

Asia Morning Bites

Japan's wage data remains supportive. The trade report from China and Taiwan's February inflation are the other main data releases on Thursday



Asia Morning Bites

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Global Macro and Markets

- **Global Markets:** [In his testimony to Congress](#), Fed Chair Powell did not provide many further clues as to the timing or pace of rate cuts this year. He noted that it would likely be appropriate to begin dialling back rates this year, but stopped short of providing a likely timeline, and was reluctant to claim victory in the fight against inflation.

US Treasury yields didn't do too much as a result. The 2Y yield was down just 0.4 basis points, though the 10Y yield fell 5.1bp to 4.102%. EURUSD pushed up above 1.09 though is sitting just under that as of writing. The AUD has also been lifted by a weaker USD and is up to 0.6566. Cable is up to 1.2732 after yesterday's budget with the widely leaked 2pp cut to National Insurance as the main headline. The JPY made steady gains yesterday and has declined to 149.29. Asian FX made decent gains against the USD yesterday, led by the IDR and THB. The CNY was very steady at 7.1975. US equities gained about half a per cent yesterday. Chinese stocks were mixed. The Hang Seng gained 1.7%, but the CSI 300 dropped 0.41%.

- **G-7 Macro:** [The Federal Reserve's Beige book for March was published early this morning in Asia time.](#) It pointed to further slight economic growth and more moderation in prices. It also pointed to some growth in mortgage demand, which was also reflected in the 1 March Mortgage Applications data which showed a 9.7% increase.

The ADP survey for March came in at 140K, up from the 107K February result. And the JOLTS job openings data showed a further decline in job openings. Elsewhere, the ECB will meet to discuss monetary policy, and will leave rates unchanged. [Carsten Brzeski outlines three things to look out for at this meeting which will pave the way for a June rate cut.](#)

- **Greater China:** China will publish its combined Jan-Feb trade data today, where earlier data from surrounding economies and comments from the NDRC at a press conference yesterday indicate we will see a rebound in exports to start the year. Markets are looking for a 1.9% YoY rise in exports, and risks are balanced to the upside. Imports are also likely to see a recovery. Additionally, Taiwan publishes its inflation data in the afternoon, where we expect CPI to rebound to around 2.5%, returning above target after a small dip in Jan. Finally, we'll see foreign reserves data for China and HK.
- **Japan:** Nominal labour cash earnings rose 2.0% YoY in January - more than expected (vs a downward revised 0.8%, 1.2% market consensus). The upside surprise came from strong bonus payments, which rose 16.2%. Given strong corporate earnings, robust bonus payments were expected. In our view, the fact that regular payments rose steadily (1.3%) is more important and should be welcomed by the BoJ. Real cash earnings dropped -0.6% (vs downward revised -2.1% in December, -1.5% market consensus), the smallest decline since Dec 2022. Recent data releases from Japan have been mostly positive, confirming robust wage growth, inflation above 2%, and improved investment. Ahead of the March BoJ meeting on March 19th, we have a couple of important releases - Household spending, preliminary Shunto outcomes, and 4Q23 GDP. Household spending data will be released tomorrow and is expected to worsen, a major reason why the BoJ is being patient. Preliminary Shunto results will be out, we think average growth will exceed 4% for FY2024. GDP for 4Q23 is likely to be revised up to 0.3% QoQ sa. We expect the BoJ to hold its current policy at the March meeting, but to change its forward guidance in the statement.

What to look out for: China trade data

- 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)

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