

Asia Morning Bites

Philippine central bank meets to decide on policy while Japan's labour cash earnings came in as expected



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Global Macro and Markets

- **Global Markets:** Last Friday's hotter-than-expected payrolls data reaffirmed the resilience of the US economy and market participants are expecting the Fed to push back the timing of a rate cut to July or even to September. Risk assets took the strong payrolls data as a good sign in the hope of better corporate earnings, while UST yields rose across the tenor, with the UST 2Y at 4.75% and the 10Y at 4.4%. The dollar index jumped immediately after the release of the NFP data but gave back some of the early gains to close up 0.2 pt at 104.3. In Asian FX markets, the IDR, THB, INR strengthened against the USD, while the KRW, PHP, and JPY all lost ground. As Chinese financial markets return from a four-day holiday, markets will be keeping a close eye on the PBOC's yuan fixing rate.
- **G-7 Macro:** Not only did non-farm payrolls rise by 303k (vs market consensus 214k, two-month payroll net revision 22k), but the unemployment rate (3.8%), labour participation rate (62.7%), and average hourly earnings (0.3% MoM sa) all improved. By industry, construction, private education and health, leisure, and government payrolls all gained quite smartly, while manufacturing stayed flat on the month. By employment type, full-time employment fell for the fourth consecutive month, the lowest level since January 2023 while part-time employment rose to an all-time high, suggesting there is a question over

the quality of the jobs being added. With the ISM employment components in contraction territory, the NFIB hiring intentions survey at the lowest level since May 2020 and job lay-off announcements on the rise, official data will eventually reflect the views expressed by business, but it may not come in time for the next FOMC meeting in June.

- **Japan:** Labour cash earnings rose 1.8% YoY in February (vs a revised 1.5% in January, market consensus 1.8%). Contracted earnings, which is considered base salary, rose 2.0% YoY, compared to the previous month's 1.1%. Wage growth is still making progress but not keeping pace with inflation. Thus, real wages fell a bit sharply to -1.3% (vs a revised -1.1% in January, -1.4% market consensus) with consumer prices accelerating again in February (2.8% YoY). Based on the results of the Spring wage negotiations so far (5.2% rise), we expect wage gain in this fiscal year to outpace inflation. And we expect a more meaningful rebound in earnings data from May onwards as the newly agreed wage negotiations take effect and the BoJ is likely to be ready for another rate hike as early as July.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) meets later today to discuss policy. We widely expect the BSP to hold rates at 6.5% given the recent uptick in domestic inflation. Headline inflation rose to 3.7% YoY in March driven by accelerating food costs due to the drought induced by El Nino. BSP will likely adopt a hawkish hold, signaling the readiness to hike further should price pressures remain substantial.

What to look out for: US and China inflation later in the week

- Japan labour cash earnings (8 April)
- Philippines BSP policy meeting (8 April)
- US NY Fed inflation expectations (8 April)
- Australia Westpac consumer confidence (9 April)
- Japan machine tool orders (9 April)
- Taiwan CPI inflation (9 April)
- US NFIB confidence (9 April)
- Japan PPI inflation (10 April)
- Thailand BoT policy meeting (10 April)
- Taiwan trade (10 April)
- US CPI inflation and wholesale inventories (10 April)
- US FOMC minutes (11 April)
- Philippines trade (11 April)
- China CPI and PPI inflation (11 April)
- US PPI inflation and initial jobless claims (11 April)
- Philippines bank lending (11 April)
- ECB policy meeting (11 April)
- South Korea unemployment (12 April)
- Japan industrial production (12 April)
- Singapore MAS and GDP (12 April)
- BoK meeting (12 April)
- China trade (12 April)
- India CPI inflation (12 April)
- US Univ of Michigan sentiment (12 April)

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