

Asia Morning Bites

Australia report their latest unemployment rate and Taiwan's CBC decides on policy today



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Global Macro and Markets

- **Global Markets:** US Treasury markets opted to interpret yesterday's data and FOMC meeting dovishly, though, in truth, this was a day of mixed messages. 2Y UST yields dropped 8.2 basis points and 10Y yields fell 8.8bp to 4.316% but had been down more before the FOMC meeting. Fed funds futures now have about one and three-quarters cuts priced in, which is more or less in line with the new dot plot median. The drop in US yields has helped to lift EURUSD back above 1.08 and the AUD has also risen strongly, getting back to 0.6666. It is a positive story across the rest of the G-10, though the JPY has given back much of its earlier gains and is now 156.78 after dropping to around 155.7. There was support also for the Asian FX pack. USDCNY has dropped to 7.2405 and we expect to see a strong start from other Asian FX this morning. US equity markets also took their lead from the lower yield environment and rallied strongly.
- **G-7 Macro:** US May CPI was better (lower) than the consensus had been expecting. The headline CPI index was flat from the previous month, helping the headline inflation rate to decline to 3.3% YoY from 3.4%. The news was arguably better for the core rate. This rose 0.2% MoM, though this was a "low" 0.2 (0.163 to 3dp) and much more in line with what the Fed needs to see to get inflation back to target. Core inflation dropped to 3.4% YoY from

3.6%.

What happened next was the Fed. Despite some more dovish commentary in the statement, which reflected some progress on inflation, the dot plot was shifted from 3 cuts this year to just one, though this was a fairly close decision. [James Knightley covers all this in detail in the linked note.](#)

Today's US PPI data is somewhat redundant following all of this.

- **Australia:** The May labour market report is out at 0930 SGT/HKT and as ever, anything is possible. Our rough guess at the numbers includes +25K for total employment, with a small decline in part-time jobs offsetting some of the full-time increase, and a further tick-up in the unemployment rate to 4.2%. These are very low-conviction calls.
- **India:** Inflation for May came in fractionally lower than the consensus at 4.75%, though if we concede that 2 decimal places is an overly optimistic approach to such data, then it was basically unchanged from the previous month (4.83%). Nonetheless, this will help those who think the RBI could cut rates before the Fed. However, we'll need to see a bit more evidence of moderating inflation before we amend our forecasts.
- **Taiwan:** The CBC hosts its monetary policy meeting today. We are expecting the benchmark rate to remain unchanged at 2% at this meeting. We continue to see the next move as a cut rather than a hike, but this move will likely have to wait until the Fed takes action.

What to look out for: Australia's labour report

- Australia unemployment (13 June)
- Taiwan CBC policy (13 June)
- US initial jobless claims and PPI (13 June)
- Japan industrial production (14 June)
- US Univ of Michigan (14 June)

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