

Asia Morning Bites

Strong export data from North Asia and some more support for China's property market. BI and BoT meetings are worth watching...



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Global Macro and Markets

- **Global Markets:** US Treasury yields resumed their fall on Tuesday ahead of Friday's Jackson Hole Powell speech. 2Y yields fell 8.2 basis points, while the yield on 10Y bonds fell 6.4bp to 3.807%. EURUSD has driven above 1.11 and is currently sitting at 1.1130. The G-10 currencies have all also made gains against the USD. The AUD is at 0.6747, Cable is up to 1.3035 and USDJPY is looking at the 145 level again in early morning Asia trading. It was another strong day for other Asian currencies too. The IDR took the lead gaining 0.76% against the USD, and the THB had another good day. USDCNY is 7.1293. US stocks closed slightly lower on Tuesday. The S&P 500 fell 0.2% and the NASDAQ dropped 0.33%. Chinese stocks were also in the red. The Hang Seng fell 0.33% and the CSI 300 fell 0.72%.
- **G-7 Macro:** It was a very uneventful day yesterday in the G-7 and will be again today. However, there will be some annual US payroll revisions later, which could change the path of payrolls as we currently know it, and the most likely outcome is that it will be significantly weaker.

- **Indonesia:** Bank Indonesia (BI) meet today to decide what to do with policy rates. The BI rate of 6.25% is one of the highest in the region in absolute and inflation-adjusted terms, and the recent cut in rates by the Philippine central bank which didn't have undue consequences for the PHP may encourage thoughts of a cut by BI. However, a no-change decision remains by far the more likely outcome. The Bank of Thailand (BoT) also decides on rate policy today. The BoT is also not likely to cut rates, but with the THB performing strongly, the downside risks to a cut have probably diminished, and a cut cannot be totally ruled out.
- **China:** Reports came out yesterday that China would start to allow local governments to issue special bonds to support the housing market by purchasing unsold housing projects. It appears the urgency to support the housing market has recently picked up again after several months of soft price data. However, it is questionable how much of an effect this stimulus could have; according to a Bloomberg report, only 8% of the current rescue funds have been tapped. There remains a lack of market incentive to quickly utilise the rescue funds, with price expectations, low rental yields vis-à-vis other fixed-income products, and logistical challenges of purchases as hurdles to overcome. Rate cuts could help shift incentives in the right direction.
- This morning, we saw Japanese and South Korean exports rise solidly, with notable gains in the tech and auto sectors, suggesting continued strong global demand for semiconductors and autos.
- **Japan:** Exports rose 10.3% YoY in July (vs 5.4% in June, 11.5% market consensus). Exports slightly missed the market consensus, but showed a robust acceleration, suggesting the economy is in recovery. It is also encouraging to note that exports grew across all major categories. Technology exports were particularly strong, with increases in chip machines (27.8%), chips (25.2%) and computer parts (23.9%). Automobile exports also grew by a solid 6.2%. By country, exports to the United States (7.3%) and China (7.2%) saw solid growth, while exports to the European Union fell by -5.3%.
- **South Korea:** Early August exports (first 20 days) advanced 18.5% YoY with semiconductors (42.5%), vessels (79.0%), and computer parts (98.4%). We expect robust exports to continue but the composite business sentiment declined to 92.7 in September (from 93.4 in August). However, this was the first decline in five months, so we'd like to keep our positive view on exports for now. On a separate report, producer prices rose to 2.6% YoY in July (from 2.5% in June), with fresh food and energy prices rising the most. Although PPI has accelerated for eight consecutive months, PPI inflation remains at relatively low levels. Today's robust exports and manageable inflation data will give the BoK an excuse for keeping its policy rate on hold for another month. [Please see details here.](#)

What to look out for: South Korea PPI, Japan trade balance, Indonesia BI-rate

August 21th

S Korea: July PPI

Japan: July imports, exports, trade balance

Australia: Westpac leading index

Indonesia: August BI-rate

August 22th

S Korea: Bok base rate

Japan: Jibun Bank August Manufacturing PMI

Indonesia: 2Q BoP current account balance

India: August HSBC India Manufacturing PMI

Japan: July machine tool orders

Taiwan: July unemployment rate

August 23th

Japan: July national CPI

Singapore: July CPI NSA

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