

Asia Morning Bites

Korean inflation drops sharply. Australia releases capex figures ahead of tomorrow's GDP numbers



Asia Morning Bites

Global Macro and Markets

- **Global Markets:** 2 September is “Labor Day” in the US, so no Treasuries to report today. Instead, European bond markets showed slight increases in yield of about 2-3 basis points in the 2Y and between 3 and 5 basis points in the 10s. EURUSD rose slightly to 1.1065. The JPY weakened, rising to just under 147, though other G-10 currencies were slightly stronger. Other Asian currencies were soft yesterday, The THB propped up the bottom of the pack, losing more than a per cent to 34.220 after recent strong gains. Other SE Asian FX was also weak. USDCNY moved back up to 7.1173. European equities had a mixed day – no major increases and a few small declines. It was a less ambiguously bad day for Chinese stocks. Both the Hang Seng and CSI 300 dropped around 1.7% on the day.
- **G-7 Macro:** With the US off, it was a quiet day for macro. There wasn't much going on in the rest of the G-7 either. Today, we get the US ISM indices, and these could fuel whispers of a weaker payroll figure on Friday, though in truth, these have little predictive power on the month-on-month payroll number or the unemployment rate.
- **Australia:** GDP data is out tomorrow for the second quarter. Last week, we got some soft-looking capital investment data, and today, we get what could also look like fairly soft net

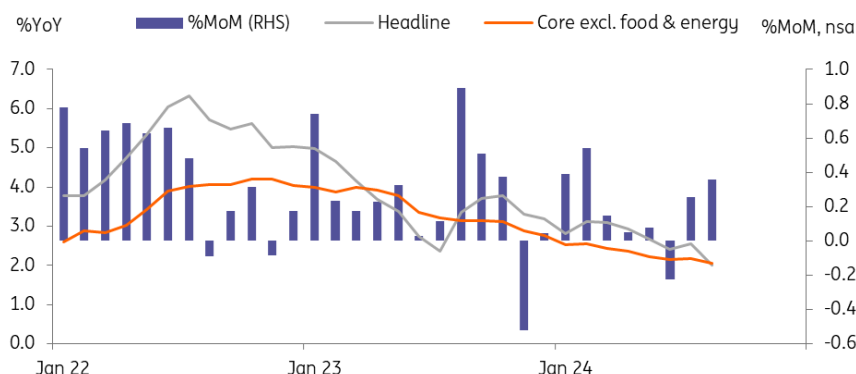
export numbers. We are looking for a 0.0% QoQ GDP release, but today's data may push this forecast one way or the other.

- **South Korea:** Consumer price inflation slowed quite sharply to 2.0% YoY in August (vs 2.6% in July, 2.1% market consensus) mostly due to base effects. Core inflation excluding food and energy edged down to 2.1% (vs 2.2% in July, 2.1% market consensus). On a monthly comparison, inflation accelerated 0.4% MoM nsa in August (vs 0.3% in July, 0.4% market consensus). Food rose the most (1.2%) and housing/utilities also rose (0.8%). Although electricity bills have been frozen, gas and other utilities managed by local governments are on the rise.

Looking ahead, as the Chuseok holiday approaches in mid-September, we expect prices for food and other services to rise. Also, public transportation and other public service fees are scheduled to rise. However, due to base effects, headline inflation will be down below 2% for the next couple of months.

With inflation trending down toward the BoK's target range, the likelihood of an October cut has increased. However, the reacceleration of mortgages and house prices in Seoul is likely to remain a significant drag and even with an October cut, we do not expect the BoK to deliver further cuts until early next year.

Korean CPI accelerated in monthly comparison



Source: CEIC

What to look out for: South Korea CPI, Japan monetary base

September 3rd

S Korea: August CPI

Japan: August monetary base

Australia: 2Q BoP current account balance

US: August S&P global manufacturing PMI

September 4th

Australia: 2Q GDP

China: August Caixin composite PMI

S Korea: August foreign reserves

India: August HSBC composite PMI

Japan: Aug Jibun bank composite PMI

US: July trade balance, factory orders, durable goods orders

September 5th

S Korea: 2Q GDP

Japan: July labour cash earnings

Philippines: August CPI

Australia: July trade balance

Singapore: July retail sales

Taiwan: August CPI

US: August ADP employment change, ISM services index

September 6th

S Korea: July BoP current account balance

Japan: July household spending, leading index CI

Indonesia: August foreign reserves

Vietnam: August CPI, import, export, trade balance

US: August unemployment rate, change in nonfarm payrolls, change in manufacturing payrolls

China: August foreign reserves (September 7th)

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