Good Morning Asia

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Overnight

Markets

	Last	Previous	% Change
DJIA	8185.7	8017.0	2.11
NASDAQ	1711.9	1673.8	2.28
FTSE 100	4189.6	4096.4	2.28
Nikkei 225	8783.3	8493.8	3.41
Dated Brent	49.18	49.09	0.18
US 10Yr Yield	3.09	3.02	
US 6mLIBOR	1.58	1.58	

Source: Bloomberg

Data

Cty	Event		Expected	Actual	Prior
US	MBA Mortgage Applications	APR24	- -	-18.1%	5.3%
GE	Bloomberg Retail PMI	APR			
EC	Eurozone M3 (sa, YoY)	MAR	5.7%	5.1%	5.8%
EC	Eurozone M3 (sa, 3mth avg)	MAR	5.9%	5.6%	6.4%
EC	Business Climate Indicator	APR	-3.53	-3.33	-3.49
EC	Eurozone Consumer Confidence	APR	-33	-31	-34
EC	Eurozone Economic Confidence	APR	65.6	67.2	64.7
EC	Eurozone Ind. Confidence	APR	-36	-35	-38
EC	Eurozone Services Confidence	APR	-24	-24	-25
US	GDP (QoQ, annualized)	1QA	-4.7%	-6.1%	-6.3%
US	Personal Consumption	1Q	0.9%	2.2%	-4.3%
US	GDP Price Index	1Q	1.8%	2.9%	0.5%
US	Core PCE (QoQ)	1Q	1.0%	1.5%	0.9%
US	FOMC Rate Decision	APR29	0.1%	0.3%	0.3%
UK	GfK Consumer Confidence	APR	-28	-27	-30

Source: Bloomberg

USA:

Only a bit different tune from the Fed overnight – no changes in policy. The FOMC decided to keep the targets for purchases of agency debt, agency MBS and longer-term Treasuries unchanged, while sticking to the target zone for the fed funds rate of 0-0.25%. The Fed's assessment of the economy proved slightly more upbeat, however, with the statement featuring such phrases as "the economy has continued to contract, though the pace of contraction appears to be somewhat slower." But, a clear note of caution remained "although the economic outlook has improved modestly since the March meeting […], economic activity is likely to remain weak for a time."

Upwards pressure on Treasury yields continued, with the yield on the 10-year UST rising 7bps overnight to 3.09%. Such upwards pressure on yields, combined with slow progress in TALF could ultimately prove a reason for the Fed to either increase the targeted amount of asset purchases or speed up the pace at which they are bought. A lot obviously depends on economic activity and whether the green shoots of a recovery are indeed just that, or a false dawn.

Elsewhere 1Q09 GDP fell by a more-than-expected 6.1% quarter-on-quarter annualized, where the market had been looking for -4.7%. The breakdown showed an interesting shift in the pattern of economic weakness, away from the consumer and net trade to in particular business investments, weak inventory growth and a slide in government spending. Equity markets sure felt there were elements to rejoice about, in particular as the FOMC chipped in later in the day. The S&P500 ended the day up 2.2% at 873.64.

There's a flurry of macro data out today, including personal income, the PCE deflator, weekly jobless claims, the Chicago PMI and the NAPM for Milwaukee. The latter two are interesting in light of tomorrow's nationwide manufacturing PMI and probably fall right in line with improving sentiment figures across the board, even as they remain at very low levels. Jobless claims are worth watching to see if a peak is indeed forming in the four-week moving average measure.

Eurozone: ECB's Weber is scheduled to speak today and may use the opportunity to drive home his message the refi rate shouldn't be cut lower than 1% and unconventional easing measures must continue to focus on liquidity providing operations, rather than wide asset purchases. There may be a rift in the ECB Council, but heavyweights like Trichet, Weber and Papademos are pretty much in agreement on the course to take.

It's a course that's hardly new and may work if the economic outlook for the Eurozone economies doesn't deteriorate further. If we do face a material deterioration going forward, the ECB Council may have to face a serious revision. They are steering away from the more aggressive and pro-active approach other major central banks have chosen, opting for a somewhat safer and conventional path. That's in part inspired by the unique difficulties the ECB faces, such as the lack of a Eurozone-wide Treasury. Yet avoiding the tough decisions could prove risky in itself.

