

Asia Morning Bites

Korea's unemployment rate remains steady in June. Chinese inflation is expected to inch higher



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Global Macro and Markets

- **Global Markets:** Fed Chair Powell's speech and Q&A with the Senate Banking Committee yesterday didn't cause too much upset in markets. Powell focussed on the mounting evidence for a cooling labour market suggesting that inflation wasn't the only thing for the Fed to worry about. There were no indications that there would be any changes to policy at the July meeting, but the September meeting is looking more and more like a live meeting. US Treasury yields didn't do much on Tuesday. The 2Y yield is barely changed from this time yesterday, while the 10Y yield is up less than 2 basis points at 4.296%. EURUSD has slipped a little lower to 1.0816. Cable and the JPY have also softened against the USD. USDJPY is now up to 161.34. Asian FX hasn't done very much over the last 24 hours. The THB and PHP have made modest gains, while USDCNY has risen to 7.2726. US equities were pretty flat yesterday, and US equity futures don't show a strong direction either. Chinese stocks were slightly better. While the Hang Seng was broadly unchanged, the CSI 300 gained 1.12%.
- **G-7 Macro:** Powell repeats his speech to the House Banking Committee later today. But we've probably heard all we are likely to hear at yesterday's event. There is nothing of note on the G-7 Macro calendar today.

- **China:** China publishes its June CPI and PPI inflation numbers this morning. We are expecting CPI to edge up to 0.4% YoY, which is in line with consensus forecasts this month. Pork prices have continued a recovery but the weakness of other food categories such as fresh fruit and egg prices, as well as soft non-food inflation from auto and communication appliances have suppressed inflation. Inflation has been low but positive for the last four months. Moving into the second half of the year, we should see inflation trend gradually higher and deflation fears allayed.
- **South Korea:** We believe that Korea's labour market remains healthy and won't have much impact on the BoK's decision tomorrow. The unemployment rate stayed at 2.8% in June for the fourth consecutive month, but the labour participation rate (64.4%) has moved down for two months now. By industry, construction (-21K) saw a fifth consecutive monthly decline and accommodation and food services also lost 33,000 jobs. On the other hand, wholesale and retail trade added jobs (6k) after shedding jobs for the past four months. Health and social work continued to add jobs for a third month despite on-going healthcare strikes.
- **Philippines:** Trade data for May are due at 0900 SGT/HKT. The reversal of an import spike in April will likely see the trade balance moving to a smaller deficit from the USD4.761bn deficit recorded in April. The consensus expects something close to USD4.5bn. We think it could be even less than that.
- **New Zealand:** No change is expected from the RBNZ at their meeting today. The RBNZ discussed a rate hike at their last meeting, but New Zealand's activity data suggests the economy is slowing, so the next move will probably be a cut. The August meeting could well sow the seeds for a cut in 4Q24. But today's meeting will probably retain recent hawkish rhetoric.

What to look out for : Korea's unemployment rate, China's inflation data, Philippines' trade balance, and RBNZ meeting, US CPI

July 10th

- Philippines: May Trade balance
- S Korea: June Unemployment Rate
- China: June CPI, June PPI

July 11th

- Australia: June CBA Household Spending
- Japan: May Core Machine Orders
- UK: May GDP
- S Korea: BOK Base rate
- China: FDI (Due by July 18th)
- US: Weekly Jobless Claims, real average hourly earnings, June CPI, June Core CPI

July 12th

- India: June CPI, June Industrial Production
- US: June Final Demand PPI, Core Final Demand PPI, U. of Mich. Sentiment

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