

Asia unmoved by FOMC

With the FOMC out of the way and no bombshells dropped, Asian markets look likely to maintain an upbeat mood



Federal Reserve

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The waiting game continues

There was little anticipation of anything too riveting from the US Fed yesterday, and they met expectations, though there was some nuance to the language of their statement that our man in NY, James Knightley, thinks hints at an earlier taper announcement than is currently being suggested by the Fed. For more detail from him and with additional support from our FX and rates strategists, [see this hot-off-the-press note written overnight.](#)

The market response to the FOMC meeting was fairly muted, with a small bull-steepening (shorter end yields fell more than longer-dated tenors), but overall bond yields down only slightly. The USD was a fair bit weaker relative to the EUR, which rose to 1.2130, though we have 1Q21 Advance US GDP data today, and if our stronger-than-consensus call is right, then any of yesterday's moves may prove to be very short-lived.

Asian markets have not done an awful lot following the FOMC - FX space saw the KRW give back some of this week's recent gains, and the INR benefited from spillover from a short squeeze in its bond markets, as investors looked to re-enter the market despite continuing poor Covid-19 news.

Asia today

We have already had most of the excitement we anticipate in terms of Asian economic releases today, with Korean business sentiment surveys already released, and repeating the pattern of strength across both manufacturing and non-manufacturing, but more pronounced for the manufacturing sector. No change there then.

Later on today we also expect a slew of Vietnamese data on trade, retail sales and inflation. consensus figures point to strong data there.

But there is more bad news for the Philippines as their lockdown is extended. Nicky Mapa in Manila writes: "President Duterte extended partial lockdown measures in the capital region for another 2 weeks through to mid-May as daily Covid-19 infections remain elevated. The Philippines was forced to reinstate hard lockdowns in March after new infections surged, a development that will likely knock off considerable momentum from the economic recovery. The Asian Development Bank (ADB) shaved off 2 full percentage points from their previous growth forecast with the new outlook pointing to a 4.5% GDP expansion this year as lockdowns weigh on consumer sentiment".

And looming long holidays could provide China with a helpful retail boost. Iris Pang writes: "China is headed into long holidays next week - the Labour Day holidays. With international travel still restricted, most tourism flows will occur within Mainland China. We expect this will lead to an increase in retail sales, tourism and rail transport income. The most important indicator for me is catering sales, where I expect to see another jump, and it means even with social distancing measures in place, China's consumption has recovered from Covid".

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