

Asia Morning Bites

Australian inflation in February is unchanged for the third consecutive month. China publishes industrial profits data for February



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Global Macro and Markets

- **Global Markets:** A decent 5Y auction ahead of Friday's PCE release left 2Y and 10Y yields little changed from the previous day. EURUSD is slightly lower, though it was trending higher before declining in late trading. Most of the G-10 currencies were also little changed to fractionally stronger against the USD. The JPY was the main exception at 151.56, slightly weaker than at this time yesterday as markets test the verbal intervention of the last few days to see if there is more substance than just words. Asian FX was fairly muted on Tuesday. The THB and KRW – two of the weaker currencies in the last few days - made back some of their recent losses. But other currencies ended less than 0.2% different from the day before. The CNY is at 7.2167, slightly weaker on the day. US stocks were modestly lower. Both the S&P 500 and NASDAQ fell, though by less than 0.5%. Chinese stocks made gains. The Hang Seng was up 0.88% and the CSI 300 rose 0.51%.
- **G-7 Macro:** A raft of second-tier US data yesterday, [including durable goods orders](#) and the Conference Board's consumer confidence figures, as well as house price data, was mixed and doesn't shed much new light on what is a very murky macro situation. The collapse of the Baltimore bridge may be worth considering in terms of its short to medium-term impact on output and inflation. The bridge itself carries only \$28bn of goods annually, but on top of

this is the disruption to sea-going traffic that needs to pass the bridge from Baltimore's ports, and that could generate a greater impact. There is nothing of note from the US today. The Eurozone publishes various confidence indicators for March today.

- **China:** January-February industrial profits data will be published today. After a stronger-than-expected start to industrial production at the start of the year and a more favourable PPI-CPI spread, we expect industrial profits to continue bottoming out. Markets will watch to see if profits can return to positive growth for the first time since July 2022. Last year by industry, mining and manufacturing sectors saw negative profit growth, while the utilities sector saw strong profit growth. Early data will be useful to see if there are any changes to the trend to start 2024.
- **Australia:** February inflation data remained at 3.4% YoY for a third consecutive month, defying expectations for an increase to 3.5%. While it may appear that inflation has bottomed out, base effects over the coming months should make it easier for inflation to resume its descent, bringing the Reserve Bank of Australia closer to its 2-3% target range, and raising the possibility for some monetary easing later this year.
- **South Korea:** The business sentiment index slid lower in March. The manufacturing outlook fell by 2 points - the first fall in four months. The outlook for export-oriented firms advanced while that for domestic-oriented firms weakened. For non-manufacturing businesses, the outlook fell by 1pt in March. Firms were mainly concerned about profitability and labour. We think the high-cost environment is more burdensome for non-manufacturing businesses. Today's data supports our view that exports are leading growth while domestic is sluggish.

What to look out for: Australian inflation, Chinese profits

- South Korea Business Survey (27 March)
- Australia CPI inflation (27 March)
- US MBA mortgage applications (27 March)
- Australia retail sales (28 March)
- US GDP, initial jobless claims, core PCE, pending home sales, Univ of Michigan sentiment (28 March)
- South Korea industrial output (29 March)
- Japan labour report, Tokyo CPI, retail sales (29 March)
- Thailand trade (29 March)
- US personal spending and core PCE (29 March)

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