

Asia Morning Bites

Asian currencies energized by Powell speech



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Global Macro and Markets

- **Global Markets:** “The time has come for policy to adjust”, said Fed chair Powell during his Jackson Hole speech last Friday, adding “The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook and the balance of risks”. [Here are James Knightley's thoughts on the speech and what it implies.](#)

So, September is on, though if it is going to start with a 50 rather than a 25 basis point cut, we will need substantial support from the data between now and then. The core PCE data out this week may not do much to further the argument either way, as the 0.2% MoM increase expected would lead to a slight uptick in the inflation rate to 2.7% from 2.6%. But the following week is a payrolls week, which could be more impactful. In the end, the market reaction was not all that substantial. 2Y US Treasury yields fell 8.8 bp, and 10Y yields fell 5.3bp to 3.799%. The September Fed funds futures contract is fully priced in for a 25bp cut and has an additional 25bp about 37% priced in. There was a more abrupt reaction from currency markets. EURUSD jumped to 1.1190, the AUD has risen to 0.6790, Cable has risen to 1.3209 and the JPY is down at 143.83. Asian currencies have also seen gains, though some will catch up in early trading this morning. But the KRW and SGD have already made solid gains. The KRW is now down to 1327 and the SGD is hovering just above 1.30. USDCNY

is down to 7.1209. [Lynn Song asks whether the worst of the CNY depreciation pressure is over in this note.](#)

US equity markets liked the confirmation of impending rate cuts and the S&P 500 rose 1.15% and the NASDAQ rose 1.47% on Friday. Equity futures suggest some profit-taking today. Chinese stocks were more mixed. The Hang Seng was fractionally down on Friday, though the CSI 300 rose 0.42%.

- **G-7 Macro:** Apart from Jackson Hole, Friday was very quiet for macro-relevant data. Today remains fairly uneventful. The August German Ifo index is published though, and the consensus is for it to keep trending lower. US durable goods orders are also published today for July. Friday is the big day with the core PCE data.
- **China:** The PBOC will announce its 1-year medium-term lending facility rate and volume at its new delayed time this morning. We expect it to be held unchanged this month at 2.3%. While the rate is not expected to see any surprise today, it could be worth monitoring the volume to see if there are any larger-than-expected declines which could indicate a gradual phasing out of the MLF. Markets are looking for an uptick of the volume from RMB 200bn to RMB 275bn.

The MLF rate and volume will be published around the 25th of every month in the future. The decision was likely made as another step in the monetary policy framework reform which has the PBOC gradually reducing the MLF's role as the main policy rate; while not officially confirmed, we're expecting upcoming rate cuts to be first signalled by changes in the 7-day reverse repo rate.
- **Singapore:** July industrial production should show a rebound following the recent stronger non-oil domestic export figures. The consensus expectation is for a 5.0%YoY print, following the June 3.8%YoY contraction, though the spread of forecasts is huge, ranging from 1.8% to 10%YoY.

What to look out for: Singapore industrial production, US durable good orders

August 26th

Singapore : July industrial production

Japan: June Leading Index CI

S Korea: July Retail sales

Thailand: July Customs Export

US: July Durable goods orders

August 27th

Japan: July PPI services

China: July industrial profits

US: Conference board consumer confidence

August 28th

Philippines: July budget balance

Australia: July CPI

August 29th

Australia: 2Q private capital expenditure

US: 2Q24 GDP second release

August 30th

S Korea: July industrial production

Japan: July jobless rates, Job-to-applicant ratio, industrial production, retail sales, housing starts, August Tokyo CPI

Australia: July retail sales, private sector credit

Thailand: July BoP current account balance, imports, exports, trade balance, August gross international reserves

India: 2Q24 GDP and July deficit

US: July PCE and core PCE inflation

China: August Manufacturing PMI, Non-manufacturing PMI (31st August)

S Korea: August Imports, exports, trade balance (1st September)

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