

Asia Morning Bites

Australian March and first-quarter 2024 inflation and a no-change decision from Bank Indonesia due



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Global Macro and Markets

- **Global Markets:** US Treasury yields dropped slightly yesterday as the manufacturing PMI dropped into contraction territory and a strong auction for USD69bn of two-year Treasuries buoyed prices. There is a USD70bn 5Y auction today and a USD44bn 7Y auction on Thursday. 2Y yields fell 4.0 basis points to 4.931%, though the yield on 10Y bonds fell just 0.8bp to 4.60%. US equities made further gains. A tech rally helped the S&P 500 rise 1.2% and the NASDAQ rose 1.59%. Chinese stocks were mixed. The Hang Seng rose 1.92%, but the CSI 300 fell 0.7%. EURUSD jumped back up to 1.0702 overnight in response to the softer-than-expected PMI figures. Other G-10 currencies have also made gains against the USD, though the JPY hasn't seen much lasting benefit and is still 154.77. Other Asian FX didn't do a lot yesterday but should gain in early trading today.
- **G-7 Macro:** The US manufacturing PMI for April fell from 51.9 in March to a contractionary reading (though only just) of 49.9. There was a small decline in the employment index, which dropped 0.3 points to 51.9. New orders were also slightly lower. The service sector PMI also declined from 51.7 to 50.9, though it remained consistent with expansion. Stronger service sector activity helped push up the Eurozone composite PMI, although the manufacturing series dropped further into contraction. Today's macro calendar is light.

Germany's Ifo survey kicks things off. We also get the preliminary March US durable goods orders data.

- **Australia:** We look for the monthly March CPI inflation reading to remain unchanged at 3.4% YoY today. This would be the fourth consecutive month at that rate if so. While that sounds like inflation progress has stalled, we had expected inflation to be somewhat higher at this stage of proceedings thanks to unhelpful base effects, so we remain optimistic that the Reserve Bank of Australia is still on track to reach its target without further rate hikes.
- **South Korea:** Consumer confidence has held up relatively well despite the weak performance of asset markets and tight monetary conditions. In April the composite index stayed at 100.7 for a second month and remained above 100 for the fourth consecutive month - presumably as election-related uncertainty has dissipated. Consumer spending plans slipped a little, but views on house prices turned more optimistic. The resilience of consumer sentiment adds upside risk to our GDP forecast. Meanwhile, the BoK's closely watched inflation expectations fell to 3.1% from 3.2% last month. It is good to see that this has eased. However, it remains above 3% and needs to fall to the mid-2% level to give the BoK some confidence.
- **Japan:** March services producer prices rose 2.3% YoY (vs revised 2.2% February and 2.1% market consensus). The monthly change also accelerated for a second month, signalling that inflationary pressures in Japan are still building.
- **Indonesia:** Bank Indonesia (BI) will likely opt to pause again today, retaining the 7-day reverse repurchase rate at 6%. Despite the expected pause, we could get a more hawkish statement from BI Governor Warjiyo. BI will likely show willingness to hike further if necessary but we expect Warjiyo to highlight efforts to support the currency via their presence in the spot market. BI will likely extend their pause well into the second half of the year with potential rate cuts only surfacing should pressure on IDR abate.

What to look out for: Australia CPI and BI policy

- Australia CPI (24 April)
- Bank Indonesia meeting (24 April)
- US durable goods (24 April)
- South Korea GDP (25 April)
- Japan leading index and department store sales (25 April)
- Hong Kong trade (25 April)
- US initial jobless claims, GDP and personal consumption 1Q (25 April)
- Japan Tokyo CPI (26 April)

- Australia PPI (26 April)
- Singapore industrial production (26 April)
- US personal spending, Univ of Michigan sentiment and PCE core (26 April)

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