

Asia Morning Bites

Australian inflation data comes in soft. Chatter about a major regulatory overhaul of the US banking system is gathering volume



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Global Macro and Markets

- **Global Markets:** US equities drifted slightly lower on Tuesday, with regional banks and office REITS driving the fall, though there were gains from other sectors and the S&P 500 only fell 0.16%, while the NASDAQ dropped 0.45%. Clearly, investors have not completely lost their anxiety in the wake of the recent bank failures in the US and hints of a big regulatory overhaul are likely to weigh on the sector until details emerge. Chinese stocks were mixed on Tuesday. The Hang Seng Index rose 1.11%, but the CSI 300 fell 0.32%. US treasury yields rose for a second day. The yield on the 2Y Treasury rose 13.4bp reaching the 4% mark again, while the 10Y saw yields rising just 4bp to 3.57%. The EUR made solid gains, and EURUSD pushed back to 1.0839. The AUD also pushed higher, rising back just above 67 cents before this morning's softer CPI data brought it back below again (see below). Cable also had a positive day, rising to 1.2330 and the JPY was stronger too at 131.05 after a very choppy session. The Asia FX pack made some decent gains on Tuesday. The THB reversed much of the previous day's losses, though the KRW made only small gains. The IDR and MYR both gained a little more than 0.4% on the day. The PHP lagged behind, weakening slightly. Spot gold finished a little higher at \$1975/oz, though off the highs of \$2000/oz seen during the heights of market anxiety in recent weeks. Our Head of Commodities Strategy, Warren

Patterson, has written [this note on the outlook for gold from here](#).

- **G-7 Macro:** Yesterday's main US release was the Conference Board Consumer confidence index, and it was slightly stronger than expected. James Knightley writes about the detail of this report [here](#). Today is another quiet day for G-7 Macro, with mortgage applications and pending home sales the main points of interest.
- **Australia:** February CPI inflation data dropped to 6.8% from 7.4% in January, much lower than the 7.2% consensus view (ING f 6.9%YoY). Together with yesterday's softish retail sales figures, this will encourage thoughts of a pause from the RBA at their next meeting, and potentially that this tightening cycle might now be over.
- **South Korea:** Consumers' inflation expectations edged down to 3.9% in March (vs 4.0% in February). We think the recent drop in petroleum prices is the main cause. We expect actual CPI inflation (released next Tuesday) will slow to 4.3% (vs 4.8% in February), and the Bank of Korea will continue to stand pat at its April meeting.

What to look out for:

- Australia CPI inflation (29 March)
- Bank of Thailand policy (29 March)
- US MBA mortgage applications and pending home sales (29 March)
- New Zealand building permits (30 March)
- US initial jobless claims, 4Q GDP, personal consumption (30 March)
- South Korea industrial production (31 March)
- China manufacturing and non-manufacturing PMI (31 March)
- Thailand trade balance (31 March)
- Hong Kong retail sales (31 March)
- US Univ. of Michigan sentiment and personal spending (31 March)

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