

## Asia Morning Bites

Asia markets could be jittery ahead of the projected Fed rate hike later in the week.



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### Macro outlook

- **Global markets:** After a strong week of gains, US stocks finished the week with a bit of profit taking – the S&P500 falling 0.93% and the NASDAQ giving up 1.87%. Equity futures are in non-committal territory today – slightly negative. Some weak results from social media firms coupled with a disappointing service sector PMI index in the US have been cited as drivers for Friday's equity price action. There has been no corresponding spillover in FX markets though. The EURUSD is approximately where it was this time Friday, at 1.0203, though it has been sharply higher and lower in the interim. The AUD is slightly stronger at 0.6911, and Cable is about unchanged at 1.1990 – again with big swings in-between. The JPY in contrast has been strong, moving down to 136.39 from about 137.0 this time Friday. Other Asian FX mostly made small gains on Friday. The THB benefited from comments that the Bank of Thailand would focus more on inflation and that it would step into the market in the event of excessive moves. The KRW bucked the trend with some further slight depreciation to 1312.88 from about 1308 this time Friday. European 2Y bond yields led the rest of the market on Friday, falling around 20bp and dragging down yields on the US 2Y note by 11.5bp to 2.97%. 2Y US yields haven't been below 3% since 6 July. Yields on the 10Y US Treasury dropped 12bp to 2.75%. Again, 10Y European bond yields fell more, dropping

by close to 20bp, including Italian and Greek bonds.

- **G7 Macro:** This week is FOMC week (75bp of hikes expected), so markets may be a bit jittery ahead of this, though today, there isn't much on the calendar for them to get their teeth into. US data is confined to some business activity surveys (Chicago national activity and Dallas Fed Manufacturing survey respectively). Germany releases the July Ifo index of business climate - small declines expected. And the UK distributive trends survey is also published - also with declines expected. The FOMC decision will be out at 2 am 28 July Singapore time, so we will wake to the news on Thursday morning along with 2Q22 US GDP, which some Nowcasting estimates have coming in for a second consecutive negative reading. Though our house forecast is for 0.4% QoQ (saar) growth. Still, a bit close for comfort.
- **Singapore:** June inflation will be released today. The market is expecting headline inflation of 6.2%YoY while core inflation could rise to 4.1%. Accelerating inflation pushed the Monetary Authority of Singapore (MAS) to carry out several tightening measures to date and we could see further action in October should inflation continue to rise.
- **Taiwan:** Industrial production for June should reflect a growth rate similar to that in May of 4%-5%, though the risk is on the downside because Mainland China's consumer demand for electronic goods has not yet recovered to the level prevailing before the Shanghai lockdowns. Most of the recovery should come from the sale of electric vehicles, which require a lot of semiconductors in the manufacturing process, and consumption subsidies should keep these sales supported for several months. But demand for smartphones remains weak.

## What to look out for: FOMC meeting

- Singapore CPI inflation (25 July)
- Taiwan industrial production (25 July)
- Hong Kong trade balance (25 July)
- South Korea GDP (26 July)
- Singapore industrial production (26 July)
- US conference board consumer confidence and new home sales (26 July)
- China industrial profits (27 July)
- Australia CPI (27 July)
- Thailand trade balance (27 July)

- Durable goods orders (27 July)
- FOMC decision (28 July)
- Australia retail sales (28 July)
- US 2Q GDP and initial jobless claims (28 July)
- South Korea industrial production (29 July)
- Japan Tokyo CPI, retail sales and labor data (29 July)
- Taiwan GDP (29 July)
- US personal spending, core PCE, Univ of Michigan sentiment (29 July)

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