

Asia Morning Bites

Japan's household spending continues to come in weak. Taiwan's trade data will be distorted by the Lunar New Year effects. Non-farm payrolls and the State of the Union speech will fill the US calendar



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Global Macro and Markets

- **Global Markets:** US Treasury yields dropped a little more yesterday ahead of today's non-farm payroll data. In the second part of his semi-annual testimony, Jerome Powell suggested that the Fed was not too far from reaching the levels of confidence needed to start cutting rates. This is a bit of a deviation from the remarks of other Fed speakers over recent days, who have sounded much more cautious. The 2Y yield fell 5.2 basis points, while the yield on the 10Y UST fell 1.9bp to 4.083%. The USD has weakened sharply overnight, and EURUSD has popped up to 1.0949. That has lifted other currencies. The AUD is now up at 0.6619, Cable has risen to 1.2811, and the JPY has dropped further to 147.85. Asian FX had made further gains against the USD, led by the MYR which now sits at 4.7052. USDCNY is now 7.1926, slightly stronger on the day. US stocks had a much stronger day. The S&P 500 rose 1.03% and the NASDAQ gained 1.51% though that optimism has not carried forward into US equity futures thoughts about today's open. Chinese stocks finished in the red again yesterday. The outcome of the Two Sessions does not seem to have provided any lasting boost to market confidence.
- **G-7 Macro:** There wasn't much out of the US yesterday, but the ECB meeting was thought

likely to deliver some hints about rate cuts. As [Carsten Brzeski observed in his note yesterday](#) – the language is unchanged from the previous meeting, but Lagarde did drop some hints about a possible June cut. Very weak German factory orders in January suggest that we won't have to wait for too long for the ECB to act, so long as underlying inflation shows a little more downward progress. Germany also publishes industrial production data for January today. It is also non-farm payrolls today. Together with a consensus expectation for a 200,000 increase in employment, the consensus is also looking for average hourly earnings growth to decline to 4.3% YoY from 4.5%, but no change to the unemployment rate of 3.7%. It may be worth checking out the balance between full-time and part-time jobs as well.

- **Japan:** Household spending fell more than expected (-6.3% YoY) in January (vs -2.5% in December, -4.1% market consensus). On a month-on-month basis, household spending fell -2.2% MoM sa (vs -0.9% in December), marking the fourth consecutive month of contraction. On the other hand, the current account posted a surplus of JPY 438bn in January (vs 744.3 in December, -330.4 market consensus), suggesting that exports remain solid and will be the main driver of the growth in the current quarter. We believe that weak consumption is a key concern for the BoJ and could be a reason for its patience.
- **Taiwan:** February trade data will be published today, and we are expecting to see a steep decline in the YoY numbers due to the timing of the Lunar New Year. Markets are forecasting a drop of exports from 18.1% YoY to 2.0% YoY, and imports from 19.0% YoY to -2.5% YoY, translating to a slight increase in the trade surplus to USD 4.1 bn. Rather than reading too much into the YoY numbers for February data itself, it will be more worthwhile to observe how the first two months of the year performed in aggregate and if we will see a modest recovery. A small uptick in export orders to start the year indicated that the pace of recovery may be gradual.

What to look out for: US payrolls

- Eurozone GDP (8 March)
- US nonfarm payrolls, unemployment (8 March)

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