Asia Morning Bites

Blinken-Xi handshake fails to boost markets. RBA minutes and China's loan prime rate will be released this morning.

Source: shutterstock

Global Macro and Markets

- **Global markets:** With the US off on vacation yesterday, there is no US equity market to track this morning in Asia time, though equity futures are not looking very positive and that may be the main directional steer in early trading today. Chinese stocks reversed course yesterday and dropped. The Hang Seng was down 0.64%, while the CSI 300 fell 0.82%. In the absence of any US Treasury news, European bond yields drifted higher. The 10Y Bund yield rose 4.3bp to 2.513%. 10Y Gilt yields rose 7.9bp to 4.483% ahead of this week's expected Bank of England rate hike. EURUSD edged lower yesterday and is 1.0922 currently. G-10 currencies were also softer against the USD, though the JPY was steady at 141.94. Most Asian currencies were also softer against the USD. The CNY pushed back up to 7.1635, while the KRW, the region's worst-performing currency on the day, rose to 1281.86.
- **G-7 macro:** Downbeat markets occurred despite a Blinken-Xi handshake, which had been viewed as an indication of successful talks on winding down US-China tensions. The talks are thought to lay the groundwork for a Biden-Xi summit later this year. It is another quiet day for Macro today. Besides US housing starts and permit data for May, we have German PPI data and not a lot else. We have a few Fed speakers today (Bullard, Williams) before the main act tomorrow when Jerome Powell starts his testimony to Congress.

- **China:** After the recent cuts in the 7-day reverse repo rate and the 1Y MLF rate, loan prime rates (LPR) will almost certainly be cut today. The 1Y loan prime rate should also fall 10bp to 3.55%. The 5Y LPR is thought likely to fall 15bp to 4.15%.
- **Australia:** The minutes from the Reserve Bank of Australia's (RBA) last meeting, where they surprised markets with a 25bp hike, are released this morning. Any hint as to what to expect at the July meeting would be welcome following a period where communication has not been particularly effective. Clarity is unlikely though.

What to look out for: China loan prime rate, RBA minutes plus Fed speakers

- China 1 and 5-year loan prime rate (20 June)
- Australia RBA minutes (20 June)
- Japan industrial production F (20 June)
- Taiwan export orders (20 June)
- US building permits and housing starts (20 June)
- Fed's Bullard and Williams speak (20 June)
- South Korea PPI (21 June)
- Australia Westpac leading index (21 June)
- US MBA mortgage applications (21 June)
- Fed's Powell speaks (21 June)
- Fed's Goolsbee speaks (21 June)
- Philippines BSP policy meeting (22 June)
- Indonesia BI policy meeting (22 June)
- US initial jobless claims (22 June)

- Fed's Waller, Bowman and Mester speak (22 June)
- Japan CPI inflation and Jibun PMI (23 June)
- Singapore CPI inflation (23 June)
- Thailand trade balance (23 June)
- Fed's Barkin and Bullard speak (23 June)

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