

Asia Morning Bites

Cautiously positive start to the week as investors search for the market bottom



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Macro outlook

- **Global:** US stocks managed to end roughly flat at the end of last week, as investors try to fathom where the bottom in this market lies. Talk about valuations for the NASDAQ returning to their average of 20 times forward earnings seems to ignore the fact that averages are created by periods below and above current levels. So although this is a milestone on the way to the bottom, it does not guarantee that we are there yet. Also, calling a bottom in markets would be a lot more convincing if recession risks were already priced in, and they are not. Major currency benchmark rates, such as EURUSD, were broadly unchanged at the end of last week. The AUD tried to break out on both sides of a range between 0.70 and 0.7070, but failed twice on each side. Asian FX was strong across the board last Friday and will probably have a positive start if equity futures are any guide to risk sentiment. US Treasury yields continued to edge lower.

This week's macro data won't answer too many big questions, with a notable absence of key US data. Personal income and expenditure as well as core PCE inflation data are largely re-runs of other figures already released. Throw in durable goods orders and the message is likely to remain one of continued economic strength, with inflation peaking, but not

declining materially.

- **Australia:** The results of the General Election show the Australian Labor Party with 75 seats and 6 seats still to call according to the [Australian Electoral Commission](#) as of writing. One more seat would give the Labor party a majority. Labor's manifesto leads with improvements to medicare, investing in vocational training and cheaper childcare. Although it is possible that Labor will represent a slightly more fiscally supportive government than their predecessors, we don't see many implications for financial markets from this election result.
- **Taiwan:** Last Friday's export orders release for April showed a contraction of 5.5%YoY, down from 16.8%YoY in March. The reason behind the fall was a slump in orders for consumer-use integrated circuits, partly reflecting a lack of demand from Mainland China as lockdowns remain a large source of economic uncertainty. Taiwan will release industrial production today, which we believe will show almost no growth on a yearly basis in April from 2.15%YoY in March due to electricity stoppages and also labour shortages stemming from the spread of Covid in Taiwan.
- **China:** Shanghai's lockdown is gradually unwinding, which is good news. Meanwhile, Beijing has locked down more areas. Although the practice of lockdowns in Beijing is more flexible than in Shanghai, it will still hurt the city's GDP, which is the second largest in China after Shanghai. We are not very optimistic about 2Q22 growth.
- **Singapore:** Headline and core inflation will be reported today. Price pressures have been building over the past few months and we expect April's core inflation rate to rise to 3.5%, slightly faster than the consensus expectation of 3.4%. Core inflation, the price gauge that the MAS monitors more closely, will likely stay elevated in the near term. Should inflation heat up further and persist into the second half of the year, the MAS could resort to additional tightening.
- **South Korea:** 20-day trade data for May confirmed that Korea's exports remained solid despite global supply chain disruptions. Exports rose by 24.1% YoY (vs 16.9% in April) partially boosted by favourable calendar effects (two extra days compared to the previous year). Excluding the calendar effect, daily average exports rose firmly by 7.6%. Today's data suggest that global demand remains relatively healthy as exports to the US (27.6%), EU (25%), and Vietnam (26.9%) all grew firmly. The impact of China's lockdowns also appears to have peaked as exports to China increased 6.8% (vs 1.7% in April) while exports to HK recorded a -31.7% decline (vs -32.2% in April). Production bottlenecks in the auto industry also look as if they are improving as auto and auto parts exports rebounded firmly. However, imports soared by 37.8%, a much faster pace than exports mainly due to higher energy prices. Consequently, we expect exports to record another trade deficit in May.

What to look out for: FOMC minutes

- Singapore CPI inflation (23 May)

- South Korea advance trade balance (23 May)
- Taiwan industrial production (23 May)
- Thailand trade balance (23 May)
- Japan Jibun PMI (24 May)
- South Korea consumer confidence (24 May)
- Bank Indonesia policy meeting (24 May)
- US new home sales (24 May)
- Singapore 1Q GDP final (25 May)
- RBNZ policy meeting (25 May)
- Malaysia CPI inflation (25 May)
- US durable goods orders (25 May)
- FOMC meeting minutes (26 May)
- Singapore industrial production (26 May)
- Hong Kong trade balance (26 May)
- US initial jobless claims, GDP, pending home sales (26 May)
- Bank of Korea policy meeting (26 May)
- Tokyo CPI inflation (27 May)
- Australia retail sales (27 May)
- China industrial profits (27 May)
- Taiwan GDP (27 May)
- US Michigan sentiment (27 May)

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