

Asia Morning Bites

Escalation in energy market war subsumes more positive comments from Chinese authorities



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Macro outlook

- **Global:** Markets reverted to outright pessimism on Tuesday following some sombre reflection on Monday and this negativity is likely to set the scene for trading first thing in Asia today. US stocks were sharply down. The S&P500 fell 2.81% and the NASDAQ fell just under 4% to take it below 20% year-to-date. US and Asian equity futures are sending an unambiguously negative message as of writing. The catalysts for these moves were yet more bellicose words from Russia over Ukraine, and the announcement that Bulgaria and Poland would see their gas supplies from Russia shut off from today. The EURUSD responded negatively as a result, dropping from the low 1.07s to 1.0647 now. This move also dragged the AUDUSD lower, and it is now 0.7141 though it is looking a bit firmer in early Asian trading ahead of the CPI release out later (see below). The CNY fix was more or less in line with expectations yesterday, though the USDCNY spot still moved higher to 6.55. US Treasury yields reversed their recent increases with the 10-year bond yield dropping to 2.72% after a fall of almost 10bp. 2-year US Treasury yields fell even more, dropping 14.4bp to 2.477%.

Yesterday's macro data from the US was extensive, but more or less in line with

expectations except for new home sales which posted a larger than expected dip. Today's main G7 release is the US advance trade balance figures for March, which are expected to show a slight recovery - probably on the back of higher energy prices and exports.

- **Australia:** 1Q22 CPI released later this morning will show a sharp rise from the 4Q21 rate. The consensus view expects the headline CPI inflation rate to rise from 3.5 to 4.6%YoY, with the trimmed mean and weighted median inflation rates expected to rise to 3.4% and 3.3% respectively. The next RBA meeting is early next week and these numbers should allow the RBA to position for a June rate hike. Wage price data out on 18 May should seal the deal.
- **China:** Yesterday, the PBoC announced that it would step up prudent monetary support to the real economy, especially for industries and small businesses hit hard by the pandemic. Separately, the Central Financial Committee chaired by President Xi decided to enhance and advance infrastructure spending, as well as broadening long-term financing channels for construction firms. We still await details of these measures, which may decide whether or not 2Q22 GDP will avoid an outright decline or not.

What to look out for: Geopolitical developments

- Australia CPI inflation (27 April)
- US pending home sales (27 April)
- Japan retail sales and industrial production (28 April)
- Taiwan GDP (28 April)
- Hong Kong trade (28 April)
- US initial jobless claims and 1Q GDP (28 April)
- Korea industrial production (29 April)
- Australia PPI inflation (29 April)
- US core PCE and Michigan consumer sentiment (29 April)

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