Asia Morning Bites

Asian markets positive despite debt default in Russia

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Macro outlook

- Global markets: Friday built on Thursday as a solid day for US equities. Both the S&P and NASDAQ gained more than 3%, which takes the S&P500 out, if only briefly, of bear market territory. Equity futures have since drifted into the red, but not massively so, despite the news that Russia is now in default on its foreign currency debt. Consequently, it is looking as if it will probably be a fairly upbeat start to the week in Asian markets.

- EURUSD drifted steadily higher on the improved risk tone on Friday, and is up to about 1.0570 now. The AUD has also pushed sharply higher, though still lies below 0.70 at 0.6954 currently. The JPY has been pretty steady over the same period and is only slightly weaker at 135.18. Within the Asian FX pack, the main standout is the PHP which continues to struggle, coming to within a whisker of 55.00.

  Global bond markets were reasonably quiet on Friday. Both 2Y and 10Y US Treasuries saw yields increase by about 4bp. The 10Y yield is now 3.1301%. 10Y JGBs continue to hold below 0.25%. See also this article from our rates team that considers whether we have seen the peak in rates.

- Global Macro: It was a fairly quiet end to the week for macro developments. Germany's Ifo business survey continued to fall, with both current conditions and expectations components declining. That's not too surprising with gas rationing being discussed. The US University of Michigan consumer sentiment index fell to 50, which is considerably worse than it recorded in the depths of the global financial crisis. Though the 5-10Y inflation expectations survey actually dipped slightly to 3.1%. Whether this reflects confidence in Powell's commitment to tame inflation, or a growing sense of looming recession, is arguable right now. Today, durable goods orders for May get released. These should show whether rising rates are beginning to weigh on US business investment plans or not. US pending home sales for May are also released. New home sales released last Friday came in a lot stronger than had been expected. Though this is not expected to last.

- China: There has been a further move towards RMB internationalisation, with the creation of yuan reserves at the Bank for International Settlements (the central bank of central banks). China has already created yuan swap lines with several central banks, but this pool of yuan reserves makes the internationalisation of the yuan more visible.

  For this week, the key data from China is Thursday's PMI index. We expect the manufacturing PMI to be above or at 50.0, but the non-manufacturing PMI to remain below 50.0 due to isolated lockdowns. The risk to these estimates is that the non-manufacturing PMI could also come in above 50.0 since the PMI is a month-on-month comparison. Even if the non-manufacturing PMI rises above 50, the recovery of services should still be slower than manufacturing.

What to look out for: Regional world manufacturing indices

- China industrial profits (27 June)
- Hong Kong trade balance (27 June)
- US durable goods orders and pending home sales (27 June)
- US conference board confidence (28 June)
- Philippines M3 and bank lending (28 June)
- South Korea consumer confidence (29 June)
- Japan retail sales (29 June)
- Australia retail sales (29 June)

- Euro zone CPI inflation (29 June)
- US 1Q GDP and core PCE (29 June)
- South Korea industrial production (30 June)
- Japan industrial production (30 June)
- China PMI manufacturing and non-manufacturing (30 June)
- Thailand trade balance (30 June)
- Hong Kong retail sales (30 June)
- US personal income and initial jobless claims (30 June)
- New Zealand building permits (1 July)
- Japan Tokyo CPI inflation, Tankan survey and job applicant ratio (1 July)
- South Korea trade balance (1 July)
- Regional PMI manufacturing (1 July)
- Indonesia CPI inflation (1 July)
- US ISM manufacturing (1 July)

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