

## Asia Morning Bites

Asian markets in limbo ahead of US jobs report while Asian FX feels the heat from USD strength.



## Asia Morning Bites

Source: shutterstock

### Macro outlook

- **Global markets:** The slow bleed in US equities continues to show signs of clotting, though there was still a small fall from the NASDAQ yesterday even though the S&P500 managed to eke out a slight (0.3%) gain on the day. Futures markets are not signalling any intent ahead of the September payrolls release later today. Shorter dated US treasuries trod water yesterday. The yield on the 2Y note rose only 0.6bp – essentially flat – though 10Y yields kept pushing higher and added 6.1bp to take them to 3.253%. We still think there is a little more upside to come from these over the coming weeks, but let's see how payrolls pans out first before we start thinking about direction too seriously. The EUR didn't manage to buck the rest of the G-10 for long, and it has dropped back below parity against the USD to stand at 0.9948 now. That move has given other G-10 currencies another push lower, with the AUD now at 0.6789 after a weak day yesterday. Cable has dropped through another big figure, and is currently trading at 1.1545, virtually back to Covid-lows. And just as we intimated in yesterday's note, the JPY did indeed breach 140, and is at 140.07 now. What's going to stop the USD run? Right now, it's very hard to come up with a convincing-sounding answer to that. Asian FX had a lousy day yesterday. The KRW was the worst-performing currency, pushing back up through 1350. The THB, PHP and SGD all lost around 0.4-0.5% vs

the USD on the day. The latest comments from the Fed's Bostic, that the Fed still has "work to do" to control inflation, add nothing to the fed/inflation/rates picture. Other regional news that may weigh on markets today includes China's latest battle to keep Covid under control, involving more lockdowns in Shenzhen, Chengdu and Dalian, more US restrictions on technology exports to China, and continued tension across the Straits of Taiwan.

- **G-7 Macro:** As mentioned, it is US payrolls Friday today. The median forecast on Bloomberg is for employment growth of just under 300,000 with an unchanged (3.5%) unemployment rate and average hourly earnings growth of 5.3%YoY. Not much else matters today.
- **Korea:** Headline inflation slowed to 5.7% YoY in August (vs 6.3% in July) after six months of accelerating. The figure was also lower than the market consensus of 6.1%. The seasonally adjusted monthly growth rate declined by -0.23% for the first time since October 2020, mainly due to fuel-tax cuts and a drop in gasoline prices. We think inflation has now passed its peak. But fresh food prices are still expected to rise further in September and manufactured food prices are also scheduled to rise after the Choseok holiday. Also, utility fees - city gas and power - will rise again in October, and some local governments are planning to increase service fees too. Consequently, inflation will likely remain above 5% until the end of the year. The Bank of Korea (BoK) will take some comfort from today's data but will continue to stay on a hiking path at least until the end of the year. However, the weaker-than-expected inflation print supports our view that the BoK will end its hiking cycle at 3.0% in November.

## What to look out for: US non-farm payrolls

- South Korea CPI inflation (2 September)
- US non-farm payrolls, durable goods orders and factory orders (2 September)

### Author

#### Min Joo Kang

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central

Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).