

## Asia Morning Bites

Even more tariffs on China cloud the manufacturing and export outlook



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### Global Macro and Markets

- **Global Markets:** US Treasury markets took a breather on Monday after recent swings. Yields on 2 and 10Y Treasuries edged slightly higher – the 10Y rose less than two basis points to 3.816%. EURUSD drifted a little lower and is 1.1166 now. Other G-10 currencies followed suit and were steady to slightly weaker against the USD. The remaining Asian FX played catch-up with the G-10 currencies on Monday. The THB and MYR made the biggest gains, though the VND and IDR also picked up ground. US stocks dropped on Monday. The S&P 500 fell 0.32% and the NASDAQ was down 0.85%. In contrast, The Hang Seng rose 1.06%, though the CSI 300 fell 0.09%.
- **G-7 Macro:** Yesterday was extremely quiet in terms of G-7 Macro releases. Germany's Ifo survey beat expectations though it was lower than the previous month. US durable goods orders were a little softer than expected, though not significantly. Today is also quiet. There is some US house price data and the Conference Board's consumer confidence survey, as well as some US regional business surveys. It will remain fairly quiet until Friday when the US July PCE inflation figures are published.
- **China:** Canada announced a 100% tariff on the import of Chinese electric vehicles and a 25% tariff on imported steel and aluminium from China, with tariffs set to come into effect on October 1st. The impact on Chinese automakers should be limited as exports from

domestic brands to Canada are limited. Auto exports to Canada represented around 2% of total auto exports in 2023, with the bulk of the affected vehicles being Teslas made in China. Nonetheless, the rising wave of anti-China trade protectionism is worrisome for Chinese exporters targeting developed markets - much like what we saw in the US, Trudeau's comments appeared to be heavy on rhetoric and light on details with comments like "we all know China is not playing by the same rules." There is growing concern that these tariffs could eventually expand to target whichever industries gain global competitiveness; Trudeau also mentioned Canada was exploring tariffs on China's chips and solar cells. With tariffs coming into effect in the coming months, there could be growing pressure on China's exports and manufacturing toward the end of the year.

- **Japan:** Service producer price inflation eased to 2.8% YoY in July from a revised 3.1% in June, but mainly due to a high base last year. On a monthly comparison, service prices rose 0.3% MoM nsa. Price gains were widespread with the most notable gains in travel, hotel, and real estate prices. We expect inflation to stay around the 2% level on the back of solid income growth, which will support the BoJ's policy normalization to be continued.

## What to look out for: Japan PPI, China industrial profits, US conference board consumer confidence

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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