

## Asia Morning Bites

Today we get Australia's unemployment numbers in the morning and the BSP policy meeting later this afternoon. Elsewhere, comments from Biden kindle market hope for a US debt deal



## Asia Morning Bites

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### Global Macro and Markets

- **Global markets:** US stocks seem to have found some reassurance in comments from President Joe Biden that a debt default will be avoided and rallied yesterday. The S&P500 rose 1.19% while the NASDAQ went up 1.28%. It wasn't such a happy picture in China, where the CSI 300 fell 0.45%, and the Hang Seng dropped 2.09%. Any optimism in a US debt deal wasn't apparent in US Treasuries, where yields rose again. The Yield on 2Y US Treasuries rose 7.2bp to 4.15%, while that on the 10Y Treasury rose a more modest 3bp to 3.564%. The dollar continued to strengthen on the back of rising yields. EURUSD declined to 1.0838. The AUD was steadier at 0.6656, as was sterling at 1.2486, though it did take a look at the downside before recovering. The JPY softened further to 137.56. Other Asian FX was pretty soft yesterday, with SE Asian currencies taking most of the brunt of the selling. USDCNY has now risen to 6.9965, and briefly rose above 7.0 yesterday.
- **G-7 macro:** Yesterday's G-7 macro calendar was fairly quiet, with home starts and permits the main release, and not deviating massively from consensus views. Today, there is more housing data from the US in the form of existing home sales as well as initial jobless claims.

Otherwise, it's also going to be fairly uneventful.

- **Australia:** Labour market data today could make the difference between a hike at the Reserve Bank of Australia's (RBA) next meeting, or them waiting until the following month. As well as overall employment changes, and the split between part-time and full-time work, the unemployment rate, currently close to its all-time low, will be a factor, given its supposed role in driving wage growth. This follows yesterday's [higher than expected Wage price index inflation numbers, which are now growing at a 3.7% annual rate](#).
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) meets to discuss policy today. The BSP is widely expected to keep rates on hold at 6.25% after inflation showed signs of easing and growth momentum fades. BSP Governor Medalla previously telegraphed a pause to allow the lagged impact of previous policy tightening to take effect. Meanwhile, Medalla also hinted that following today's pause, the BSP could consider reducing the reserve requirement ratio at their June meeting. With BSP expected to pause, the PHP has underperformed regional peers and could face additional depreciation pressure in the near term.
- **Japan:** Exports rose 2.6% YoY in April (vs 4.3% in March, 3.0% market consensus). Strong exports to developed markets continued probably due to strong demand for autos. By destination, exports to the US and Europe rose 10.5% and 11.7% respectively, while exports to Asia and China dropped -6.3% and -2.9%.

Although exports have slowed from the previous month, this result was still relatively good compared to other NE Asian countries such as China, Taiwan, and South Korea, where exports have been on the decline for several months. In the case of Japan, the share of semiconductor exports (about 6%) is lower than that of the other countries mentioned. Instead, automobiles (11% share), which have been booming recently, are much higher.

Imports declined for the first time in two years, by -2.3% YoY in April (vs 7.3% in March, -0.6% market consensus) on the back of falling commodity prices. The trade balance recorded a deficit of 432.4 billion JPY in April (vs -600bn JPY market consensus), and narrowed from the previous quarter (755 bn JPY).

The April trade results further support our view that the Japanese economy will stay on a recovery path. Economic growth is predominantly driven by domestic demand, but a gradual improvement in trade conditions will also contribute positively to the current and next quarter's growth.

## What to expect: Australia unemployment data and BSP policy meeting

- Japan trade balance (18 May)
- Australia unemployment (18 May)
- Philippines BSP policy rate (18 May)

- US initial jobless claims and existing home sales (18 May)
- Japan CPI inflation (19 May)
- Malaysia trade (19 May)

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