

## Asia Morning Bites

Recession fears are still the dominant theme as we head into payrolls week



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### Macro outlook

- **Global Markets:** There was a slightly non-descript end to the week last week, although equities did manage to edge higher. Once more, these gains were on fairly light volumes and gains of only about 1% for the S&P500 and NASDAQ don't really change the outlook much. As is often the case after a positive day, futures markets are signalling some profit-taking today. The USD had a solid day on Friday, managing to get as low as 1.0365 at one point, though it is now a bit higher at 1.0437. Cable followed the same journey, pushing below 1.20 but is back to 1.2109 now. Likewise, the AUD, which pushed down through 0.68 but is now back at 0.6824. After the AUD, the THB was again Asia's weakest currency on Friday, and is now trading at 36.635. US Treasury yields continue to fall sharply on mounting recession fears. Yields on 2Y US Treasuries fell 12bp to 2.833%. Yields on 10Y government bonds declined 13.3bp to 2.88%. 10Y JGB yields remain well below 0.25% at 0.226%, taking some pressure off the Bank of Japan.

**G-7 Macro:** Friday's data included another upwards surge in Eurozone inflation on a harmonized basis to 8.6%YoY in June, up from 8.1% in May, and as has become the norm, higher than the consensus expectation of 8.5%. This was followed up by the US

Manufacturing ISM, which dipped to 53.0 from 56.1, but also flashed warning signs from the new orders and employment sub-indices - both of which fell into contraction territory. With non-farm payrolls released on Friday, this week's data releases will have a strong labour market flavour. However, it is Independence Day today, so it will be a quiet start to the week.

- **China:** China's Financial regulator is further opening up the capital account, allowing foreign investors to invest in interbank bond products. This should increase portfolio inflows for bonds and should enhance the role of China's onshore bonds in international bond indices, mainly on sovereign and quasi-sovereign bonds. This should give some support to the CNY. Meanwhile, another real estate property developer failed to repay offshore payments due on Sunday. We expect more of this to come for cash-tight property developers.

## What to look out for: US non-farm payrolls, FOMC and regional inflation

- Australia RBA meeting (5 July)
- South Korea CPI inflation (5 July)
- Japan Jibun PMI (5 July)
- Philippines CPI inflation (5 July)
- China Caixin PMI services (5 July)
- Thailand CPI inflation (5 July)
- Singapore retail sales (5 July)
- US durable goods and factory orders (5 July)
- Malaysia BNM policy rate (6 July)
- Taiwan CPI inflation (6 July)
- US ISM services (6 July)
- FOMC minutes (7 July)
- South Korea BoP (7 July)
- Australia trade balance (7 July)
- US trade balance and initial jobless claims (7 July)
- Japan BoP (8 July)
- Taiwan trade balance (8 July)
- US non-farm payrolls (8 July)

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