

Asia Morning Bites

China's industrial profits data the headline release on a quiet day with the US out on holiday



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Global Macro and Markets

- **Global Markets:** Friday was a fairly quiet day for US macro data, and that was also reflected in the US Treasury market, where there was no significant movement in either 2Y or 10Y yields. The 10Y Treasury yield is currently 4.465%. The US is out for Memorial Day today. EURUSD moved higher despite the absence of a yield catalyst and has reached 1.0847. Except for the JPY, which at 156.91 remains roughly unchanged since this time Friday, G-10 currencies have also made gains against the USD. Asian FX mostly lost ground to the USD on Friday, led by the KRW and THB. The INR made small gains though, and USDINR has dropped to 83.095. US stocks rallied into the long weekend. The S&P 500 rose 0.7% and the NASDAQ rose 1.1%. Chinese stocks reverted to selling mode, and the Hang Seng dropped 1.38% while the CSI 300 fell 1.11%.
- **G-7 Macro:** As mentioned, it was fairly quiet for macro on Friday. US durable goods were actually pretty good, rising 0.7% MoM against expectations for a 0.8% decline. And the core orders and shipments data were also pretty good. There was some better news on inflation expectations too, which in the University of Michigan survey were revised down for both the 1Y ahead and 5Y expectations. This is good news for the Fed – who I'm sure were watching the initial increase with alarm. Today is pretty quiet – just the German Ifo survey to break

the tedium. This week's main excitement will be the US PCE inflation figures out on Friday. The consensus expects no change to the inflation rates for either core or headline PCE inflation...maybe the tedium will persist...?

- **China:** The April industrial profits data will be released this morning. After a strong rebound in the first two months of the year, March profits fell back to contraction at -3.5% YoY. Over the first quarter, auto manufacturers (32% YoY), computer & electronic equipment manufacturing (82.5% YoY), and the electricity generation (47.5% YoY) sectors have been strong performers. Today's release is worth monitoring to see if the recent recovery in industrial activity can translate to actual profits instead of volume recovery alone.

What to look out for: PCE inflation is this week's big release

- China industrial profits (27 May)
- Japan leading index (27 May)
- Australia retail sales (28 May)
- US Conference board consumer confidence (28 May)
- Fed's Mester, Kashkari and Bowman speak (28 May)
- Australia Westpac leading index (29 May)
- US MBA mortgage applications (29 May)
- Fed's Cook speaks (29 May)
- Australia building approvals (30 May)
- Taiwan GDP (30 May)
- US GDP, core PCE, initial jobless claims (30 May)
- Fed's Williams and Bostic speak (30 May)
- South Korea industrial production (31 May)
- Japan labour market data, retail sales, industrial production (31 May)

- China manufacturing and non-manufacturing PMI (31 May)
- India GDP (31 May)
- US personal spending, PCE deflator (31 May)
- Fed's Logan and Williams speak (31 May)

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