

Asia Morning Bites

Australian inflation this morning is an appetizer ahead of tonight's FOMC main course



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** US stocks crept higher on Monday, though without much conviction. The S&P rose 0.28%, while the NASDAQ rose a further 0.61%. That leaves the NASDAQ up 35.14% ytd... Chinese stocks responded well to the supportive comments coming out of the Politburo yesterday. The Hang Seng index rose 4.1% and the CSI 300 rose 2.89%. However, we remain cautious about the economic outlook as the recent comments continue to lack detail despite the various “pledges” and “vows” to boost spending. Ahead of today's FOMC, which we in Asia will wake up to tomorrow morning, Treasuries were relatively quiet. 2Y yields rose 1.5bp to 4.874%, while 10Y UST yields rose just 1.2bp to 3.884%. EURUSD has drifted back down to 1.1051 on expectations of a hawkish Fed tonight. But the AUD gained ground yesterday, rising to 0.6788. The GBP and JPY also strengthened against the USD ahead of Friday's Bank of Japan meeting ([see our latest note on this](#)). The positive sentiment in China has enabled the CNY to strengthen to 7.1363 and the yuan was Asia's best performing currency yesterday. Most other Asian currencies also gained against the USD.
- **G-7 macro:** House prices in the US gained further ground in May, with both the FHFA and S&P CoreLogic measures of house prices rising more than expected. There were also gains

in the Conference Board's consumer confidence indices. None of which plays into the "one and done" view that the market currently holds for the FOMC. Elsewhere, [Germany's Ifo survey](#) presented more bad news, falling more than expected, though the UK's CBI business survey was a little brighter. Today is quiet ahead of the Fed (02:00 SGT/HKT) with just US home sales and mortgage applications.

- **Australia:** CPI inflation for June should show further declines in inflation, with the headline rate declining to around 5.4% YoY from 5.6% currently. That would be a 3 percentage point decline from the December 2022 peak. Inflation should decline again next month. Thereafter, we will need to see month-on-month changes in inflation slow considerably to stop inflation from stabilizing at high levels or even backing higher again, as all the helpful base effects will have been used up until we get nearer to the end of the year.
- **Singapore:** Singapore reports industrial production figures for June. We expect another month of contraction, extending the slump to 9 months of decline, tracking the downturn in non-oil domestic exports. Industrial production should slip by 6%YoY and we can expect the slide to continue for as long as global demand stays subdued.

What to look out for: Fed policy data and US new home sales

- 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)

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