

Asia Morning Bites

Official China PMI data disappoints ahead of Caixin figures



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Global Macro and Markets

- **Global Markets:** US Treasuries are hard to please. The much awaited PCE figures on Friday were fractionally lower than forecast, but Treasury yields still rose slightly. The 2Y yield rose 2.3 basis points while the 10Y rose 4.2bp and is currently 3.903%. EURUSD continued to pull back from recent highs, and is now 1.1046. The AUD has dropped back to 0.6769 and Cable and the JPY are also both weaker. The JPY is now 146.45. Asian FX was fairly quiet on Friday. The KRW and SGD followed the G-10s weaker. The THB and PHP were a little stronger. USDCNY strengthened slightly to 7.0913. US equities took support from the softer inflation prints to rise by over 1%. It was also a strong day for Chinese stocks. Both the Hang Seng and the CSI 300 rose more than a per cent.
- **G-7 Macro:** There wasn't much to get excited about with [the US July PCE figures](#), but there was some help from rounding on some of the year-on-year numbers. The Headline PCE index rose 0.2% MoM as expected, and PCE inflation remained 2.5% - also as expected.

The core PCE also rose 0.2%, but instead of rising to 2.7% YoY, the inflation rate remained at 2.6% YoY. There was a little further inflation data later on, as University of Michigan Consumer sentiment figures, which include some inflation expectations, showed the 1Y ahead view softening slightly. The sentiment figures were also a little soggy. There is no G-7 data today except for some final PMI data and very dated German retail sales data for May.

- **Japan:** Capital spending rose 7.4% YoY in 2Q24 (vs 6.8% 1Q24, 10% market consensus). Company sales (3.5%) and profits (13.2%) all posted solid gains. Regarding quarterly growth, capital spending rebounded 1.2% QoQ sa (vs -3.9% in 1Q24). By industry, non-manufacturing investment (3.5% QoQ) rebounded while manufacturing fell for a second quarter, suggesting that the domestic demand-led recovery is continuing. We expect GDP to post a modest gain in the current quarter on the back of the recovery in consumption and investment.
- **China:** Over the weekend, the National Bureau of Statistics published China's official August manufacturing PMI. This fell from 49.4 to 49.1, coming in weaker than market forecasts and matching the year's lowest level. As expected new orders, new export orders, and employment all remained in contraction, but disappointingly production also fell into contraction for the first month since February. This month's PMI data was another data point showing manufacturing strength from the first half of the year is cooling off and that we will need to see other areas of the economy pick up if the 5% GDP growth target is to be achieved. The Caixin manufacturing PMI release is scheduled for release this morning, where markets are looking for a recovery to 50, but could be disappointed again if it follows the trend from the official data.
- **South Korea:** South Korea released its August trade data over the weekend. Export growth moderated to 11.4% YoY in August (vs 13.9% in July, 11.8% market consensus), partially due to unfavourable calendar effects. Details showed that strong global demand for IT continued, and petroleum and petrochemical exports advanced due to higher utilisation of domestic refineries. Seven of the fifteen main export items rose in August. IT exports were particularly strong. Semiconductors (38.8%), computers (183%, and mobile phones (50.4%) all increased. The launch of new mobile phones in 2H and investment in AI servers by big tech companies are the main reasons for the strong IT exports.

Auto and auto parts exports declined by -4.3% and -3.5% respectively, partly due to factory shutdowns for line upgrades and labour strikes. We expect this to rebound in the coming months. By region, seven of the nine main destinations increased. Exports to the US (11.1%), China (7.9%), ASEAN (1.7%), and EU (16.1%). Exports to the EU rebounded for the first time in seven months, but this was largely due to a surge in volatile ship exports. We believe that final demand in the EU is still relatively weak compared to other major economies.

Imports rose 6.0% YoY in August (vs 10.6% in July, 6.3% market consensus). Energy imports rose 17.3% with crude oil (30.1%) and gas (5.7%) both higher. Semiconductors (19.0%) and naphtha (19.5%) also posted strong gains. However, consumer goods such as apparel and phones declined -12.5%, suggesting weak domestic demand.

- **India:** 2Q24 GDP slowed to a 6.7% YoY pace, down from 7.8% in 1Q24. The GVA measure of output was stronger though, showing a rise to 6.8% YoY from 6.3%. Some view these GVA figures as more representative than the GDP data. Fiscal deficit data for July were also decent, coming in way under last year's numbers and leaving India well on track to achieve its 4.9% deficit target for the current fiscal year.

- **Indonesia:** Inflation for August is forecast to come in flat on the previous month, leaving the inflation rate at 2.11% - insignificantly different to the July 2.13% figure. Indonesian inflation remains well-behaved, opening the door for BI to ease as soon as it feels the IDR is stable enough to withstand lower rates

What to look out for: multiple country PMIs, Australia Melbourne institute inflation

September 2nd

Japan: 2Q Capital Spending, August Jibun bank manufacturing PMI

Indonesia: August CPI, S&P global manufacturing PMI

S Korea: August S&P manufacturing PMI

Taiwan: August S&P manufacturing PMI

Australia: August Melbourne institute inflation, building approvals

China: August Caixin manufacturing PMI

Singapore: August PMI

September 3rd

S Korea: August CPI

Japan: August monetary base

Australia: 2Q BoP current account balance

US: August S&P global manufacturing PMI

September 4th

Australia: 2Q GDP

China: August Caixin composite PMI

S Korea: August foreign reserves

India: August HSBC composite PMI

Japan: Aug Jibun bank composite PMI

US: July trade balance, factory orders, durable goods orders

September 5th

S Korea: 2Q GDP

Japan: July labour cash earnings

Philippines: August CPI

Australia: July trade balance

Singapore: July retail sales

Taiwan: August CPI

US: August ADP employment change, ISM services index

September 6th

S Korea: July BoP current account balance

Japan: July household spending, leading index CI

Indonesia: August foreign reserves

Vietnam: August CPI, import, export, trade balance

US: August unemployment rate, change in nonfarm payrolls, change in manufacturing payrolls

China: August foreign reserves (September 7th)

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