

Asia Morning Bites

Further support for China's mortgage holders was reported yesterday, ahead of what could be a weak China data dump tomorrow



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Global Macro and Markets

- **Global Markets:** US Treasury markets had a fairly uneventful Thursday. 2Y yields were essentially unchanged over the day, while the 10Y yield edged up just over 2 basis points to 3.674%. There was more action in FX markets, where EURUSD rose to 1.1075 in late trading after shrugging off the ECB's 25bp rate cut. Other G-10 currencies also made gains against the USD. USDJPY is now 141.66. In the rest of Asia, there was less action, but there will probably be some catch-up with the G-10 this morning. US equities had another strong day. The S&P 500 gained 0.75% and the NASDAQ rose a full per cent. Chinese stocks were mixed. The Hang Seng rose 0.77% but the CSI 300 fell 0.43%.
- **G-7 Macro:** The ECB [cut policy rates](#) by 25bp yesterday. ECB President, Christine Lagarde, signalled that the direction for rates was "pretty obvious". We agree and think more aggressive rate cuts are on the way, with the pace of cutting increasing next year after another cut in December. US PPI for August rose a little more than expected, but with downward revisions to the prior month's data, there were no unexpected increases in the PPI inflation rate, so in net terms, it was basically as expected. Weekly jobless claims were also fairly steady. Today we have the University of Michigan consumer sentiment indices.
- **India:** August inflation came in slightly higher than forecast, which was the opposite direction than we expected the result to come in. The inflation rate for August rose to 3.65%

YoY from 3.54% as food prices were less of a drag than our proxy measures showed. This is still a sufficiently low rate of inflation to enable the RBI to follow the Fed with some easing at their next meeting on 9 October.

- **China:** Bloomberg reported yesterday that China is set to cut rates on existing mortgages as early as this month, speculating potentially up to 80bp of mortgage rate cuts. This is estimated to create around RMB 300bn of savings for households, and if speedily implemented it should give households more disposable income to use. We would not expect anywhere close to a 1:1 transmission into retail sales, given consumer confidence is near all-time lows and households' willingness to save was near historic highs at around 61.5% in the most recent PBOC survey. Nonetheless, it is a significant move that should provide real tangible benefits to households and support consumption, though it will also have a negative impact on Chinese banks.
- China is also set to publish its monthly data dump tomorrow morning. We are generally looking for another month of sluggish growth data this month, with the three big economic activity indicators of industrial production (5.1% prior, 4.8% forecast), fixed asset investment (3.6% prior, 3.5% forecast), and retail sales (2.7% prior, 2.5% forecast) all expected to moderate. The housing price data will also be scrutinised closely for signs of stabilisation.

What to look out for: US monthly budget, trade balance, Japan industrial production data

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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