

Asia Morning Bites

India 2Q23 GDP data will be in focus today. More growth momentum worries for the BoK, while Japan's recovery still looks on track. US data continues to come in softer-than-expected



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Global Macro and Markets

- **Global markets:** US equities moved slightly higher on Wednesday in fairly steady trading, though the gains were not large. The S&P 500 rose just 0.38%, while the NASDAQ rose 0.54%. Equity futures aren't giving much clue as to today's direction. They are slightly positive for the moment, but that could change. Chinese stocks were practically unchanged on the day – for both the Hang Seng and CSI 300. Both indices opened higher, but fairly quickly drifted back towards the previous day's close. There wasn't much action in Treasury markets. Yields on the 10Y bond were drifting higher but dropped back on the slightly lower ADP release and the 2Q23 GDP downgrade. Both the 2Y and 10Y yield fell less than a basis point compared to yesterday. There was more action in FX markets. EURUSD has risen to 1.0931 which feels like a delayed response to earlier rate moves. [The AUD shrugged off yesterday's lower-than-expected inflation data and is now roughly unchanged at 0.6479.](#) Cable made more lasting gains, and has risen back up above 1.27. The JPY is roughly unchanged at 146 after a choppy day yesterday. Other Asian FX had a mixed day, but there were no big movers. The CNY is currently trading at 7.2869.
- **G-7 macro:** Yesterday's US macro data continued the softer theme that started a few days

earlier. The ADP print of 177K was down from the 195K consensus – though as a predictor of non-farm payrolls, the ADP's recent record is not good. And 2Q GDP was revised lower to 2.1% from the initial 2.4% reading. There was also a slight revision lower of the quarterly core PCE figures. We will get the monthly PCE data for July today. The core PCE inflation rate should nose higher to 4.2% YoY from June's 4.1% result. Preliminary German CPI inflation data for August yesterday only fell by 0.1pp to 6.4%YoY, less than had been expected. For an excellent read on all things inflation-related, and whether or not to expect a second wave of inflation, please find the time to read [this article from our Macro team](#).

- **India:** 2Q GDP is released later today. Nowcasts for GDP are pointing to about a 7.8%YoY growth rate, up from 6.1% in 1Q23 – though these year-on-year numbers are being whipped around by base effects, and it is not 100% clear that this illustrates any sort of trend. Nonetheless, this would be another solid quarter of growth from India, which has been somewhat insulated from the China spillover weighing on other Asian economies, or the semiconductor downcycle, and would leave the economy on track to achieve something close to 7% growth for the full calendar year.
- **South Korea:** Monthly activity data showed growth momentum running out of steam due to weak domestic demand and weak production of semiconductors. Manufacturing IP dropped 2.0% MoM sa in July (vs revised -1.5%, -1.0% market consensus), led by declines in electrical parts (-11.2%) and machinery (-7.1%). Shipments fell even faster (-5.2%) and so inventories continued to rise (5.2%). For semiconductors, production dropped by 2.4%, the first decline in five months. However, due to sluggish shipments, inventory levels rebounded again. As inventory adjustment has been slower than expected, the rebound of the chip cycle will probably come even later than the end of this year. Other than manufacturing, construction and services rose 0.8% and 0.4% each, but public administration fell sharply (-6.5%), thus all industry IP fell -0.7% for the first decline in three months. Meanwhile, consumption and investment also slid with retail sales down -3.2% and facilities investment down -8.9%. The weak start of the quarter means that 3Q GDP is likely to slow down quite rapidly compared to the previous quarter's 0.6% QoQ growth. And the Bank of Korea's concern about growth will grow. As a result, the BoK will likely remain on hold for now as they first try to utilize micro-level policy tools to support growth. Actual policy rate cuts could come next year.
- **Japan:** July monthly activity data was mixed with weaker-than-expected industrial production vs. stronger-than-expected retail sales. As consumption accounts for a larger share of GDP in Japan, the economy will probably continue its recovery in the current quarter, albeit at a slightly more moderate pace than the previous quarter's 1.5% quarterly growth rate. Industrial production fell 2.0% MoM sa in July (vs 2.4% in June, -1.4% market consensus) while retail sales rebounded 2.1% (vs revised -0.6% in June, 0.8% market consensus).

What to look out for: India GDP

- South Korea industrial production (31 August)
- Japan retail sales (31 August)
- India GDP (31 August)

- China PMI manufacturing and non-manufacturing (31 August)
- Thailand trade balance (31 August)
- Hong Kong retail sales (31 August)
- India GDP (31 August)
- US initial jobless claims, PCE deflator and personal spending (31 August)
- Japan capital spending and Jibun PMI (1 September)
- South Korea trade (1 September)
- Regional PMI (1 September)
- China Caixin PMI (1 September)
- Indonesia CPI inflation (1 September)
- US NFP, ISM manufacturing and industrial production (1 September)

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