

Asia Morning Bites

Very strong Australian employment suggests the Reserve Bank was right to leave its rate options open. Japan reported stronger-than-expected exports. Taiwan's CBC holds a policy meeting



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Global Macro and Markets

- **Global Markets:** The FOMC decision delivered just enough dovishness for the Treasury market to rally. 2Y US Treasury yields are down 8.1 basis points overnight, while their 10Y counterparts are down just 2bp to 4.273%. US equities also liked the delivery by Fed Chair Powell, and the S&P500 rose 0.89% and the NASDAQ rose 1.25%. Chinese stocks also made small gains yesterday. The decline in yields has given the EUR a boost against the USD, and EURUSD is up to 1.0935 this morning. The AUD has followed the EUR higher and is now just below 66 cents. Cable has risen to just below 1.28, and the JPY has trimmed its losses and has moved back down to 150.85. Asian FX didn't do much yesterday and will likely play catch up to the G-10 today.
- **G-7 Macro:** [James Knightley and Co. cover last night's FOMC meeting here.](#) But the highlights are the following:
 - No change to the Fed funds range of 5.25-5.5%
 - Growth forecasts revised higher
 - Unemployment rate forecast revised lower
 - Core inflation revised higher for end-2024

- Longer-term forecast for policy rates revised higher
- Rate cuts expected “at some point this year”
- QT to end “fairly soon”
- The dot plot shows three cuts this year, unchanged from December.

- Later today, the US existing home sales report for February will be published, along with US and European PMI data. The Bank of England also meets. No change in Bank Rate is likely.

- **Australia:** The February labour report was way stronger than had been expected. Total employment rose by 116.5 thousand (40K expected), and there were also upward revisions to the previous months' data. Of the total, 78.2 thousand were full-time jobs, with the remainder part-time. So not only is the total impressive, but its make-up is too. We also saw a big drop in the unemployment rate from 4.1% to 3.7%. At its recent policy meeting, the Reserve Bank of Australia (RBA) removed its tightening bias, but left all options for rates open. They will be glad they did not go further and move to an easing bias.

- **Korea:** Early March exports (1-20 days) grew 11.2% YoY. By destination, exports to the US (18.2%), the EU (4.9%), Vietnam (16.6%), and China (7.5%) rose. By item, it was a bit more mixed, as we saw strong gains in chip exports (46.5%) and ship exports (370.8%), but declines in automobiles (-7.7%) and petroleum (-1.1%). We expect exports to remain positive on the back of a strong IT performance but we note that auto exports declined for a second month, warning that the strong momentum in car exports may be fading.

- **Japan:** Exports rose by 7.8% YoY in February (vs 11.9% in January, 5.1% market consensus). The details show that the export improvement was broadly based in terms of destination and product. By destination, exports to the US (18.4%), the EU (14.6%) and China (2.5%) all rose. By item, motor vehicles (19.8%), electrical machinery (7.7%), semiconductor machinery (6.9%), and parts of computer (22.8%) rose notably. Looking at the volume data, exports declined -1.5% in volume terms, so the weak JPY boosted overall trade performance. Japan's flash PMI was also supportive. The manufacturing PMI stayed below 50 but rebounded to 48.2 from the previous month's 47.2. The service-sector PMI made a significant gain to 54.9 from 52.9. We believe that ongoing solid export growth will be the main growth engine this quarter and weak domestic demand will recover gradually, supporting our view that 1Q24 GDP will expand.

- The trade data from Japan and Korea were encouraging. They confirm that global demand for IT/Chips remains strong, but give a more mixed signal on automobile exports. We still think IT exports will lead the overall export performance for the region but also flag a slowdown in auto exports as an early sign of a slowdown in final demand.

- **Taiwan:** Taiwan's central bank will set its benchmark discount rate today. We expect the CBC to keep the rate unchanged at 1.875%. While domestic conditions are suitable for a rate cut, we see low odds of Taiwan easing rates before global rate cuts are underway. Recent developments have caused some weakness in the TWD, and the central bank is unlikely to add to this pressure with a surprise rate cut. Taiwan also publishes its January money supply data today.

- **Hong Kong:** CPI data will be released in the afternoon. Inflation is expected to tick up slightly

from 1.7% YoY to 2.2% YoY.

What to look out for: Australia unemployment, BoE and CBC meetings

- Japan traded balance and Jibun PMI (21 March)
- Taiwan CBC policy (21 March)
- Australia unemployment (21 March)
- BoE policy (21 March)
- US initial jobless claims and existing home sales (21 March)
- South Korea PPI (22 March)
- Japan CPI inflation (22 March)

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