Asia Morning Bites

Bank of Korea meeting and regional PMIs - though markets will likely be quiet ahead of Jackson Hole

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Global Macro and Markets

- **Global Markets:** US Treasury yields took their direction on Wednesday from a large downward annual revision of the non-farm payrolls data, and also FOMC minutes, which seemed to point fairly firmly to a September cut – barring accidents and data surprises. The 2Y Treasury yield fell 5.3 basis points, though the 10Y only dropped 0.6bp to 3.801%. EURUSD continued its upward march, though got cold feet as it neared 1.1180 and pulled back to just under 1.1160 now. The AUD remains at around 0.6750, but Cable has tracked the EUR's ascent and risen to 1.3092. USDJPY is also lower and is currently trying to consolidate below 145. In Asia, there was a bit of correction from some of the recent outperformers on Wednesday. The THB, IDR and KRW all lost a little ground, though we could see that reversed today. USDCNY is roughly unchanged at 7.1314. US stocks made modest gains on Wednesday, but it was another day of losses for Chinese stocks.

- **G-7 Macro: There were two key events on Wednesday. The first was the downward revision to payrolls.** Here's a longer note with the details by James Knightley.

The key takeaways are that the level of employment turns out to be 818,000 lower than was reported prior to the revisions. That still leaves employment up by 2.1 million in the year to March 2024, but the rate of increase is clearly slower. This revision has no bearing on the unemployment rate, which is calculated from a different data source.

The second key release was the minutes of the July FOMC meeting.

> - *"The vast majority observed that, if the data continued to come in about as expected, it would likely be appropriate to ease policy at the next meeting."*

- The key sentence in the report is this "*The vast majority observed that, if the data continued to come in about as expected, it would likely be appropriate to ease policy at the next meeting."* So it looks like September is on for easing unless we get a big upside shock to payrolls or inflation before then. Today is relatively quiet for US macro, with PMI data and existing home sales. There is also PMI data out in Europe.

- **Japan:** Japan's PMIs improved modestly in August. The manufacturing PMI rose from 49.1 to 49.5 as car production slowly returned to normal while strong demand for IT continued. The service sector PMI rose further to 54.0 from 53.7.

- **South Korea:** The Bank of Korea will hold its monetary policy meeting today and also release its quarterly outlook report. Regarding the policy meeting, the market is expecting no rate action, however, opinions are divided on whether there will be a minority vote or not. The recent rapid rise in mortgages and house prices in the Metropolitan Seoul area is likely to prevent the BoK from giving a stronger dovish signal. But at the same time, slowing household consumption and domestic activity are increasing the need for a rate cut. If there is a minority opinion, the market will probably take it as a strong signal for a rate cut in October, thus market rates are likely to run down more quickly from current levels. With or without a minority vote, Governor Rhee is expected to maintain a hawkish tone at its post-meeting press conference. As for the outlook report, the 2024 GDP and CPI forecasts are likely to be revised down, reflecting weaker-than-expected 2Q24 GDP.

- **Australia:** PMI data for the manufacturing and service sectors in Australia point to firming activity. Although the manufacturing PMI remained below the 50-breakeven threshold, it rose from 47.5 to 48.7. The service sector, which accounts for more economic activity and employment, rose from 50.4 to 52.2. This isn't making the Reserve Bank of Australia's job any easier.

- **India:** PMI data in recent months has been very strong for both manufacturing and service sectors. We don't envisage any dramatic shift in that pattern with the figures due today.

The July PMI for manufacturing was 58.1, and for services, it was 60.3.

What to look out for: South Korea BoK base rate, regional PMIs

August 22nd

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 23rd

Japan: July national CPI

Singapore: July CPI NSA

US: Jackson Hole Powell speech

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