

Asia Morning Bites

Yen rally helps drag Asian FX along for the ride - helped by dovish FOMC comments



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Global Macro and Markets

- **Global Markets:** The FOMC last night delivered further small hints that September is being looked at for the start of some easing, but Chair Powell was keeping his options open, noting that the Fed still needed to see further confirmation on inflation, [though he did indicate that developments in the labour market were being looked at more closely.](#)

While this falls short of the scene setting for September that some were hoping for, markets have seized on this and Treasuries have rallied aggressively. The yield on the 2Y UST fell 10.1 basis points, and 10Y yields fell 11bp to just 4.03%. A September cut is now priced in with certainty, and almost three cuts are priced in by the year-end. With the labour market coming under closer scrutiny, tomorrow's payrolls will get even greater attention.

- EURUSD responded to the FOMC by rising, but with less certainty than the bond market, and has settled only slightly higher at 1.0824. The AUD has recovered from its inflation-driven drop yesterday and is back to 0.6544. The JPY is stronger, and sitting right on the 150 line. Cable was very choppy yesterday but has finished stronger at 1.2854. Asian FX had a good day yesterday. The THB followed the JPY stronger, rising by more than a per cent. The KRW,

MYR and PHP all followed stronger. USDCNY is now down to 7.2267. US equities took comfort in Powell's comments and rallied too. The S&P 500 gained 1.58% and the NASDAQ rose 2.64%. It was also a good day for Chinese stocks. The Hang Seng and CSI 300 both rose more than 2%.

- **G-7 Macro:** As noted above the [FOMC meeting](#) moved slightly further in the direction of endorsing a September rate cut, though stopped short of an outright hint. We also got a weakish ADP survey, which came in at just 122K. The manufacturing ISM survey is the main US release for today.

Eurozone inflation yesterday missed the consensus for no change and ticked up 1bp to 2.6% YoY in July, [further complicating the ECB's September meeting decision](#).

Today, we also have the Bank of England, [which is expected to cut Bank Rate to 5.0% from 5.25%](#)

- **South Korea:** Exports growth accelerated to 13.9% YoY in July (vs 5.1% in June) but came in below the market consensus of 18.4%. Favourable calendar effects are at work to stimulate the headline number. And adjusting for working days, average daily exports rose 7.1% YoY, which is a decent number, but a moderation from the double-digit growth of the past five months. Meanwhile, imports rose 10.5% YoY in July (vs -7.5% in June, 13.4% market consensus). Due to the import rebound, the trade surplus narrowed to USD 3.6bn in July from USD 7.9 bn in June.

What to look out for: S Korea July trade, PMIs from Japan, China, S. Korea

August 1st

US: FOMC rate decision

S Korea : July trade balance, Imports & exports, Manufacturing PMI

Japan: Jibun Bank Manufacturing PMI

Australia: June trade balance, Imports & exports

China: July Caixin China PMI

Philippines: July Manufacturing PMI

India: July Manufacturing PMI

Indonesia: July CPI

August 2nd

S Korea: July CPI

Japan: July monetary base

Australia: July PPI

Singapore: PMI

US: July non-farm payrolls

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