

Asia Morning Bites

Japan's headline cash earnings disappoint. China's trade and Philippine GDP data are due later today



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Global Macro and Markets

- **Global Markets:** Longer-dated US Treasury yields moved slightly higher yesterday, though there was less action at the front end of the curve. Fed comments overnight didn't deviate from recent remarks about rates staying higher for longer to reach the inflation target. EURUSD has come down from just under 1.08 to around 1.0750 now. G-10 FX is weaker against the USD. The JPY has risen to 155.55. Yesterday, following a meeting with PM Kishida, Governor Ueda sounded more hawkish on rates, citing the currency as a possible reason for a monetary response. His remarks were echoed by the MoF's Suzuki. Markets don't seem to be buying into this or are maybe trying to goad the authorities into another bout of intervention. The MoF's Kanda this morning has said that they are ready to intervene at any time. Until the BoJ recommences its policy adjustments, such pressure on the JPY is likely to remain. Most of the Asia FX pack was down slightly against the USD yesterday. US stocks went sideways for a second day on Wednesday. US equity futures suggest they will open slightly lower today. Chinese stocks fell on Wednesday. The Hang Seng fell 0.9% and the CSI 300 fell 0.79%.
- **G-7 Macro:** Aside from some slightly less negative German industrial production data for March than had been expected, and an on-target wholesale inventories figure for the US,

yesterday was a non-event for macro. Today, we have a Bank of England rate meeting. We don't expect any change to Bank Rate. [Our rates strategists touch on this meeting amongst others in this note](#). But in short, markets will be watching for any sign of dovish guidance.

- **China:** China is scheduled to publish its trade data today. After last month's disappointing trade numbers, markets expect a very modest recovery of exports and imports in April. We expect export growth to be fairly flat in year-on-year terms, with import growth likely faring a little better. We remain cautious on the trade outlook, as there are risks of new trade barriers coming into play this year, as vehicle export growth, which has been a key driver of export strength, is slowing. 1Q24 vehicle export growth slowed to 16% YoY from 36% YoY in 2023. Many other export product categories were in YoY contraction in 1Q24.
- **Japan:** Headline cash earnings data was weaker than expected, but the details showed that the underlying earnings trend didn't deteriorate. March cash earnings rose 0.6% YoY (VS a revised 1.4% in February), missing the market consensus of 1.4%. The large drop in bonus payments (-9.4%) was the main reason for the deceleration, while contracted regular earnings rose 1.5% for a second month. Also, the same sample base cash earnings rose 2.2% in March (vs 1.9% in February, 2.2% market consensus). We still have to wait a few months to see how the spring negotiations will materialize in pay slips.

The minutes of the Bank of Japan's April meeting have been released. They viewed that further interest rate hikes, a reduction in the size of government bond purchases, and changes to the size of other asset purchases should be discussed. While a rate hike is unlikely at the June meeting, the BoJ could harden its hawkish stance, paving the way for another rate hike in 3Q24.

- **Philippines:** The Philippines reports GDP for the first quarter today. 1Q24 GDP is expected to hit 5.9% YoY, a pickup from the 5.6% YoY growth reported in the previous quarter. A major contributor to the 1Q GDP gain was a positive contribution from net exports after imports contracted sharply. The Bangko Sentral ng Pilipinas (BSP) will be factoring in today's report at their upcoming meeting on 16 May although we still believe BSP will likely keep rates at 6.5%.

What to look out for: China's trade report and Philippine GDP

- 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)

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