

Good MornING Asia - 7 June 2021

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By Robert Carnell



Asia week ahead

Asia week ahead: China's May data dump

The trade, manufacturing, and inflation figures for May crowd next week's economic calendar in Asia. China will be in the spotlight for the usual...

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Source: Shutterstock

Minimum tax rates - bring them on!

Unlike Europe, where both Hungary and Ireland have corporate tax rates below 15%, the list of economies in the Asia Pacific region where corporate tax rates are below 15% is not going to cause markets any big worries. Here is the list (and it actually contains a couple where the rate is exactly 15%, which also won't be affected):

- Macao (SAR) 12%
- Maldives 15%
- Mauritius 15%
- Timor Leste 10%
- Vanuatu 0%
- Wallis and Futuna islands 0%

[\(source - The Tax foundation\)](#)

There are a few on the list I needed an atlas for, but for the main financial hubs of the region, the rates are either tantalizingly close, but above the 15% threshold (Hong Kong SAR 16.5%, Singapore 17%) or significantly above it (Japan 29.74%, Korea 27.5%, Australia 30%, Philippines, 30%, India - lowest is 22%).

Of course, corporate tax rates appear to be more of a guideline in some countries than a hard and fast measure, and so the rates above are subject to the guile and wit of the accountancy profession (...), but I list them with that caveat made clear.

Bottom line - this has no real worries for the Asia Pacific region.

Market response to the non-farm payrolls release is inconsistent

I won't lie, I found the market response to last Friday's non-farm payrolls release to be very irritating. The 559K increase wasn't even that far off the published consensus (675K), though the whisper number may have been higher after the strong ADP release. [James Knightley's piece on the data says it all](#). This was all about supply constraints. If you want further proof, look no further than the small firm NFIB Survey, which published over the weekend (I can't give you a link as it was not working this morning - something about protecting itself from cyber-attack!). Anyway, this is reported by various newswires to show that 93% of all firms with unfilled vacancies had no suitable qualified applicants at all last month. In the construction industry, where jobs tend to be of the semi-skilled variety, down to outright unskilled labour, the number rose to 66% from 58% a month ago.

Now I know this will slow the potential for real economic growth to rise, but it also howls out that there is a growing inflation pressure issue, and that ought to see yields moving higher, not lower.

I also took a quick look at the commitment of traders reports from last week before today's morning call, and I looked at the speculative net positions, which are erratically pushing longer but don't look particularly extreme. However, if you look individually at the long and short positions, they are both now quite extreme, and this I think is part of the answer to this conundrum.

There appear to be two very strong camps when it comes to US Treasuries, and when one makes gains, the other re-doubles their efforts and drags them back. I think until one or other side in this argument capitulates, we will continue to see this range trade play out. I'm firmly of the view that it eventually ends in higher yields. But I can't say how, or when, unfortunately. All I can say is that the macro data releases that should have sent yields soaring much higher have not been very successful at doing so, and so far, the bond bulls have been doing a better job of pushing the market their way - I just don't think any of the data really supports their stance, and eventually, the data will speak.

Asia today - quiet - too quiet...

It's almost too quiet in G-7 space today - nothing of note to report.

In Asia-Pacific, we will see some China trade figures released. This May data will mostly precede the port disruptions caused by Covid-19 outbreaks and port closures, so whatever today's figure, next month could well be a few notches lower. Watch out for our write up later if it's worth reporting.

Otherwise, it's quiet today. Enjoy,

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Source: Shutterstock

Key events in Asia next week

Country	Time	Data/event	ING	Survey	Prev.
Monday 7 June					
China		- May Exports (YoY%)	32.1		32.3
		- May Imports (YoY%)	53		43.1
		- May Trade Balance (USD bn)	47.9		42.86
		- May FX Reserves (USD tr)	3.22		3.198
Indonesia		- May Forex Reserves	138.1		138.8
Philippines		- May Forex Reserves (USD bn)	-		107.25
Singapore	1000	May Foreign Reserves (USD bn)	-		385.7
South Korea	0000	Apr Current Account Bal (USD bn)	10.3		7.82
Tuesday 8 June					
Taiwan	0900	May CPI (YoY%)	1.9		2.1
	0900	May WPI (YoY%)	11.5		9.6
	0900	May Exports (YoY%)	16.5		38.7
	0900	May Imports (YoY%)	7.2		26.4
	0900	May Trade balance (US\$bn)	4.7		6.2
South Korea	0000	Q1 GDP Growth (QoQ/YoY%)	1.6/1.8		1.6/1.8
	0000	May Unemployment Rate	3.6		3.7
Wednesday 9 June					
China	0230	May CPI (YoY%)	1.5		0.9
	0230	May PPI (YoY%)	9.2		6.8
Indonesia		- May BI consumer confidence index	102.3		101.5
Philippines	0200	Apr Exports (YoY%)	115.2		31.6
	0200	Apr Imports (YoY%)	158.9		16.6
	0200	Apr Trade Balance (USD mn)	-2401.6		-2412
Thursday 10 June					
China		- May Aggregate finance (Yuan bn)	2800		1850.7
		- May Financial institution loans (Yuan bn)	2226		1470
		May Money supply (M2) (%YoY)	8.1		8.1
Friday 11 June					
India	1300	Apr Industrial Output (YoY%)	67		22.4
Malaysia	0500	Apr Industrial Output (YoY%)	38		9.3

Source: Refinitiv, ING

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