

Asia Morning Bites

Korea's consumer sentiment improved in May while Japan reported PMI numbers hitting a record high. Singapore inflation is also slated for release later in the day.



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** US equities traded in a tight range yesterday, with neither the S&P 500 nor NASDAQ making meaningful progress in either direction. Chinese stocks had a better day. The CSI 300 moved up 0.63% while the Hang Seng rose 1.17%. Markets may be unwilling to take big bets ahead of any potential debt ceiling agreement. It doesn't sound as if much progress was made yesterday as talks resumed. Fed hawks helped keep pressure on US Treasury yields. James Bullard (non-voter) and Neel Kashkari (voter) variously noted that rates might have to be raised more, or that a pause at the June meeting need not signal that rates had peaked. 2Y US Treasury yields rose 5bp, while those on 10Y US Treasuries rose 4.2bp to take them to 3.715%. EURUSD was broadly flat yesterday and ignored a number of hawkish ECB speaker comments, most notably from Governing Council member, Francois Villeroy de Galhau, who said that the ECB would likely reach a peak during the next three meetings. Pablo Hernandez de Cos, another Governing Council member, confirmed that the ECB was not done hiking rates. The EUR is more or less unchanged today at 1.0809. Most other G-10 currencies also traded sideways, though the JPY lost some further ground to 138.68. Asian FX was mostly in the red yesterday. The CNY nosed higher to 7.0320 as did

the PHP, But the KRW strengthened 0.63%, and USDKRW has fallen to 1318.25.

- **G-7 macro:** Yesterday was virtually free of G-7 macro data and today isn't much better. US and European PMI data are the main releases, along with the non-manufacturing version of the Philly Fed survey. None of these are liable to move the needle much in the event of a surprise.
- **South Korea:** The consumer sentiment index improved in May, rising to 98 from 95.1 the previous month. Spending plans for clothing, eating out, and travel have increased, indicating that consumer sentiment is recovering. And expectations for housing prices have also continued to rise from the recent trough last November as mortgage rules/taxation/transaction-related restrictions have been eased. We don't believe that improved sentiment ensures the recovery of the housing market in the near term, but we will see more bottom fishing in the market. More importantly, inflation expectations came down by 0.2%pp to 3.5%. Inflation appears to have stabilized, but due to hikes planned from utility and other public service fees, expectations only edged down slightly.
- **Japan:** The May flash PMI shows that the economic recovery continues. The service PMI posted a historical high of 56.3 (vs 55.4 in April) and manufacturing also returned above the neutral level to 50.8 (vs 49.5 in April) for the first time since November 2022. Despite weak global demand, domestic demand appears to have boosted market sentiment.
- **Singapore:** Singapore reports April CPI inflation later today. Headline inflation is expected to be flat at 5.5%YoY while core inflation may dip to 4.7%YoY from 5% in the previous month. Price pressures remain and we expect inflation to stay at these elevated levels, which could mean that the Monetary Authority of Singapore will need to maintain the current stance for longer.
- **Philippines:** Fitch ratings reaffirmed the BBB sovereign risk rating of the Philippines and adjusted its outlook from negative to stable. The rating agency cited clearer signs that the economy was returning to its previous growth path and improvement in debt metrics.

What to expect:

- 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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