

Asia Morning Bites

Asian markets digesting Friday's US labour report data and latest property support measures in China



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Global Macro and Markets

- **Global markets:** Friday's [soft US labour report](#) got a mixed reception from equity markets, though stocks ended up virtually unchanged on the previous day's close. Chinese stocks were also mixed, despite new measures to support the property market and the CNY. The Hang Seng fell 0.55%, while the CSI 300 gained 0.7%. Yields on US Treasuries dropped sharply following the labour report, but fully recovered and ended slightly higher. The 10Y yield rose 7.1bp to 4.179%. This feels like an odd move. What also looks a little strange is the USD strength that has taken EURUSD down to 1.0775. We also see USD strength against the AUD, which is down to 0.6452. Cable has dropped to 1.2590 and the JPY, which after strengthening to below 144.50 has weakened back above 146. Asian currencies were fairly range-bound on Friday, though will probably catch up with their G-10 counterparts in early trading today. It is a public holiday (Labor Day) in the US today.
- **G-7 macro:** US payrolls for August rose by 187 thousand, a little more than the 170 thousand expected. But there were a net 110 thousand downward revisions to past months, so the trend growth rate looks a bit weaker than it did. Adding to the general sense that the labour market is finally showing some signs of softening, the unemployment rate rose from 3.5% to 3.8%, and the average hourly earnings rate fell slightly to 4.3%YoY from 4.4%

alongside a slight rise in the participation rate. Offsetting the labour market data, [the manufacturing ISM index](#) was a bit stronger than expected, though still consistent with the sector contracting.

- **China:** Cuts to China's FX reserve requirements on Friday helped the CNY to trade a bit stronger than it has done recently, and there may also have been support from new policy measures to support the property markets in Shanghai and Beijing. However, it is not clear how much additional demand will be generated from lower down payments for properties and encouragement for banks to lower mortgage rates further. It won't hurt though. Country Garden has won acceptance for its plan to extend payment on its CNY3.9bn onshore bond, though the fate of the USD 22.5mn bond payment due on 6/7 September remains unclear.

What to look out for: Regional trade and inflation data out later in the week

- Japan monetary base (4 September)
- Australia Melbourne institute inflation (4 September)
- South Korea GDP and CPI inflation (5 September)
- Japan Jibun PMI services (5 September)
- Regional PMI (5 September)
- China Caixin PMI services (5 September)
- Philippines CPI inflation (5 September)
- Thailand CPI inflation (5 September)
- Australia RBA decision (5 September)
- Singapore retail sales (5 September)
- US factory orders and durable goods orders (5 September)

- Australia GDP (6 September)
- Taiwan CPI inflation (6 September)
- US trade balance and ISM services (6 September)
- China trade balance (7 September)
- Australia trade balance (7 September)
- Malaysia BNM policy (7 September)
- US initial jobless claims (7 September)
- Japan GDP (8 September)
- Philippines trade balance (8 September)
- Taiwan trade balance (8 September)
- US wholesale inventories (8 September)

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