

Asia Morning Bites 28 June 2023

Today's daily CNY fixing will be watched closely to see how much pushback the authorities will deliver after the recent CNY weakness. Industrial profit data for China are also on the calendar, as well as lower Australian May inflation numbers



Asia Morning Bites

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Global Macro and Markets

- **Global markets:** China's daily CNY fixing was lower (stronger) yesterday, suggesting that the authorities felt that the pace of CNY depreciation had been a little too fast, or had gone on too long without any correction. The CNY traded in a much flatter range yesterday and is 7.2242 currently, well off the 7.24 peak on Monday. Today's fix may hint whether the PBoC is more concerned about the level, or the rate of change in the currency. The USD lost some ground yesterday, and EURUSD traded up to 1.0977 before settling back to 1.0957. The AUD tried to go higher yesterday but hit a barrier at 0.6720 and has returned to 0.6682, little changed from a day ago. Cable made some modest gains, rising to 1.2747. But the JPY lost some further ground, drifting up to 143.90 amidst a lot of talk about intervention. For the most part, Asian FX gained against the USD yesterday, and the PHP led these gains, moving down to 55.32. The KRW also got back to 1300, and the SGD followed, dropping to 1.3496. A brighter session in US equities overnight may help Asian FX make further gains today. The S&P 500 rose 1.15% and the NASDAQ gained 1.65% making it one of the strongest sessions

in the last few weeks. Semiconductor stocks did well, but so too did household items producers, auto manufacturers, steel producers and homebuilders after strong durable goods orders data and consumer confidence figures. Chinese stocks also did well. The CSI 300 rose 0.94% and the Hang Seng index rose 1.88%. The stronger data and improved risk sentiment lifted US Treasury yields. 2Y yields rose 7.5bp to 4.755%, while the yield on 10Y Treasury bonds rose 4.3bp to 3.764%.

- **G-7 macro:** Contrasting with the expectation for a decline, May durable goods orders actually rose 1.7%MoM, with core capital goods orders rising 0.7% and upwards revisions to April data showing that US industry is not as battered as might have been imagined after all the monetary tightening. Consumer confidence figures from the Conference Board were also considerably better than expected, and some of the regional manufacturing surveys also came in stronger than the previous month. US house price data also firmed. There is less on the calendar today, with only mortgage applications, inventory figures and advance trade balance numbers to peruse.
- **China:** Industrial Profits are expected to weaken further in May after their 18.2%YoY decline in April (-20.6%YTD YoY%). Ongoing slowdowns in manufacturing together with falling factory gate prices will weigh on the May numbers.
- **Australia:** May CPI inflation will fall from the 6.8%YoY April rate to only 6.2% (INGf, consensus 6.1%YoY). The decline mostly owes to strong month-on-month gains last year not being replicated this year. We anticipate the month-on-month increase came in at around 0.2%, which if it could be sustained, would take inflation back to the RBA's target range. The lower May inflation rate will, we think, be enough to keep the RBA on hold in July after they hiked in June. But August may see a further, and hopefully, final rate hike as electricity tariff increases will keep inflation from falling much further, and could provide an excuse to hike due to slow progress.

What to look out for:

- Australia CPI inflation (28 June)
- Philippines bank lending (28 June)
- US MBA mortgage applications and wholesale inventories (28 June)
- Fed's Powell speaks (28 June)
- Japan retail sales (29 June)
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- US initial jobless claims and pending home sales (29 June)
- Fed's Powell and Bostic speak (29 June)
- South Korea industrial production (30 June)
- Japan labour market data (30 June)
- China PMI manufacturing (30 June)
- US personal spending and Univ of Michigan sentiment (30 June)

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