

Asia Morning Bites

Indian inflation data could give the RBI more confidence to ease in the coming months, as global markets settle down after recent volatility



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Global Macro and Markets

- **Global Markets:** US Treasury yields continue to unravel some of the last week's moves. 2Y yields rose 1.5 basis points on Friday, and now sit at 4.053%. Fed funds futures now have just over 100bp of easing priced in by the December FOMC meeting, and there is about a 50% probability attached to a 50bp cut at the September meeting. 10Y yields dropped back to 3.94% though, a fall of 4.8bp. This week's July CPI release could provide further volatility. The Fed's Bowman took a slightly hawkish line in recent comments, saying that she still saw upside risks to inflation and continued strength in the labour market. There was more discussion about Fed independence from Vice Presidential candidate, JD Vance. EURUSD is still hovering above the 1.09 level but is not showing much sign of moving in either direction. USDJPY is at 147.08 and shows some signs of weakening in early trading today. The AUD slipped back on Friday after gains the previous day and is at 0.6569 now. And Cable is looking fairly steady at 1.2751. Asian currencies were mostly stronger on Friday, led by the MYR, KRW and TWD. The CNY was fractionally stronger at 7.1683. US equities finished the week rising modestly. Both the NASDAQ and S&P 500 rose about half a per cent. Chinese stocks were more mixed. The Hang Seng gained over a per cent, but the CSI 300 finished slightly lower.

- **G-7 Macro:** There wasn't much on the macro calendar last Friday, and there isn't much today either. Maybe give the NY Fed's 1Y inflation expectations number a quick look as inflation expectations get the occasional mention from Fed speakers.
- **India:** July inflation will fall from the June rate of 5.08%, the only question is, how much? The consensus expects a figure of about 3.6% YoY. We think there may even be a bit of downside risk to that forecast. This is mostly a food price effect, but more about the absence of any big spikes, rather than any near-term price declines. The RBI should gain encouragement that they are getting closer to a point at which easing policy looks sensible following their decision to leave rates on hold at 6.5% last week.

What to look out for: China Money Supply, India trade balance

August 12th

China: Money Supply (due 15th Aug)

India: July Trade balance (Due 15th Aug), CPI, June Industrial Production

August 13th

Japan: July PPI

Singapore: 2Q GDP

Australia: August Westpac Consumer Confidence

August 14th

S Korea: July unemployment rate

India: July wholesale prices

August 15th

Japan: 2Q preliminary GDP, June industrial production

Australia: July employment change, unemployment rate

China: July industrial production, retail sales, fixed assets Ex rural

Indonesia: July imports, exports, trade balance

Philippines: BSP overnight borrowing rate, June Overseas cash remittance

August 16th

Singapore: July non-oil domestic exports

Japan: June tertiary industry index

Taiwan: 2Q preliminary GDP

US: U. of Mich. sentiment

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