

Asia Morning Bites

Mixed signals from US payrolls. US inflation later in the week will be the next key data point for investors



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Global Macro and Markets

- **Global Markets:** Despite, or perhaps because of the stronger-than-expected payrolls numbers on Friday, US stocks finished the week on a positive note. The S&P500 was up 1.85% while the NASDAQ rose 2.25%. Equity futures aren't sure of the direction from here though, so any bounce in Asia today may be short-lived. Chinese stocks were mixed on Friday. The CSI 300 lost ground and fell 0.33%, while the Heng Seng index gained 0.5%. 2Y US Treasury yields rose 12.4bp to 3.914% following the labour data release. 10Y yields were up a more modest 5.8bp to 3.437%. From pricing in a greater-than-evens chance of a cut at the July meeting a few days ago, markets are now not looking for any Fed easing until September. St Louis Fed President, and non-voter, James Bullard, said that he thought higher rates would probably still be needed. We have not changed our view that the peak in rates has been reached and that cuts will come, but not until 4Q23. EURUSD weathered the payrolls numbers well and remains at about 1.1019 - not much changed from this time last Friday. Governing Council member, Klaas Knot, said that he thought more rate hikes from the ECB would be necessary, which probably helped the single currency. The AUD has re-found some of its lost mojo and is trading back above 0.6750 again. Cable was also stronger, rising to 1.2629, in line with May 2022 highs, though the JPY traded a little weaker,

rising back to 135.20 from about 134.25 this time last Friday. Other Asian FX was fairly muted on Friday, with quite a few economies off on holiday.

- **G-7 Macro:** Besides the upside miss on the headline payrolls number (253,000 versus 185,000 expected) the higher average hourly earnings print (4.4%YoY versus 4.3% previously) and the lower unemployment rate (3.4% versus 3.5% previously), this was not an unambiguously positive labour report. [James Knightley reviews the numbers here in more detail](#), and notes the very large downward revisions (-149,000) to the last two months of data. Who's to say the April 253K figure won't also be revised down in the months to come?

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

- Japan Jibun PMI services (8 May)
- Taiwan trade balance (8 May)
- Philippines bank lending (8 May)
- Australia Westpac consumer confidence (9 May)
- Philippines trade balance (9 May)
- China trade balance (9 May)
- South Korea labour market data (10 May)
- US CPI and core CPI inflation (10 May)
- Japan trade balance (11 May)
- China CPI inflation (11 May)
- Philippines GDP (11 May)
- US initial jobless claims and PPI inflation (11 May)
- Hong Kong GDP (12 May)
- India CPI inflation (12 May)
- US University of Michigan sentiment (12 May)

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