

Asia Morning Bites

Australian May trade balance to be released; Weak service data pulls US treasury yields down. US Independence Day holiday today



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Global Macro and Markets

- **Global Markets:** US Treasury yields drifted lower again on Wednesday ahead of today's Independence Day holidays. 2Y yields fell 3.5 basis points while the yield on 10Y Treasuries fell 7.3bp to 4.359%. The Chicago Fed President, Austan Goolsbee (one of the more dovish members of the FOMC) told the BBC that the Fed needed to see a lot more data before cutting rates, though he also expressed concern about the pace at which the labour market was slowing (does he know something about Friday's non-farm payrolls release?). The decline in US Treasury yields enabled EURUSD to climb to 1.0790, and also lifted the AUD to 0.6710. Cable is up to 1.2745 though the JPY's gains proved very short-lived and it is little changed from yesterday at 161.64 after spiking down to 160.78 at one stage. Most of the Asian FX pack managed small gains yesterday and there is some scope for more catch-up today. US equity markets made further small gains yesterday. The S&P 500 rose 0.51% while the NASDAQ rose 0.88%. The NASDAQ is now up 21.16%ytd. Chinese stocks were again mixed. The Heng Seng managed to rise 1.18%, but the CSI 300 fell 0.28%.
- **G-7 Macro:** [FOMC minutes out last night contained the following messages:](#) More information would be needed for confirmation that inflation was indeed moving towards the Fed's goal. Most Fed officials thought that the economy was cooling and that the policy

stance was restrictive. Patience was needed to let high rates cool the economy. Some officials still thought that if inflation remained elevated, then further hikes might be needed. Some officials thought that the Fed needed to be ready to stand by in case of unexpected weakness.

Besides the Fed minutes, there was also quite a bit of data out yesterday. The ADP survey of employment showed a 150K gain in jobs in June, a little lower than the 165K forecast. [There was also weakness evident in the employment index of the service sector ISM](#). The employment index dropped from 47.1 to 46.1, while the headline ISM also dropped into contraction territory of 48.8 from 53.8. Weekly jobless claims figures were up slightly.

There isn't much going on today thanks to the US holiday. But in the UK, the General Election looks likely to call an end to the Conservatives' grip on power, with the Labour Party widely expected to win comprehensively.

- **Australia:** Trade data for May should show Australia holding on to its surplus. The consensus view has the surplus at AUD6.3bn, only slightly down from AUD6.5bn in April.

What to look out for : Australia trade balance

July 4th

- Australia: May Trade balance
- Germany: May Factory orders

July 5th

- S Korea: May Current account balance
- Japan: May Household spending
- Philippines: June CPI
- Thailand: June CPI
- Singapore: May retail sales
- Germany: May industrial production
- Taiwan: June CPI
- Eurozone: May retail sales
- US: June non-farm payrolls, June unemployment rate, June average hourly earnings

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