

Asia Morning Bites

With central bank decisions out of the way, today's focus will be on US non-farm payrolls. Indonesia also releases 1Q23 GDP



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Global Macro and Markets

- **Global markets:** US stocks were down again yesterday. The S&P500 fell 0.72% while the NASDAQ was down 0.49%. Both indices are up year-to-date, but this owes mainly to a strong start to the year and neither has really gone anywhere since January. US equity futures suggest a slightly more upbeat end to the week. Chinese stocks returned from vacation but didn't show much directional inclination. The CSI 300 finished roughly unchanged, though the Hang Seng did manage a 1.27% gain on the previous day. US Treasury markets were much more muted as well. The 2Y yield fell 1.5bp yesterday, while the yield on the 10Y nosed up 4.3bp to 3.379%. 10Y Eurozone bond yields were down between 2 and 6bp following the ECB hike. EURUSD had another run at 1.11, but it didn't manage to sustain it and fell back to trade at 1.1023, a little lower than this time yesterday. After very choppy trading, the AUD has managed to claw its way back over 67 cents. Cable is fairly steady at 1.2582 while the JPY has made further gains taking it to 134.25. Most other Asian currencies started stronger yesterday but lost ground to the dollar to finish broadly unchanged. Only the SGD and TWD made gains of more than a few bp, and neither of them did all that much either.
- **G-7 macro:** As widely predicted, the ECB hiked the main refinancing rate another 25bp to

3.75%. [Our Eurozone macro economists cover the ECB meeting and press conference here.](#) The key features of the meeting seem to be the following:

1. The ECB is not done hiking
 2. A return to 50bp hikes seems unlikely
 3. A halt to APP reinvestment may have been a bargaining chip to get hawks on side for the smaller hike
 4. Overall – more hawkish than dovish, and still uncertainty about the path ahead, but a June hike is our best guess for the last hike this cycle.
- Today, we have April US non-farm payrolls. The hi-frequency news flow in the run-up to this release has been highly divergent. So, there is a good chance of a surprise from the 185,000 consensus jobs growth forecast. A slight uptick in the unemployment rate from 3.5% to 3.6% is the other main forecast, while average hourly wages growth is anticipated to come in at 4.2% (there may be some upside risk to this number).
 - **Australia:** At 0930 SGT the Reserve Bank of Australia (RBA) releases its statement on Monetary policy. Given the surprise hike earlier this week, this may be worth a hard look as right now, the RBA's reaction function is far from clear. Adding to the RBA story, home loan data is also due.
 - **Philippines:** The Philippines reports April inflation today. The market consensus points to a 7.0%YoY increase in prices but we think we can see inflation slip below that at 6.8%YoY. Fading price pressures, especially on basket-heavy items in the energy and food subsectors will likely push headline inflation back towards the central bank target of 2-4%. The BSP Governor indicated that he could pause at the 18 May meeting if inflation moderates further from the 7.6% reading in the previous month.
 - **Singapore:** March retail sales data will be released today. We expect sales to revert to a contraction (-1.1%YoY) after last month's base-effect-induced jump. Elevated inflation is likely capping retail sales although the influx of visitor arrivals appears to have provided a counterbalance, boosting department store sales and spending on recreational activities.
 - **Indonesia:** Indonesia reports 1Q GDP today and the market consensus has growth steady at 5.0%YoY, unchanged from the 4Q 2022. Despite the solid year-over-year figure, this would translate to a 1.0% contraction from the previous quarter. Economic growth will likely be driven by household spending, which may have recovered after inflation moderated throughout the quarter. Fading price pressures allowed Bank Indonesia to pause in early 1Q, a move which likely helped lift bank lending and investment outlays.

What to look out for: China Caixin services and US non-farm payrolls

- Philippine inflation (5 May)
- China Caixin PMI services (5 May)
- Indonesia GDP (5 May)

- Singapore retail sales (5 May)
- Taiwan inflation (5 May)
- US non-farm payrolls (5 May)

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