

Asia Morning Bites

Australia's April CPI inflation the focus today



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Global Macro and Markets

- **Global Markets:** Following the Memorial Day holiday, US Treasury yields reverted to an upward path. The 2Y yield rose 3 basis points, while the 10Y yield rose 8.5bp to 4.55%. “Tepid” 2 and 5 Year auctions, and the Fed’s Kashkari saying he didn’t think anyone on the FOMC ruled out further rate increases if needed, were the main culprits for the rise, though a decent consumer confidence print would also have helped. EURUSD retreated from almost 1.0890 at its intraday highs yesterday to reach 1.0853 now, and it looks as if it wants to test lower still. G-10 currencies are softer across the board against the USD. The JPY has risen to 157.25. Asian FX had a mixed day yesterday. The KRW and PHP made small gains, but there were further losses for the IDR. Otherwise, markets were fairly quiet ahead of Friday’s important US inflation release. US stocks showed modest gains. The NASDAQ rose about half a percent though the S&P 500 was virtually unchanged.
- **G-7 Macro:** US Conference Board consumer confidence figures were a lot stronger than anyone had been expecting yesterday, though quickly eyeballing the data, it could be that the weak April figures were the outlier, and that May’s figures have merely returned to the previous trend, which, ignoring the April figures is still slowly declining. There isn’t much on the US macro calendar today – just some regional business surveys. Instead, we have a raft of German inflation data for May, which is expected to show German inflation nosing higher again.

- **Australia:** At 0930, April inflation data should be released. The consensus expectation is 3.4%YoY, the same as our house forecast. But there is a fairly wide spread of forecasts from 3.2% to 3.8% and the skew is to the upside. A higher-than-expected CPI release will have us eyeing our cash rate forecasts, which still have one rate cut in for 4Q24. This could get axed.
- **China:** [Please use this link](#) to see our latest on the China overcapacity question.

What to look out for: Australia CPI

- Australia Westpac leading index and CPI inflation (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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