

Asia Morning Bites

Japan's trade report shows an improvement in exports to China, but Singapore's NODX for March fell sharply



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Global Macro and Markets

- **Global Markets:** With little macro data to drive them, US Treasury yields still pushed higher yesterday, helped along by some more hawkish comments from Fed Chair, Jay Powell. Powell indicated that Fed rate cuts may have to be delayed if further progress on US inflation wasn't forthcoming. The 2Y yield is now virtually at 5% (4.987%) as the implied rate cutting by the Fed this year drops to a paltry 41bp. The 10Y yield also rose 6.6 basis points to 4.667%, and our rates strategists see a path from here to 5%. If so, you'd have to think that would make the USD even stronger. However, EURUSD didn't take a strong directional steer from yields yesterday, and at 1.0624, the rate isn't much different to this time yesterday. The AUD is looking softer though, down at just 0.6412, and Cable is fractionally lower too at 1.2432. The JPY has crept steadily higher to 154.66. In the rest of Asia, the IDR weakened more than 2% as it caught up after markets had been closed for holidays. The KRW weakened 0.74% and there were further losses by the VND, The CNY is unchanged at 7.2378 but the INR has jumped to 83.5375, a new high. US stocks were down slightly on Tuesday. The NASDAQ fell just 0.12% and the S&P 500 fell 0.21%. Chinese stocks were much weaker though. The Hang Seng fell more than 2% and the CSI 300 fell 1.07%, despite yesterday's apparently stronger GDP data.

- **G-7 Macro:** The UK reported higher-than-expected wage growth yesterday, although the unemployment rate rose and employment fell. Putting this all together, our UK economist, James Smith, thinks that the [Bank of England will wait until August before cutting rates](#). Germany's latest ZEW survey was slightly better. Expectations rose but there was only a very slight improvement in the current situation index. The only US data of note was housing starts and industrial production data for March. The housing figures were unexpectedly weaker than forecast by the market consensus. But the industrial production figures were in line with expectations, rising 0.4% MoM. Today the G-7 news flow centres on the UK, where we have inflation data for March. The year-on-year inflation rate is forecast to decline from 3.4% YoY to 3.1%. The US Fed publishes its Beige Book in the early hours of the Asia morning tomorrow.
- **Japan:** March Trade data was a bit stronger than the market had expected. Exports rose 7.3% YoY in March (vs 7.8% in February, 7.0% market consensus). Most notable from the March outcome was a big jump in exports to China (12% YoY). We believe that strong IT exports are behind the jump. We will monitor whether the recovery of exports to China spreads out to other Asian countries. Exports to other regions were also strong (the US 8.5%, Europe 3.0%). We think exports will be the main engine for growth in the coming months.
- **Singapore:** NODX for March was considerably weaker than the 7.4% YoY decline expected, falling by 20.7% YoY. Electronic exports fell 9.4% YoY. but most of the damage was done by a 70.4% YoY decline in pharmaceutical exports. Pharmaceutical exports are particularly choppy, and the underperformance of the electronics sector relative to other Asian tech exporters is of more concern.

What to look out for: Singapore NODX and Fed Beige book

- Singapore NODX (17 April)
- US Fed Beige book and MBA mortgage applications (17 April)
- Fed's Powell, Williams and Barkin speak (17 April)
- Australia jobs report (18 April)
- Japan machine tool orders (18 April)
- US initial jobless claims and existing home sales (18 April)
- Fed's Mester, Bowman and Williams speak (18 April)
- Japan CPI inflation (19 April)
- Fed's Bostic speaks (19 April)

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