

Asia Morning Bites

RBA rates decision today as markets price out cuts this year. Inflation reports out from Taiwan and the Philippines are also due



Asia Morning Bites

Source: shutterstock

Global Macro and Markets

- **Global Markets:** US Treasuries had a fairly quiet day on Monday. 2Y yields rose 1.4 basis points, but the 10Y yield fell 2bp to 4.487%. There wasn't much on the macro calendar to move markets yesterday and the various Fed speakers giving their "patience on rates" message were largely ignored. EURUSD was also little changed and is currently 1.0767. The AUD had crept slightly higher to 0.6623 ahead of today's RBA meeting, and Cable is also slightly higher at 1.2559. The JPY has weakened though, rising back to 154.20 despite comments from the MoF's Kanda. Kanda's remark that intervention might not be necessary if markets are orderly may encourage traders to take on the authorities and push the JPY in a less orderly fashion. It was quiet in the rest of the Asia FX pack on Monday. China's return from holidays was accompanied by the CNY gapping down to 7.2088. The IDR and PHP also gained ground against the USD. Korea was out on holiday but is back today. US stocks continued to make gains. The S&P 500 and NASDAQ both rose slightly more than 1 per cent.
- **G-7 Macro:** Germany dominates the G-7 macro calendar today. Factory orders data for March and trade data are released, as well as the construction sector PMI. Eurozone retail sales data for March is also out. In the US, the Fed's Neel Kashkari speaks later today.

Kashkari is a non-voter this year.

- **Australia:** The Reserve Bank of Australia (RBA) meets today to discuss monetary policy, and all but one of the forecasters on the Bloomberg consensus are expecting no change. So are we. But, recent disappointing inflation data means that we don't entirely rule out a hike. However, we think the RBA would want to wait to see more data on inflation before concluding that it needed to tighten policy further - but the statement could be market-moving. Our base case is that further tightening isn't necessary, but tightening isn't as far-fetched as it may sound.
- **Taiwan:** Taiwan publishes its April CPI and PPI inflation data this afternoon. This will be the first month of inflation data since an 11% electricity price hike came into effect, and we should see a small immediate impact on direct prices, with the PPI likely to be more affected. Higher costs would eventually be passed through to consumers but this will take some time. For April's data, we are looking for inflation to remain broadly stable at 2.2% YoY, slightly up from 2.14%. Taiwan's Central Bank's surprise rate hike earlier in the year was seen as a pre-emptive move to contain the potential inflationary effects from the price hike, but we expect it will be a one-and-done measure unless inflation persistently surprises on the upside. Additionally, China and Hong Kong publish foreign reserves data today where markets are looking for a small drop.
- **Philippines:** April inflation is set for release today. Market consensus is pegged at 4.1% year-over-year, which is also our forecast for headline inflation. Faster food inflation and pricey imported energy items likely drove the uptick. Despite the projected acceleration in headline inflation, Bangko Sentral ng Pilipinas (BSP) Governor Remolona indicated he was inclined to look past this spike and keep policy setting untouched.

What to look out for: RBA meeting

- 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)

Authors

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.