

# Asia Morning Bites 19 July 2022

Tech stocks pressured on recession fears - light macro calendar today



## Asia Morning Bites

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### Macro outlook:

- **Global Markets:** Apple is being cited on newswires for the pullback in US stocks yesterday, as it is reported to be slowing its hiring and cutting back on its spending plans. This is being taken as a sign that the Federal Reserve's tightening plans are starting to slow the economy (though surely it was obvious that raising rates aggressively would do this - if it didn't, then inflation would not fall...?). The S&P500 and NASDAQ are both down about 0.8% on the previous business day's close. Futures are green, but not convincingly so. And although Asia's tech stocks will probably struggle at the open, the rest of the day remains open. The EUR continued to pull back from parity yesterday and has risen to 1.014 now. The EUR made fairly steady gains, rising to 1.02 at one point. This hasn't done too much to lift the AUD, which at 0.6806 is roughly where it was when we wrote yesterday. Cable has had a better session, moving up to 1.1947 and the JPY has also had a more solid session, moving down to 138.18. The question now is, was parity it? Or is this the pause that refreshes? The Asian FX pack mostly made small gains against the USD yesterday, and will probably extend these today. The KRW has pulled back to 1317. Bond yields have pushed higher again. 2Y yields rose 5.4bp to 3.174%. And 10Y yields managed a 7bp gain to 2.986...a small sign that recession fears are actually waning in contrast to the Apple inference? It's too soon to say.

- **G-7 Macro:** A day of minor releases beckons – UK June labour market data, final European CPI for June and US June housing starts/building permits are today's key releases. None of these should move the needle as far as market risk sentiment goes. The blackout ahead of the FOMC meeting means no Fed speakers today either. However, we do get the ECB's Makhlouf today and BoE Governor Bailey delivers the Mansion House dinner speech.
- **Australia:** Reserve Bank of Australia (RBA) minutes for the July policy meeting are published later today. This was the meeting at which the RBA chose a 50bp hike over a 25bp option. The minutes should help explain why, and may also indicate a preference for the size of the hike at the next meeting.
- We also have RBA Deputy Governor, Michele Bullock speaking at a business lunch in Queensland today.
- **China:** Regarding the past-due mortgage incident, a fund could soon be created by Chinese banks and local governments to provide emergency funding for uncompleted residential construction projects, or even "buy" the projects to make sure completion will be faster. In addition, past due mortgage payments for uncompleted projects could avoid paying interest penalties for a period of time (to be decided by banks and local governments). This is to calm down mortgage borrowers. But this may encourage those who have paid in full for uncompleted projects to request a full return of their payments until projects are completed. The government's efforts so far may not be enough to completely settle this incident, which risks passing from residential property developers to the financial system, and at the same time worsening social discontent. Consequently, we expect more solutions from the government over the coming days.

## What to look out for: RBA minutes and US housing data

- Australia RBA minutes (19 July)
- US building permits and housing starts (19 July)
- China prime loan rate (20 July)
- Malaysia trade balance (20 July)
- Taiwan export orders (20 July)
- US existing home sales (20 July)
- Bank Indonesia policy meeting (21 July)
- Bank of Japan policy meeting (21 July)
- ECB policy meeting (21 July)
- US initial jobless claims (21 July)
- Japan CPI inflation (22 July)
- Thailand trade balance (22 July)
- Malaysia CPI inflation (22 July)

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