

Asia Morning Bites

US debt talks resume amidst light macro calendar



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Global Macro and Markets

- **Global markets:** Debt ceiling jitters continued to weigh on US stocks on Friday, though the losses were small. The S&P 500 fell just 0.14%, while the NASDAQ dropped 0.24%. Chinese stocks were also downbeat. The CSI 300 fell 0.29% while the Hang Seng was down 1.4%. That leaves the CSI 300 just 1.88% up from the start of the year. US Treasury yields slowed their ascent but kept moving higher on Friday. 2Y US Treasury yields rose just 1.4bp to 4.266%, while the yield on the 10Y bond rose a mere 2.7bp to 3.673%. The EUR clawed its way higher on Friday, pushing up to 1.0823. The AUD also made some small gains taking it up to 0.6653. GBP and JPY also both made gains against the USD. Most Asian FX made gains against the USD on Friday, with the KRW leading the non-G-10 pack. The CNY dropped back to 7.012 after starting much weaker following PBoC guidance about "one-way bets". The IDR lagged the group, falling 0.4% as expectations for Bank Indonesia to hold policy rates unchanged at 5.75% this week firmed up.
- **G-7 macro:** The debt ceiling talks seemed to go backwards over the weekend as President Biden flew to Japan for G-7 talks. Talks are back on again today, and Janet Yellen is now citing mid-June as the date at which the Treasury is effectively out of money. That is a little later than the 1 June date she had been giving, which may have been set deliberately tight to encourage a deal, though now maybe the goal is to minimize market anxiety. What is apparent, however, is that simply reaching a deal is just step one, and any compromise will

still need to run the gauntlet of votes in the House and Senate, which will also take time. As usual, this looks likely to go down to the wire. Aside from any debt ceiling developments, it is a very thin day for data today. One point of interest for the Asian region from Biden's G-7 trip, he noted that US-China relations would improve "very shortly"...we await details.

- **China:** We do not expect any changes to the loan prime rates today following last week's no-change decision by the PBoC on the Medium-term lending Facility.
- **South Korea:** Export data from early May show sluggish exports likely continued for the whole month. First-20 business days exports fell -16.1% YoY. As expected, chip exports (-35.5%) and exports to China (-23.4%) remained weak. But there is also a worrying sign that sluggish exports are now expanding to developed markets, as exports to the US were down -2.0%.
- **Japan:** March core machinery orders unexpectedly dropped -3.9% MoM sa in March (vs -4.5% in February, 0.4% market consensus) for the second monthly decline in a row. However, the sequential three-month data still remain positive, so we think that trend momentum in investment remains positive.

What to expect: China loan prime rate

- China loan prime rate (22 May)
- Taiwan export orders (22 May)
- Japan Jibun PMI manufacturing, services and composite (23 May)
- Singapore CPI inflation (23 May)
- Taiwan industrial production (23 May)
- US new home sales (23 May)
- South Korea business survey (24 May)
- New Zealand RBNZ policy (24 May)
- Australia Westpac leading index (24 May)
- Japan machine tool orders (24 May)
- US MBA mortgage applications (24 May)
- US FOMC minutes (25 May)
- Singapore 1Q GDP final (25 May)
- Bank Indonesia policy meeting (25 May)
- Bank of Korea policy meeting (25 May)
- US initial jobless claims, core PCE personal consumption, pending home sales (25 May)
- Japan Tokyo CPI inflation (26 May)
- Australia retail sales (26 May)
- Malaysia CPI inflation (26 May)
- Singapore industrial production (26 May)
- Taiwan GDP (26 May)
- US personal spending, durable goods orders and Univ of Michigan sentiment (26 May)

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