

Asia Morning Bites

Strong exports buoyed Japan's trade in May. Indonesia will also release their latest trade figures today



Asia Morning Bites

Source: shutterstock

Global Macro and Markets

- **Global Markets:** US Treasury yields reversed course on Tuesday and began heading lower again. Both 2 and 10Y yields dropped by about 5-6 basis points, undoing the previous day's gains. The 10Y yield is now 4.223%. Perhaps this reflects a bit of front-running of the forthcoming PCE numbers, which will come in soft after the recent weak CPI print. A swathe of Fed speakers yesterday urged caution regarding rate cut expectations, but markets seem to be hardening their preference for two cuts this year. Weaker yields have helped G-10 currencies to firm against the USD. EURUSD is up to 1.0740 now. The AUD has risen to 0.6659. Cable is slightly stronger, but the JPY is about unchanged over the last 24 hours. There wasn't a great deal of movement in other Asian FX yesterday, just some small gains across the board against the USD, and there will probably be a bit more of the same today. US equities are finding it harder to move higher at these elevated altitudes. The S&P 500 went sideways yesterday, as did the NASDAQ. Chinese stocks were mixed. The Hang Seng fell slightly, but the CSI 300 rose 0.27%.
- **G-7 Macro:** Besides the cacophony of Fed speakers, all singing from the same "caution on rates" hymn sheet, we also got macro input in the form of the May US retail sales release. This was quite a lot softer than had been forecast. Headline sales rose just 0.1% MoM. The

control group rose 0.4%, which wasn't too bad, but even this was a little lower than the 0.5% gain expected. All of this helps support the case that the US consumer has finally started to pare back their spending. [Here's James Knightly with a more detailed look at these figures and what they mean for the Fed.](#)

On the flip side, US industrial production for May rose 0.9% MoM, much higher than the 0.3% gain expected. It's never clear-cut with macro data, but the overall balance does seem to be pointing to weaker growth ahead.

There's not much out of the US today, except for some mortgage application data. The UK has May inflation numbers, which will help feed the debate on the timing for any Bank of England rate cuts this summer.

- **Japan:** May trade data was broadly in line with the market consensus. Exports rose 13.5% YoY in May (vs 8.3% in April, 12.7% market consensus). The gain was mainly driven by semiconductor equipment (45.9%), semiconductors (32.2%), and transportation equipment. Vehicle exports continue to rise 13.6% and vessels (161.8%) also jumped. By country, exports to the US (23.9%) and China (17.8%) rose strongly while exports to the EU (-10.1%) fell. Meanwhile, imports rose modestly 9.5% YoY in May (vs 8.3% in April, 9.5% market consensus). The trade deficit widened to -1,280 billion JPY (vs -465 in April, -1,280 market consensus).

The minutes of the April BOJ meeting were released. Our summary of the remarks is that board members would like to maintain accommodative monetary conditions, but there were more views in favour of a faster pace of normalization and some concern about the effect of the weak JPY on inflation. We continue to believe that inflation is likely to accelerate over the new few months which will help push the BoJ to deliver another rate hike at the July meeting.

- **Indonesia:** May trade figures will be released today. Both exports and imports are forecast to contract with outbound shipments down a modest 0.1% year-over-year and inbound shipments expected to fall roughly 10%YoY. The overall trade surplus meanwhile will likely narrow to almost \$3bn, down from last month's \$3.6bn. A narrower trade and current account surplus suggests less support for the IDR and helps explain the currency's recent struggles.

What to look out for: Indonesia's trade data

- Indonesia trade balance (19 June)
- US MBA mortgage applications (19 June)
- China 5-year loan prime rate (20 June)
- Bank Indonesia decision (20 June)

- BoE decision (20 June)
- US initial jobless claims, building permits and housing starts (20 June)
- Japan CPI inflation (21 June)
- South Korea advance trade data (21 June)
- India PMI services (21 June)
- US existing home sales (21 June)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.