

Asia Morning Bites

China's 3rd Plenum details numerous supply-side reforms to boost the economy. Early Korean trade data for July run strong



Asia Morning Bites

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Global Macro and Markets

- **Global Markets:** The main news overnight has been President Biden's decision to step down ahead of this November's US Presidential elections, and his endorsement of Kamala Harris. While this does not ensure that Harris moves forward, some other possible candidates have already endorsed Harris, notably Josh Shapiro of Pennsylvania and California's Gavin Newsom. US bond futures are slightly higher currently, and the USD a little weaker. EURUSD is up at 1.090 currently. So far, this is in line with prior expectations. Other G-10 currencies are also slightly stronger against the USD this morning. Asian FX will likely see a stronger day after finishing last week softer. US equity futures are indicating a strong opening later today.
- **G-7 Macro:** There is virtually nothing on the G-7 calendar of note today. Instead, markets will be concentrating on the fallout from the Biden decision. It's a pretty quiet start to the week but it will heat up from Thursday when we get the Advance 2Q US GDP release and the PCE inflation numbers the following day.
- **China:** The detailed document "[Resolution of the Central Committee of the Communist Party of China on Further Deepening Reform Comprehensively to Advance Chinese Modernization](#)" following the Third Plenum was released on Sunday. The lengthy document

built upon the key themes laid out in last week's Communique and fleshed out more details. A highlight to note was committing to a timeline of 2029 for completing the reforms outlined in the resolution. On the real estate market, as expected, the document went into more detail on the new development model. It included a mention of increasing the construction and supply of affordable housing, as well as giving each city government autonomy to regulate the real estate market and implement city-specific policies, which indicates that more policy support is likely in areas where it is needed. There were more details on plans for fiscal reform, including expanding local government tax sources (consumption, maintenance, education, etc.) and giving local governments more autonomy to set taxes and issue special bonds, standardising various tax systems, reducing the tax burden of the manufacturing industry and increasing personal income tax deductions. Measures to boost demand included building a "complete domestic demand system" and improving social security, though details remained scarce.

This morning, the People's Bank of China cut the 7-day reverse repo rate from 1.8% to 1.7%, [which is expected to become the main policy rate moving forward](#). This move may signal other key rates coming down as well. China's loan prime rates are also announced this morning, where we expect both the 1-year and 5-year rates to remain unchanged after the medium-term lending facility rate was left unchanged last week. The LPR has come under some scrutiny lately, as the PBOC noted that the actual best rates given to customers were sometimes inconsistent with the LPR quoted.

- **Taiwan:** June's export orders data is out in the afternoon today. we are looking for a further acceleration of export orders growth to 13.5% year-on-year in June, on the back of recent positive momentum and a supportive base effect from last year.
- **South Korea:** The early July trade data showed that export gains are broadly based, with seven out of the top ten main export items registering an increase and, in terms of destination, exports to all top 10 countries rose. We are concerned about the slowdown in global demand in general, but at least Korean exports suggest that global demand remains healthy in the near term.
- In the first 20 business days of July, exports were up 18.8% YoY in July and adjusting for working days, average daily exports rose 11.6%. Semiconductor exports recorded a 57.5% rise and car exports also recorded a modest gain of 1.8%. We found it positive that petroleum (28.4%), steel (8.8%), and household appliances (12.2%) exports also gained.
- By destination, exports to China, Taiwan, and Hong Kong rose by 20.4%, 95.7%, and 92.9% respectively, mainly due to strong semiconductor exports. Exports to developed markets were also solid as exports to the US, EU, and Japan all increased. We expect full-month exports to rise sharply in July, boosted by a favourable calendar effect of 1.5 working days more than last July. We continue to expect strong exports to drive overall growth throughout this year.

What to look out for : Chinese Loan Prime Rate, Taiwanese exports orders, South Korean early July trade

July 22nd

China: 5-Year and 1-Year Loan prime rate

Taiwan: Unemployment rate, Export orders

US: Chicago Fed Nat Activity Index

July 23rd

S Korea: June PPI

Singapore: June CPI

Taiwan: Industrial production

Japan: Machine tool orders

July 24th

Japan: Jibun bank Japan Flash PMI

S Korea: July Consumer sentiment index

Philippines: June budget balance PHP

July 25th

Vietnam: July CPI, Trade balance, Exports and Imports (By 31st July 2024)

S Korea: 2Q24 GDP

Japan: PI services

Singapore: July MAS Monetary Policy Statement

Australia: Judo Bank PMIs

India: HSBC PMIs

July 26th

Japan: July Tokyo CPI, Leading index CI

Singapore: June Industrial production

US: U. of Mich. Sentiment

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