

## Asia Morning Bites

Big week ahead in Asia as China holds "Two sessions"



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### Global Macro and Markets

- **Global markets:** US Treasury yields finished the week by falling. The 2Y UST yield fell 8.7 basis points, while the yield on the 10Y bond fell 7bp to 4.18%. The moves were precipitated by comments by Fed Governor Waller, who suggested that the Fed could start to slow the pace at which it reduces its balance sheet. Softer macro data also weighed on yields. The drop in yields has helped to lift EURUSD. Which is now 1.0843. Other G-10 currencies benefited from the dollar's weakness. The Asia FX pack was mixed on Friday. The PHP made some modest gains but still sits above the 56.0 level. The THB was slightly weaker on the day, though remains just under 36.0. US stocks started March strongly. The S&P 500 rose 0.8% on Friday, and the NASDAQ rose 1.14%. US equity futures are currently offering no strong directional signal. Chinese stocks also had a decent day on Friday. The Hang Seng rose 0.47%, and the CSI 300 rose 0.62%.by
- **G-7 macro:** US macro data were negative on Friday, which makes a change from the mixed messages that data has been sending recently. The manufacturing ISM dropped further into contraction territory, falling from 49.1 to 47.8. The ISM employment index also dropped to a very weak 45.9 and new orders dropped below 50. Adding to the gloom, the University of Michigan sentiment index followed the Conference Board example and dropped, which tends to support the theory that all is not well with the US consumer. Today is very quiet for Macro data from the G-7. The week ahead offers non-farm payrolls as well as semi-annual

testimony to Congress from Jerome Powell, China's two sessions and the UK budget.

- **South Korea:** Manufacturing & mining industrial production (IP) fell by -1.3% MoM sa in January (vs revised -0.5% in December, 0.9% market consensus). In contrast to the strong exports of semiconductors and automobiles in January, semiconductor production declined sharply by -8.6% after rising for the previous two months, while automobile production also fell by -3.2%. We are disappointed by the unexpectedly weak January IP; we tend to interpret this as a temporary pause after the strong production over the past 2-3 months. Lunar New Year irregularities may also have played a role. We do not read too much into it as other indicators are still coming in strong. Apart from manufacturing, services and construction activity grew, so all-industry IP rose by 0.4% in January. On a three-month comparison, all industry IP growth has slowed, suggesting that 1Q24 GDP will be slower than in the previous quarter. Moreover, a sharp downward revision of December IP (-0.5% vs flash 0.6%) suggests that the revised 4Q23 GDP (to be released tomorrow) may be revised down from the initial estimate of 0.6% QoQ sa.
- **Japan:** Capital spending rose 16.4% YoY in the fourth quarter of 2023 (vs 3.4% in 3Q23, 2.8% market consensus), suggesting a positive trend in investment. Given the stronger-than-expected capex figures, we think 4Q23 GDP is likely to be revised upwards from the preliminary -0.1% QoQ sa. If so, then it may give more confidence to the BoJ to deliver its first rate hike in April (rather than in June, which is our current base case scenario).

## What to look out for: China NPC and US NFP

- South Korea industrial production (4 March)
- Australia building approvals (4 March)
- Thailand CPI inflation (4 March)
- South Korea GDP (5 March)
- Japan Tokyo CPI inflation and Jibun PMI (5 March)
- Philippines inflation (5 March)
- China Caixin PMI services (5 March)
- Singapore retail sales (5 March)
- US factory and durable goods orders plus ISM services (5 March)
- Fed's Harker speaks (5 March)
- South Korea CPI inflation (6 March)
- Australia GDP (6 March)
- US ADP employment (6 March)
- Fed's Powell and Barr speak (6 March)
- Japan labor cash earnings (7 March)
- Australia trade balance (7 March)
- China trade balance (7 March)
- Malaysia BNM policy (7 March)
- Taiwan CPI inflation (7 March)
- ECB policy (7 March)
- US trade balance and initial jobless claims (7 March)
- Fed's Daly and Kashkari speak (7 March)
- Fed Powell's testimony to congress (7 March)
- South Korea current account (8 March)
- Japan current account (8 March)
- Taiwan trade balance (8 March)

- US change in non-farm payrolls (8 March)
- Fed's Mester speaks (8 March)

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