

## Asia Morning Bites

South Korea's GDP, Japan's labour cash earnings, and various inflation data in focus today



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### Global Macro and Markets

- **Global Markets:** Bonds had another good day yesterday as the risk-off sentiment continued. Yields moved lower overnight, with the US 2Y yields down 10.9bp to 3.75%, and the 10Y yield down 7.6bp to 3.75%. Yields in Europe also moved lower, with German 10Y yields down 5.3bp to 2.22%, French 10Y yields down 6.7bp to 2.93%, and UK 10Y yields also fell 5.5bp to 3.93%. Japanese 10Y yields dipped around 4.2bp to 0.88%.

In FX, most currencies moved stronger against the dollar. The JPY led the way with a 1.21% gain, the CHF saw a 0.45% uptick, the EUR rose by 0.35%, and the GBP moved around 0.25% higher. In Asia, the KRW bounced back 0.48%, the MYR and IDR rose a little more than 0.3%, while the CNY had a 0.1% uptick bringing it back to around 7.11.

The equity market sell-off continued. In the US, the S&P 500 was down -0.2%, the NASDAQ fell -0.3%, while the Dow bucked the trend with a 0.1% uptick. In Europe, the Stoxx 50 index was down -1.3% while the FTSE 100 fell -0.4%. The Nikkei was hit particularly hard yesterday with a -4.2% drop. Chinese stocks also dropped on the day, with the HSI down -1.1% and the CSI 300 down -0.65%.

- **G7 Macro:** Overnight, the US released its JOLTS data as well as factory and durable goods orders. The market's read of the JOLTS data seems to be that it was a weak report, focusing on job openings falling to 237k, the lowest level since January 2021. Last month's data was also revised lower. At the same time, we did see a slight uptick in the quit and hire rates, sending mixed signals. Orders data were broadly in line with expectations, showing a 5.0% MoM growth of factory orders and 9.8% MoM uptick of durable goods orders, largely on the back of transportation orders.

Outside of the US, data releases were mostly concentrated on the services and composite PMIs. China's services PMI came in a little softer than forecasts, down from 52.1 to 51.6, which marked a 9-month low. PMIs out of Europe generally were in line or a little softer than market forecasts as well, with the overall Eurozone services PMI softening a little bit from 53.3 to 52.9. We also had a higher-than-expected Eurozone PPI inflation read, which was up 0.8% MoM to -2.1% YoY.

In terms of macro data releases today, in the US we get another look at the labour market with the ADP payrolls data and the initial jobless claims data. Markets are looking for a slight uptick in the ADP data from 122k to 145k. We also get the ISM services index released where markets are looking for it to remain in expansion but pull back slightly to 51.2. In Europe we have factory orders coming out from Germany, and European retail sales data.

- **Japan:** Labour cash earnings growth moderated to 3.6% YoY in July from 4.5% in June, but still beat the market consensus of 2.9% while real earnings unexpectedly grew 0.4% in July (vs 1.1% in June, -0.6% market consensus). More reliable same sample base earnings rose even higher 4.8%. Today's data shows that wage growth remains robust, which should boost household consumption (to be released tomorrow) and sustain inflationary pressures. The JPY rose after stronger-than-expected wage growth. The latest data is broadly in line with the Bank of Japan's projections, so we continue to believe that the BoJ will deliver another rate hike in 4Q24.
- **South Korea:** 2Q24 GDP contracted -0.2% QoQ sa, in line with the flash estimates. Details were revised slightly – manufacturing down to 0.7% (vs 0.8% prelim) and construction up to -5.4% (vs -6.0%) – but no major revisions. Meanwhile, GDI contracted -1.3% QoQ sa, suggesting that income conditions deteriorated even faster and clouding the near-term recovery in the domestic economy.
- **Taiwan:** Taiwan releases its CPI and PPI inflation data today, where we're looking for CPI inflation to pull back in August to 2.2% YoY from July's 2.5% YoY read. Barring a major upside surprise in the data, this month's inflation read should not have much of an impact on the CBC's rate decision in September, where we are looking for no change.
- **Philippines:** The Philippines publishes its inflation data today, where we are looking for a drop of inflation to 3.3% YoY with a flat month-on-month move thanks to a drag from non-rice food prices offsetting increases elsewhere.

## What to look out for: Japan labour cash earnings, Australia July trade balance, CPI for Taiwan and the Philippines

### September 5th

S Korea: 2Q GDP

Japan: July labour cash earnings

Philippines: August CPI

Australia: July trade balance

Singapore: July retail sales

Taiwan: August CPI

US: August ADP employment change, ISM services index

### September 6th

S Korea: July BoP current account balance

Japan: July household spending, leading index CI

Indonesia: August foreign reserves

Vietnam: August CPI, import, export, trade balance

US: August unemployment rate, change in nonfarm payrolls, change in manufacturing payrolls

China: August foreign reserves (September 7th)

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