

Asia Morning Bites

Singapore releases industrial production data ahead of US April PCE data. The clock is still ticking for the debt ceiling talk to make progress - this weekend could prove pivotal



Asia Morning Bites

Source: shutterstock

Global Macro and Markets

- **Global markets:** The apparent AI-driven boom in demand for semiconductors that was forecast by Nvidia a few days ago has spurred a surge in related stocks. The S&P 500 rose 0.88% yesterday, with semiconductors, semiconductor equipment, applications and software, and computers and electronics all leading the way. The NASDAQ, not surprisingly, rose even more, gaining 1.71% from the previous day. This may be as far as it gets, however, and equity futures for the NASDAQ and S&P 500 have turned negative again, with debt ceiling worries likely to loom as a working weekend beckons for House Speaker, Kevin McCarthy, to try to secure a deal. Chinese stocks spent another day in the red. The CSI 300 dropped by 0.22%, while the Hang Seng fell 1.93%. 2Y US Treasury yields put in another big rise yesterday, increasing almost 16bp to 4.533%. Yields on 10Y US Treasuries rose 7.5bp to 3.817%. This feels high and once tonight's PCE figures are out of the way and digested by markets, and depending on the debt ceiling progress, it could soon be time to consider a move lower in yields. The USD remains bid and has driven EURUSD down to 1.0726. The AUD is teetering just above the 65-cent level, Cable has fallen to 1.2322 and the JPY has moved up to 140. Other Asian FX was also weak yesterday and further weakness today seems

probable. The KRW and MYR were yesterday's worst-performing currencies. The CNY has moved up to 7.0792.

- **G-7 macro:** An FT article today suggests that the next 24 hours are going to be critical for resolving the US debt crisis, so with that in mind, macro data might not be in strong focus. That said, today's US PCE figures will help to draw a line under some disappointing inflation numbers for April, with the headline deflator likely to move up 0.1pp to 4.3%YoY and the core rate of PCE inflation expected to remain unchanged at 4.6%YoY. The next two months will see much faster progress on inflation reduction, so getting too bogged down in thoughts about "higher for longer" right now may be unhelpful. April durable goods orders and final University of Michigan confidence and inflation expectations are due from the US. UK retail sales are about the only non-US release in the G-7 worth a glance otherwise.
- **Japan:** Tokyo CPI inflation fell to 3.2%YoY in May, down from the April rate of 3.5%. Subsidies helped to bring utility prices down a bit more this month. But the core rate of inflation rose to 3.9%YoY from 3.8%, in line with expectations. Tokyo CPI comes out ahead of the national figures and is a reliable indicator of the national inflation direction and magnitudes.
- **Singapore:** Singapore reports April industrial production today. We expect a 7th straight month of contraction as industrial production tracks the downturn of non-oil domestic exports (NODX). Soft global demand is weighing on NODX which in turn has dragged down production. We can expect both NODX and industrial production to stay subdued in the near term which will likely translate to another soft GDP report for 2Q.

What to expect: Australia retail sales and Singapore industrial production

- 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)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com