Japan: Industrial production rose a more-than-expected 1.6% month-on-month in March. That's of course peanuts compared to the massive pullback seen over the prior five months, but it at least arrests the slide and offers the hope of a more meaningful rebound. On a year-on-year basis industrial production was still down -34.2% in March, improving from -38.4% in February. That provides some context at least.

Most encouragingly, the manufacturing PMI jumped 7.6 points to 41.4, which compared to a rock bottom reading of 29.6 in January. At 41.4 the series remains in depressed territory, but clearly this suggests the darkest clouds are lifting for the manufacturing sector.

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Asian data for release today

Time	Cty	Data	For	F/cast	Prior
21:00	NZ	RBNZ Rate Decision	APR30	2.50%	3.00%
21:00	SK	Business Survey - Mfg	MAY	- -	60
21:00	SK	Business Survey - Non-Mfg	MAY	- -	63
22:45	NZ	Building Permits (MoM)	MAR	- -	11.6%
23:15	JN	Manufacturing PMI	APR	- -	33.8
23:50	JN	Industrial Production (MoM)	MARP	0.8%	-9.4%
23:50	JN	Industrial Production (YoY)	MARP	-34.7%	-38.4%
0:00	AU	Conference Board Leading Index	FEB	- -	-0.6%
1:30	AU	Private Sector Credit (MoM)	MAR	0.3%	0.0%
1:30	AU	Private Sector Credit (YoY)	MAR	4.8%	5.4%
1:30	AU	NAB Business Confidence	1Q	- -	-42
2:00	SI	M2 Money Supply (YoY)	MAR	- -	11.2%
2:00	SI	Bank Loans & Advances (YoY)	MAR	- -	11.9%
2:00	SI	Unemployment Rate (sa)	1Q	3.2%	2.6%
4:00	JN	Vehicle Production (YoY)	MAR	- -	-56.2%
4:30	SK	Service Industry Output (YoY)	MAR	- -	0.1%
4:30	SK	Industrial Production Mfg (YoY)	MAR	- -	-10.6%
4:30	SK	Industrial Production (MoM)	MAR	0.0%	6.8%
4:30	SK	Industrial Production (YoY)	MAR	-13.0%	-10.3%
4:30	SK	Leading Index (YoY)	MAR	- -	-4.0%
5:00	JN	Housing Starts (YoY)	MAR	-22.5%	-24.9%
5:00	JN	Construction Orders (YoY)	MAR	- -	-24.9%
7:30	TH	Trade Balance	MAR	- -	$3946M
7:30	TH	Mfg Production (YoY)	MAR	-19.0%	-19.8%
7:30	TH	Capacity Utilization	MAR	- -	5540.0%
7:30	TH	Current Account Balance (USD)	MAR	$2286M	$4418M
7:30	TH	Business Sentiment Index	MAR	- -	37.4%
7:30	TH	Foreign Reserves	APR24	- -	115.7
8:30	HK	Govt Mthly Budget Surp/Def HK$	MAR	- -	-6.6B
9:00	HK	Money Supply M3 - in HK$ (YoY)	MAR	- -	-1.1%

Source: Bloomberg, Reuters

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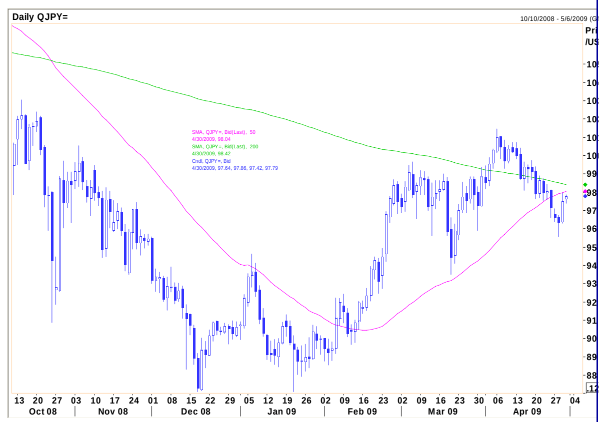
Chart 1: EUR/USD

Source: Reuters

Chart 2: USD/JPY



Source: Reuters