

## Asia Morning Bites

After the alleged Bank of Japan intervention, what next for the JPY?  
China releases PMI reports



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### Global Macro and Markets

- **Global Markets:** Not surprisingly, the JPY tops the table for Asian FX performance yesterday and also the G-10, after reports that the Bank of Japan (BoJ) intervened in FX markets as the USDJPY rate topped 160. There appears to be no official confirmation of this. The rate briefly dropped to 154.54 but has risen back to 156.24 now. The more crucial question remains, can the BoJ hold the JPY lower for any prolonged period? There are good reasons to think that except for the very short term, the answer is no. Japan was on holiday yesterday and trading was thin, making it easier for the BoJ to have the desired effect. If they repeat the intervention today, they may find it harder to shift the needle. USDCNY followed the JPY stronger and has dropped to 7.2290. EURUSD is up slightly to 1.0718, and there are further gains across other G-10 currencies. US Treasury yields continued to decline slightly yesterday. The 10Y yield is down 4.9 basis points to 4.614%. 2Y yields fell just 1.7bp. There were also slight gains for US stocks. Both the NASDAQ and S&P 500 rose, though by less than 0.4% in both cases. Chinese stocks also made gains. The Hang Seng was up 0.54% and the CSI 300 rose 1.11%.
- **G-7 Macro:** It was a light macro calendar on Monday, though German CPI inflation numbers came in at 2.4% (harmonized index) a little higher than expected. Today, we get further

inflation data from the rest of the Eurozone, together with GDP data for 1Q24 for the Euro area and Canada. US data includes official home prices (FHFA) and the Conference Board's consumer confidence indices. It is a public holiday for Labour Day across much of the World tomorrow. The US is one of the exceptions to this, and the May FOMC meeting decision will be announced in the early hours of Thursday in Asia time.

- **China:** Official April PMI data will be released this morning. For the manufacturing PMI, we are looking for a moderation from last month's 50.8 print, but for it to remain in expansion at 50.5 vs consensus forecasts for 50.3. Further expansion in new orders would bode well for industrial activity strength continuing in 2Q24. The non-manufacturing PMI will also be released today. Markets are looking for a decline from 53.0 to 52.3.
- **Japan:** March activity data was a mixed bag. Industrial Production was stronger than expected while retail sales undershot expectations. However, production output forecasts for April and May rose 4.1% MoM sa and 4.4% respectively, and we think that the growth momentum in manufacturing is likely to continue in the second quarter.
- By item, motor vehicle production rebounded in March, recovering from the safety-scandal-related interruption. Electronic parts and devices also rose, probably due to the recovery in global semiconductor cycle.
- As for retail sales, this fell 1.2% MoM sa in March (vs revised +1.7% in February, -0.2% market consensus). Motor vehicles rebounded 2.5% but almost all other items declined in March. We believe that weak consumption will be a major concern for the BoJ. But, the labour market data was on the positive side. Tight labour market conditions combined with solid wage growth set a decent backdrop for household consumption to recover in the second quarter.
- **South Korea:** Monthly activity data unexpectedly weakened in March, in contrast to the stronger-than-expected recent GDP data. All industry production dropped 2.1% MoM sa, the first fall in five months. We are not clear whether this is the start of a down-cycle or just a temporary adjustment in pace after five months of gains. We expect the patchy recovery to continue in the current quarter. Manufacturing is likely to remain as the main growth driver on the back of strong semiconductor activity. But services and construction will both weigh on overall growth. Retail sales rebounded thanks to strong gains in automobile sales (11.3%). As reflected in positive consumer sentiment data, the household sector has been adjusting relatively well under tight financial conditions.
- **Taiwan:** Taiwan publishes its 1Q24 GDP data this afternoon. We are looking for a rebound of YoY growth to 5.4% YoY to start the year vs consensus forecasts for 6.0% YoY. The acceleration will mostly be due to a weak base effect from 2023 rather than any significant economic strength. Last year's exports looked particularly weak in 1Q23, and this year's trade balance more than doubled from a low base in 1Q, which should help support growth. We expect YoY growth to moderate starting from the second quarter onward.

## What to look out for: China PMI

- 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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