Asia Morning Bites

Asian markets are unwinding some of the recent turmoil

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Global Macro and Markets

- **Global Markets:** The violent market reactions to last week's US labour report continued to backtrack yesterday, suggesting that the initial knee-jerk response was overdone. US Treasury yields rose again. The 2Y yield rose to 3.975%, up 5.5 basis points from the previous day, while the 10Y yield rose 10.4bp to 3.892%. EURUSD is also creeping lower again and is now 1.0928 from about 1.0950 at this time yesterday. The AUD has pushed further into the 65-cent range, helped by the hawkish hold from the RBA yesterday.

  There was a bigger fall from the GBP, which has dropped back to below 1.27 as it becomes clearer that the incoming Labour government has little room to help kickstart growth with public spending. The JPY is little changed over the last 24 hours following a three-way meeting of the BoJ, Finance Ministry and Financial Services Agency aimed to provide reassurance to markets. Markets generally seem to be calming down. The Nikkei 225 recovered by more than 10% on Tuesday, and there were decent gains in Taiwan and Korean bourses too. US equities rose by about 1% (S&P 500 and NASDAQ) though futures have turned red again today, so we may not be completely out of trouble yet.

- Most of the Asian FX pairs weakened yesterday. The MYR, was one of the biggest gainers on

Monday, and was the biggest loser yesterday, followed by other high beta currencies, the THB and KRW. USCNY is now back up to 7.1558, while the INR has also shown some rare weakness, rising to within a whisker of 84. It's not clear if the RBI is relaxing its de-facto peg of last year or just re-setting higher, but talk of possible rate cuts from the RBI at tomorrow's meeting is mounting. There is not much expectation for a cut amongst the consensus of forecasters. But if market sentiment continues to firm over the next 24 hours, we wouldn't be too surprised if they delivered even if it is not our base scenario. The PHP didn't react much to the higher-than-expected inflation print yesterday, and accompanying hawkish comments from the BSP Governor, which seemed to cast doubt on an August rate cut.

- **G-7 Macro:** There wasn't much on the G-7 calendar yesterday, and there isn't much on today either. German industrial production for June is probably the closest thing to a macro highlight from the G-7 today, along with June trade data.
- **China:** China will publish its July trade figures today. We are looking for high single-digit to low double-digit growth for exports, and for imports to recover slightly back to positive territory after falling into contraction in June. The year-on-year numbers will benefit from a favourable base effect but overall momentum looks to be weakening with new export orders in contraction the last few months even before new tariffs on Chinese EVs take effect.

What to look out for: Japan leading index CI, China trade balance, South Korea BoP current account balance

August 7th

S Korea: BoP current account balance

Philippines: June unemployment rate

India: July foreign reserves

Japan: June leading index CI

China: July exports, imports, Trade balance, foreign reserves

August 8th

Japan: BoP current account balance, Trade balance BoP basis

Philippines: 2Q GDP

India: RBI repurchase rate, RBI cash reserve ratio

Taiwan; July imports, exports, trade balance

August 9th

Japan: July money stock M2 & M3

China: July CPI, PPI, Money supply (Due 15th August)

Author

Robert Carnell
Regional Head of Research, Asia-Pacific
robert.carnell@asia.ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

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