

Asia Morning Bites

Politburo pledges support for China's economy - we await detailed plans



Asia Morning Bites

Source: shutterstock

Global Macro and Markets

- **Global markets:** US equity markets made small gains yesterday, though the price action was far from conclusive. The S&P settled 0.4% higher than the previous day while the NASDAQ rose just 0.19%. Chinese stocks fell. The Hang Seng was down 2.13% and the CSI 300 fell 0.44%. That might change today after a Chinese Politburo meeting yesterday vowed to provide more aid for the property sector as well as boost consumption and tackle local government debt issues. Equity futures are positive, but we will reserve judgement until we hear some details. We have had plenty of vague promises already, which don't amount to a great deal so far. US Treasury yields seem to have decided that this week's FOMC meeting will be hawkish, and 2Y yields jumped up 8.2bp to 4.919% yesterday. The yield on 10Y bonds rose just 3.8bp to 3.872%. EURUSD fell again yesterday, dropping to 1.1063. The AUD was flat at 0.6734, Cable dipped to 1.2816, and the JPY remained stable at 141.59. Asian FX didn't move much yesterday. The TWD fell 0.39% after industrial production fell slightly more than expected. At the other end of the spectrum, the KRW made gains of 0.28%. The CNY was unchanged.
- **G-7 macro:** PMI data yesterday was weaker across much of the Eurozone, and the aggregate composite PMI dropped a full point to 48.9, with very weak manufacturing (42.7

from 43.4) and a slowdown in service sector growth (51.5 from 53.7). The equivalent US series showed a smaller manufacturing contraction (49.0) but also showed service sector growth slowing (52.4 from 54.4). Today, Germany's Ifo survey will add more detail on the German situation. The US releases house price data (S&P CoreLogic numbers as well as FHFA data). And the US Conference Board releases its July confidence data.

- **South Korea:** Korea's real GDP rose 0.6% QoQ sa in 2Q23 (vs 0.3% in 1Q23, 0.5% market consensus). 2QGDP was up from the previous quarter and slightly higher than the market consensus, but the details were quite disappointing. Net exports contributed to the growth (+1.3pt) but it was mainly because the contraction of imports (-4.2%) was deeper than that of exports (-1.8%). Looking ahead, we think that GDP in 2H23 will slow down again, as forward-looking data for domestic demand indicates a further deterioration. Please see our 2H23 outlook details [here](#).

We think today's data should be a concern for the Bank of Korea as exports remain sluggish amid expectations of a further worsening of domestic growth. Also, this year's fiscal support is likely to remain weak, considering the tax revenue deficit and normalization of covid related fiscal spending. Thus, the BoK's policy focus will gradually shift from inflation to growth over the next few months as we expect inflation to stay in the 2% range most of the time in 2H23.

- **Indonesia:** Bank Indonesia meets today to decide on policy. BI is widely expected to keep rates untouched at 5.75% to help shore up the IDR and ensure FX stability. Previous dovish comments from BI Governor Warjiyo suggesting rate cuts could be considered have been set aside for now and we could see an extended pause from BI with any rate cut only considered later on.

What to look out for: Central bank decisions

- Bank Indonesia policy meeting (25 July)
- Hong Kong trade (25 July)
- US Conference board consumer confidence (25 July)
- Australia CPI (26 July)
- Singapore industrial production (26 July)
- US new home sales (26 July)
- US FOMC decision (27 July)
- China industrial profits (27 July)

- ECB policy decision (27 July)
- US personal consumption, durable goods orders initial jobless claims (27 July)
- South Korea industrial production (28 July)
- Japan Tokyo CPI and BoJ policy (28 July)
- Australia PPI (28 July)
- US personal spending, core PCE, University of Michigan sentiment (28 July)

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.