

Asia Morning Bites

China's medium-term lending facility rate and Indonesia's trade figures out today



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Global Macro and Markets

- **Global Markets:** Given a very mixed set of US data yesterday, the fact that US Treasury yields chose to move significantly higher, rather than fall or just muddle along sideways gives a sense of where the market's thinking currently is. A June cut is now just 65% priced in. A month ago, it was more than fully priced in. Our house view remains that the Fed is still inclined to cut at the June meeting – [read here for more details from our economists and strategists](#). 2Y US Treasury yields rose 5.9 basis points yesterday, but the 10Y yield rose 10bp to 4.29%. That has helped pull EURUSD back down to 1.0885 after its recent rise, and the AUD is back down to 0.6579. Cable is down to 1.2748 and the JPY has weakened to 148.31. Asian FX is also weaker against the USD. The SGD has tracked the G-10 moves the closest, rising to 1.3364 with the KRW following close behind with a 0.26% decline yesterday. Further weakness beckons in early trading today. US equities had another day of small losses. The S&P 500 and NASDAQ both fell about 0.3% on the day and would have been worse but for a late-session rally. US equity futures suggest that the rally won't continue at today's open. Chinese stocks were also down yesterday.
- **G-7 Macro:** The US had two top-tier data releases yesterday, and one supported a dovish view of the Fed, and the other supported a more hawkish interpretation. The doves will have

found some comfort in the February retail sales figures. These not only did not show the complete offsetting rise to last month's declines as predicted but last month's figures were revised further down, making it a doubly soft release. However, February producer price data was higher than expected, and there were also upward revisions to January's numbers, making it a doubly strong release. Final demand PPI inflation rose from an upward-revised 1.0% in January to 1.6% YoY in February. Core PPI inflation stayed put at 2.0%, but the "core-core" (also excluding trade) rose from 2.7% to 2.8% YoY. Jobless claims also fell yesterday. Today may bring a reprieve, as we only have some import and export price data which usually don't move markets, along with the Empire manufacturing survey.

- **China:** The PBOC will set its MLF rate this morning. We think the odds are balanced toward the 1-year rate being held at 2.5% after official language on monetary policy and the RMB was left unaltered during the Two Sessions. We continue to expect one 10bp cut to come sometime in the next few months as part of a coordinated supportive policy push, with further easing after that likely to be contingent on global central banks easing policy. PBOC governor Pan Gongsheng also hinted at more room for RRR cuts ahead.
- China's February credit data is also scheduled to be released today. Aggregate financing and new RMB loans are expected to fall both in sequential and YoY terms but a lot of this will be due to seasonality and unusually strong credit growth in February 2023; as with most Chinese data, it will be more helpful to look at the first two months as a whole, where we expect to see a modest YoY growth level. Nonetheless, we are expecting to see credit growth remain high as banks have been encouraged to lend to whitelisted property projects and as the impact from the February RRR cut could start to be observed this month. The 70-city housing prices data will also be published today, and we expect this to show the slump in property prices continuing. Primary and secondary market average prices have declined for 8 consecutive months respectively.
- **Indonesia:** Indonesia reports February trade figures today. Exports are likely to remain in contraction with the forecast pointing to a 6.7% YoY drop. Imports on the other hand should rise roughly 10% YoY, taking the trade balance to a surplus of roughly \$2.3bn, up from \$2bn in the previous month. A slightly wider trade surplus should help support the IDR in the near term.
- **Philippines:** January remittance data will be out today. Remittances sent by overseas Filipinos should rise roughly 3%YoY, slightly slower than the previous month. The January inflow should be on track with our full-year growth forecast of roughly 3.2% YoY which should help partially offset the wider trade deficit.

What to look out for: China MLF and Indonesia trade

- China MLF (15 March)
- Indonesia trade (15 March)
- Philippines remittances (15 March)
- US industrial production and University of Michigan sentiment (15 March)

Author

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

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