

Asia Morning Bites

Quiet day ahead of the Bank of Japan meeting and Australian inflation data tomorrow



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Global Macro and Markets

- **Global Markets:** There wasn't much on yesterday's US calendar, and this was reflected by rangebound US Treasuries. 2Y UST yields rose 1.6 basis points, while those on the 10Y fell 1.9bp to 4.174%. EURUSD dipped sharply to 1.0821, but the AUD remains close to yesterday's level at about 0.6550. Cable had a choppy day, dropping to within a whisker of 1.2800, but recovered back to 1.2862. The JPY has also been a bit choppy but at 153.85 remains close to yesterday's level. In Asia, the CNY reverted to a weaker path, drifting up to just over 7.26. The PHP also lost ground and USDPHP rose to 58.515. At the other end of the pack, the VND made small gains, despite some slightly higher inflation, helped by better-than-expected trade figures, and stronger industrial production and retail sales. The MYR was the best performer on the day, bucking its usual trend of mirroring CNY moves. US equities were flat on Tuesday. Equity futures are currently suggesting a weaker open today. Chinese shares were mixed. The Hang Seng rose 1.27% but the CSI 300 dropped 0.54%.
- **G-7 Macro:** It is quite a busy day for European macro today. Advance Eurozone GDP for the second quarter is forecast to rise a modest 0.2% QoQ. Eurozone confidence survey data is also published as well as German inflation data for July, which is not expected to show any further decline from the 2.5% YoY (harmonised measure) published in June. US house price

data for May is released along with the Conference Board's consumer confidence figures.

- **Japan:** The unemployment rate fell to 2.5% in June after remaining at 2.6% for the past four months, also below the market consensus of 2.6%. The labour participation rate rose to 63.7%, staying on the rise since January 2024. Although the job-to-applicant ratio slid to 1.23 (vs 1.24 May and market consensus), the new job-to-applicant ratio rose to 2.26 (vs 2.16 in May). Taken together, today's labour data continue to suggest that the labour market remains tight, supporting healthy wage growth ahead.

We believe that the recently released inflation and labour data continue to justify the Bank of Japan's rate normalisation. We are expecting a 15bp hike tomorrow, but the decision is still up in the air. Currently, the market is pricing in a 60% chance of a hike. In our view, the Bank of Japan is convinced that the virtuous cycle between wages and consumption is strengthening. However, real wage growth has remained in negative territory, which could lead the BoJ to keep policy rates on hold.

What to look out for: Japan jobless rate, Australia building approvals

July 30th

Japan: June Jobless Rate, Job-To-Applicant Ratio

Australia: June Building Approvals

US: Conf. board consumer confidence

Singapore: June Unemployment rate

July 31st

S Korea: June industrial production

Japan: June retail sales, industrial production, Housing starts, BOJ target rate

China: July Manufacturing & Non-manufacturing PMIs

Australia: June retail sales, CPI

Taiwan: 2Q Advance GDP

India: June Fiscal deficit

August 1st

US: FOMC rate decision

S Korea : July trade balance, Imports & exports, Manufacturing PMI

Japan: Jibun Bank Manufacturing PMI

Australia: June trade balance, Imports & exports

China: July Caixin China PMI

Philippines: July Manufacturing PMI

India: July Manufacturing PMI

Indonesia: July CPI

August 2nd

S Korea: July CPI

Japan: July monetary base

Australia: July PPI

Singapore: PMI

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