

Asia Morning Bites

China's trade data due for release today could throw some more light on the overcapacity question



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Global Macro and Markets

- **Global Markets:** Risk-off sentiment stabilized overnight and US equities rebounded on dips buying after Friday's sell-off. As the non-farm payrolls (NFP) numbers failed to convince for a 50bp cut, markets are now looking to the US inflation data (Wednesday release) to understand the pace of the Fed's rate cuts. It is clear that economic growth is losing momentum, and the markets now seem to be focused on whether the economy will end up with a soft or hard landing. A slowdown of the economy doesn't necessarily herald a recession. S&P 500 (1.2%), Dow Jones (1.2%), and Nasdaq (1.3%) all gained. The US Treasury market looks steady to mixed. The curve slightly flattened with short-end rates rising. But overall, market moves were rather limited. Market expectations of a possible 50bp Fed cut coming down to 30%. UST 2Y and 10Y were little changed at 3.67% and 3.7% respectively. In the FX markets, the strong USD returned with a 0.3% gain, while the Euro, Sterling, and Yen were all down against the USD.
- **G7 Macro:** There were no major data releases yesterday on the macro front. But the Conference Board's employment trend gained in August and Atlanta's GDPnow model estimated 3Q24 growth to be 2.5% compared to pre-NFP of 2.2%. So recession worries have calmed down a bit.

- **China:** China's General Administration of Customs is set to publish August's trade data sometime today. We are looking for trade growth to continue to slow on the month, and we are forecasting export growth of around 5% YoY and import growth of around 3% YoY for a trade balance of USD 74.9 bn. This month's data may have two scrutinised categories for those monitoring the overcapacity theme, one being auto exports, which have come under some recent pressure and are expected to continue to slow this month. Another category will be steel, which got some headlines last month amid rising exports but shrinking imports.

What to look out for: Japan money stock, Australia Westpac consumer confidence, China & Philippines trade balance

September 10th

Japan: August money stock M2 & M3, August machine tool orders

Australia: September Westpac consumer confidence, Westpac consumer index, August NAB business confidence

Philippines: July exports, imports, trade balance

China: August exports. Imports, trade balance

September 11th

S Korea: August unemployment rate

US: September 6th MDA mortgage applications, August CPI

September 12th

Japan: August PPI

India: August CPI, September industrial production

US: August PPI final demand

US: August ADP employment change, ISM services index

September 13th

US: August monthly budget statement, import, export, trade balance

Japan: July industrial production

Thailand: September 6th gross international reserve

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