Asia Morning Bites

Asian markets digest Friday's US inflation data ahead of this week's FOMC

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Global Macro and Markets

- **Global Markets:** Despite the stronger-than-expected core PCE figures on Friday, US Treasuries rallied slightly on Friday. 2Y UST yields are down 0.4 basis points at 4.993%, while 10Y yields fell 4.1bp to 4.663%. EURUSD dropped back to just over 1.07. The AUD held on to the mid-65 cent level, and GBP remains roughly unchanged at 1.2505, though it was sharply lower at one stage. Ongoing chatter about possible intervention continues with the JPY up to 158.29. The BoJ may continue holding out, probably realizing that this will have little lasting impact unless accompanied by other policy changes. Most of the Asia pack was little changed on Friday. US stocks were surprisingly upbeat on Friday. The S&P 500 rose 1.02% and the NASDAQ rose 2.03%. Chinese stocks also rose. The Hang Seng gained a solid 2.21%, and the CSI 300 rose 1.53%. Both are in the black year-to-date.
- **G-7 Macro:** Some slight revisions to the prior two months' data meant that the month-on-month and year-on-year gains in the core PCE index were slightly less than the figures we backed out of the quarterly GDP release. But at 0.3% MoM and 2.8%YoY, they were still towards the higher end of the consensus and backed up by solid income and spending numbers too. Ahead of Wednesday's FOMC decision (out at 02:00 on Thursday morning SGT/HKT time), this suggests at least a more hawkish tilt to the Fed's statement and press

conference. That said, with markets pricing in only 41bp of easing by December, the room for further hawkish market moves is quite limited unless rate hikes make it back onto the agenda. That doesn't sound as silly as it would have done a couple of months ago. But it is probably still a little early for the Fed to float that as a core idea. Here is James Knightley with more detail. It's a quiet start to the week otherwise. Germany releases preliminary April consumer price inflation, which may tick up slightly. And the Eurozone publishes some confidence numbers. The week ends with non-farm payrolls, and we also get Chinese PMI data later this week.

What to look out for: FOMC and NFP later in the week

- South Korea industrial output (30 April)
- Japan labour market data and industrial production (30 April)
- China PMI plus retail sales and Caixin PMI (30 April)
- Taiwan GDP (30 April)
- US employment cost and Conf Board consumer confidence (30 April)
- South Korea trade (1 May)
- Japan Jibun PMI (1 May)
- US ADP employment and ISM manufacturing (1 May)
- FOMC decision (2 May)
- South Korea CPI inflation (2 May)
- Regional PMI (2 May)
- Australia trade (2 May)
- Indonesia CPI inflation (2 May)
- Hong Kong GDP (2 May)
- US trade and initial jobless claims (2 May)

- Singapore retail sales (3 May)

- US non-farm payrolls (3 May)

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