

Asia Morning Bites

China's loan prime rates and Taiwan's export order data will be released today



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Global Macro and Markets

- **Global Markets:** US Treasury yields crept higher again on Friday. The 2Y yield rose 2.9 basis points while the 10Y rose 4.5bp to 4.42%. The probability of a September cut has dropped back to only 83% and a further cut is not fully priced in until the following January. EURUSD is still hovering around 1.0870, though it did try to push lower on Friday, dropping below 1.0840 for a time before moving back to the current level. The AUD pushed above 67 cents on Friday and is clinging on this morning. Cable made decent gains on Friday, rising intraday to 1.2712, and is just below 1.2710 currently. The JPY was fairly steady at 155.81. Among the Asian currencies, India's rupee stands out. The INR dropped from 83.5 down to 83.3, the level it had been "pegged" to the USD before recent volatility increased. At the other end of the pack, The KRW was again weak, losing three-quarters of a per cent to the USD and rising to 1355. USDCNY is 7.2243. US stocks had no direction on Friday. Equity futures are looking slightly positive for today's open. Chinese stocks had a positive end to the week. The Hang Seng rose 0.91% and the CSI 300 rose 1.03%. Year-to-date, the Hang Seng is now up more than the S&P 500 or NASDAQ. Any escalation of tension in the Taiwan Strait surrounding today's Presidential Inauguration could see markets shifting to a risk-off posture.

- **G-7 Macro:** There was no macro data of any interest on Friday, and there is none due today either. There are plenty of Fed speakers though. Jerome Powell tested positive for Covid late Thursday, so probably won't be doing much this week. But we do have Bostic, Barr, Waller and Jefferson all on the speaker calendar for today. More "higher for longer" commentary seems likely
- **China:** After a busy Friday featuring mixed but mostly weaker-than-expected data and various policies to support the property market (including cutting the downpayment requirement and removing a mortgage rate floor), the PBOC will publish the 1 and 5-year loan prime rates (LPR) this morning. After no change to the medium-term lending facility, the expectation is that the LPR will be held steady this month. Given the strength of the recent supportive policy rollout, the odds of further monetary policy easing in the coming months to support these efforts have risen. We expect one or two cuts to the LPR this year along with a further RRR cut.
- **Taiwan:** Export orders will be published later this afternoon. We expect a sequential decline but a small rebound of year-on-year growth for export orders. In the first quarter of 2024, export order growth overall has contracted -2.1% YoY, with uneven sector performance; electronic products and optical & photographic products categories displayed some strength, but most other categories remained in negative growth.

What to look out for: China's loan prime rates

- China loan prime rates (20 May)
- Thailand GDP (20 May)
- Taiwan export orders (20 May)
- South Korea consumer confidence (21 May)
- Australia Westpac consumer confidence (21 May)
- South Korea PPI (22 May)
- Japan trade balance and core machine orders (22 May)
- Indonesia BI policy (22 May)
- US existing home sales (22 May)
- US FOMC minutes (23 May)
- BoK policy meeting (23 May)

- Japan Judo PMI (23 May)
- Singapore CPI inflation and GDP revision (23 May)
- US initial jobless claims and new homes sales (23 May)
- Japan CPI inflation (24 May)
- Singapore industrial production (24 May)
- US durable goods and University of Michigan sentiment (24 May)

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