Asia Morning Bites

Australian inflation is poised to fall further. China rolls out a national property register. And there is more bad news from Korea's chip sector.

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Global Macro and Markets

- **Global markets:** Risk sentiment evaporated further yesterday, and after their non-descript moves of the last week or so, US stocks gave in to much clearer weakness. The S&P 500 dropped 1.58%, while the NASDAQ fell 1.98%. Chinese stocks were also down again. The Hang Seng fell 1.71% and the CSI 300 fell a further 0.5%. The sentiment dip was also reflected in bond yields. 2Y US Treasury yields fell 13.4bp to 3.954%. 10Y yields were down 9.1bp to 3.4%. EURUSD rose as high as 1.1067 intraday but has reversed all of that increase to settle back at 1.0978 as European bond yields fell just as much as those in the US. The AUD has fallen as low as 0.6632, ahead of the March inflation figures this morning (see below). Cable is also slightly lower at 1.2413, but the JPY is looking stronger at 133.74. Asian FX has been mixed over the last 24 hours. The CNY has lost about 0.5%, rising to 6.9326, but the PHP and KRW have made slight gains. Most other currency pairs have not moved much.
- **G-7 macro:** Yesterday's US data was mixed. New Home sales were stronger than predicted by the consensus, as too were February house price numbers. But the Conference Board consumer confidence survey results were softer on the whole. Though even there, there was a mix of results. Today is unlikely to be much clearer, with very choppy US durable

goods data for March to add to the advance goods trade balance. Neither of these should be enough to generate a large market response, but then nor was yesterday's data.

- **Australia:** March CPI data due this morning (0930SGT) could undershoot the consensus 6.5%YoY forecast, which implies a month-on-month gain far larger than we believe likely. And this should be enough to encourage thoughts that the recent pause in rate tightening by the Reserve Bank of Australia (RBA) may end up being more than that, and confirm that 3.6% was the peak in rates this cycle.
- **Singapore:** Industrial production data is set for release today. We expect another month of contraction for industrial production, tracking a similar downturn in non-oil domestic exports. March will mark the 6th straight month of contraction which also weighed on the recent disappointing 1Q GDP report. We can expect this trend to continue in the near term as global demand remains soft, although China's reopening could be key to an eventual rebound by the second half of the year.
- **China:** The government has unveiled a new national real estate registration system. Every transaction of real estate in Mainland China will now be recorded in the national system. Before this, records were available mostly at the city level. This implies two potential policy developments. The first is the long-awaited property tax, which is currently only at an experimental stage in Shanghai and Chongqing. This tax can be rolled out to the whole nation as the system now knows who owns more than one property. The implementation of such a tax will help to reign in speculation on home prices. Secondly, home purchase restrictions could be applied not only at the city level but also at the national level. This is not to say that the government will implement such policies in 2023. The economy has just started to recover, and the home market is still quiet. These policies would be left for the coming boom cycle.
- **South Korea:** This morning, SK HYNIX, the world's second-largest memory chip maker, posted its worst revenue decline on record and second consecutive loss. From a macro perspective, we expect the turnaround of the business/production cycle will come only later this year. Given the fact that memory inventory levels at customers declined in 1Q, inventory levels for producers will probably only come down meaningfully from next quarter, suggesting weak chip production for another quarter. In addition, SK Hynix announced that they would minimize their capex investment except for essentials. Sluggish economy-wide facility investment is likely to continue after recording a contraction in 1Q23. We expect 2Q23 GDP for Korea to grow below potential rates with a muddle-through on the downcycle of IT for another quarter.

What to look out for: Australia inflation

- Australia inflation (26 April)
- New Zealand trade (26 April)
- Singapore industrial production (26 April)
- US durable goods orders (26 April)
- Thailand trade (26 April)
- South Korea business survey manufacturing and non-manufacturing (27 April)
- US GDP and initial jobless claims (27 April)
- South Korea industrial production (28 April)
- Japan labour market data (28 April)
- Australia PPI (28 April)
- Taiwan GDP (28 April)

- US personal spending (28 April)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

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