on inflation expectations than downside on real yields. Asian FX was broadly weaker against the USD on Friday and that looks likely to be the theme at the start of the week as well.

Friday's data releases saw the University of Michigan Consumer sentiment index losing

ground, though the medium-term inflation expectations survey remained constant at 3.0%. It is a quiet day for Macro releases in the G-7.

- **China:** Covid cases are on the rise in China. More than 3300 new cases were reported on 12th March, including asymptomatic cases. Shenzhen is one of the most infected cities and is again under lockdown. As Shenzhen is a tech hub, working from home should not affect productivity much. But if there is a case found in the Yantian port, then there could be a port suspension for at least two weeks. That will then affect exports and imports of electronic parts and goods, and therefore the GDP growth rate. The lockdown itself will also hurt consumption, which is already weak because of cuts in bonuses at big tech companies. The 1Y Medium Term Facility lending rate will be announced in the next few days. We expect a cut of 10bp. With the rising Covid cases, the PBoC might cut targeted RRR for SMEs pre-emptively.

What to look out for: Fed policy meeting and geopolitical developments

- China retail sales and industrial production (15 March)
- Indonesia trade balance (15 March)
- India trade balance (15 March)
- US PPI inflation (15 March)
- Japan trade balance and industrial production (16 March)
- US Retail sales (16 March)
- Fed policy meeting (17 March)
- Australia labor market (17 March)
- Singapore NODX (17 March)
- Taiwan central bank policy meeting (17 March)
- Bank Indonesia policy meeting (17 March)
- US initial jobless claims, industrial production (17 March)
- Japan CPI inflation (18 March)
- Malaysia trade balance (18 March)

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