

Asia Morning Bites

China's Caixin PMI services and composite reports are set for release today. Indonesia reports growth data for the first quarter.



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Global Macro and Markets

- **Global Markets:** Friday's soft US labour data has helped to boost rate cut expectations. A cumulative 45.8 basis points of easing is now priced into the December Fed funds futures contract, up from just 28.3bp before the latest FOMC meeting. 2Y US Treasury yields fell 5.7bp on Friday to 4.817%, while yields on 10Y Treasuries fell 7.3bp to 4.508%, though they dropped below 4.45% in the immediate aftermath of the data before recovering. This was a relatively modest correction and maybe goes to show that markets don't place too much faith in a single data point from the labour survey. Currencies tended to follow the pattern led by bond yields. EURUSD spiked higher on the release but ended only modestly higher at 1.0764. The AUD has been lifted above the 66-cent level. Cable was little changed after the initial spike higher and then correction and neither was the JPY, though this would have been a great opportunity for some further intervention. USDJPY is currently 153.25. The KRW gained almost a per cent against the USD on Friday. USDKRW has fallen to 1363. Most other Asian FX also made decent gains. China returns from holidays today so the CNY will likely have some catching up to do. Offshore CNH has moved to 7.1959 as of writing. The lower rates outlook has helped lift spirits in the US equity market. The S&P 500 gained 1.26% on Friday, while the NASDAQ rose just under two per cent.

- **G-7 Macro:** US non-farm payrolls showed an employment gain of 175,000 for April, lower than the 240,000 forecast. There was also a small (minus 22K) revision to the prior two month's data. The unemployment rate rose to 3.9% from 3.8%, and average hourly earnings growth also slowed slightly more than expected to 3.9% YoY from 4.1%. Overall, this was a modestly softer set of labour data, though it's a stretch to claim that this is clear evidence of a broader economic slowdown, though it does point in that direction. Weaker service sector ISM data also out last Friday helped boost the likelihood that this is not just noise. The employment sub-index of that survey was a very soft 45.9. [Here is James Knightley's report for a more detailed look at the numbers and what it means for the Fed.](#)

There is very little on the G-7 calendar today.

- **Indonesia:** Indonesia's first quarter GDP report is out today. We expect 1Q GDP to settle at 5.1% year-over-year, relatively flat from the 5% YoY growth reported in the previous quarter. Growth may have received a boost from election-related spending after Indonesia held elections last February. Accelerating inflation and elevated borrowing costs could cap growth momentum in the near term. Despite these headwinds, we expect Indonesia to grow by roughly 5%YoY this year.

What to look out for: China's Caixin PMI services and Indonesia's GDP

- China Caixin PMI services (6 May)
- Indonesia GDP (6 May)
- Japan Jibun PMI services (7 May)
- Philippines CPI inflation (7 May)
- Australia RBA policy (7 May)
- Taiwan CPI inflation (7 May)
- Philippines trade (8 May)
- Taiwan trade (8 May)
- US MBA mortgage applications (8 May)
- Philippines GDP (9 May)

- China trade (9 May)
- UK BoE policy (9 May)
- US initial jobless claims (9 May)
- US industrial production and Univ of Michigan Sentiment (10 May)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com