

## Asia Morning Bites

China's data deluge draws near. ECB hikes rates while US retail sales surprise on the upside



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### Global Macro and Markets

- **Global markets:** We will start today with FX, given the ECB meeting yesterday, and the response of the market to what our [Head of Global Macro is describing as a dovish hike](#). EURUSD has dropped sharply to 1.0640, and this has taken the GBP lower too, now trading at just over 1.24. The BoE meets next week and is also expected to hike - also perhaps its last. The AUD has not been much impacted by this move, though despite the stronger-than-expected labour data yesterday, markets seem relaxed and are expecting no further tightening. [We are not so relaxed](#). The JPY was also a little softer, rising to 147.50. Other Asian FX was fairly quiet yesterday. The CNY is still hovering below 7.28 ahead of today's big data release. European bond yields dropped after the ECB decision. The yield on the 10Y bond fell 5.8bp to 2.588%. US Treasury yields were not affected by the European news and had to contend with another stronger-than-expected macro release in the form of retail sales. The US 10Y Treasury yield rose 3.8bp to 4.286%, while yields on 2Y USTs rose 4.2bp to 5.011%. Equity markets seemed to like the sense that rates aren't going any higher (if you believe the central bankers, and it's not like they have a great track record!). The S&P 500 rose 0.84% while the NASDAQ rose 0.81%. The NASDAQ is up 33.05% year-to-date, just in case you'd lost track. Triple witching today, so it may be volatile. Chinese stocks didn't do a

lot yesterday. The Hang Seng rose 0.21%, while the CSI 300 fell 0.08%. Volumes were fairly low.

- **G-7 macro:** The US economy is still refusing to roll over. August retail sales rose 0.6% MoM, much higher than the 0.1% expected. The control group growth rate was slower at 0.1%, but this was still more than had been expected. Markets are still not even 50% expecting another Fed rate hike. But you have to wonder how long they can keep this up after the recent upside inflation miss. US August PPI data also came in above expectations. It's a quieter day today, except for US existing home sales and the University of Michigan consumer confidence figures.
- **China:** The data deluge kicks off at 09:20 this morning (HKT/SGT) with the 1Y medium-term lending facility rate, which given the PBoC's struggles to support the CNY, and yesterday's RRR cut, seems likely to be left unchanged at 2.5%. New home prices come out at 09:30, and will likely show further month-on-month decline. Other property-related data today is unlikely to offer much sign of life. But at 10:00, the activity data emerges, and here, we think there may be some slightly less negative news. Recent export data and new CNY loan figures could indicate that production and retail sales numbers may increase slightly in year-on-year terms from last month. To be sure, we aren't expecting them to look strong, but a positive direction of travel could provide some support for markets. We will know soon enough.
- **India:** August trade figures come out later this afternoon. The slide in exports has been fairly consistent, but we are now reaching a point where year-on-year declines may start to shrink from double digits to low single digits. That is also likely on the import side, and the trade deficit is likely to remain close to last month's -USD20.67bn.
- **Indonesia:** Indonesia reports trade numbers today. The market consensus suggests that we'll have another month of contraction for both exports and imports as global trade remains subdued. The trade balance is forecast to settle in surplus but at a less substantial level of roughly \$1.5bn. Fading support from the trade surplus could be one reason for the IDR's struggles recently, and we could see the currency stay under pressure until we see this trend reversed.

## What to look out for: China data deluge

- China medium term lending rate (15 September)
- Indonesia trade balance (15 September)
- China retail sales, industrial production (15 September)
- US University of Michigan sentiment and existing home sales (15 September)

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