

Asia Morning Bites

Taiwan's trade, the Fed's Powell and US politics are today's main themes



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Global Macro and Markets

- **Global Markets:** There wasn't a lot of action in US Treasury markets yesterday, which may either suggest that Friday's payrolls reaction was a little overdone (gets my vote), and/or that markets would prefer to wait and hear what Powell has to say to Congress over the next two days (also seems reasonable). 2Y yields rose 2.5 basis points on Monday, while the 10Y remained unchanged at 4.278%. EURUSD started lower yesterday but jerked higher over the session though still ended down on the day at 1.0830. The AUD also lost a little ground to 0.6739. Cable and the JPY remained roughly unchanged from this time yesterday. Asian currencies have also been fairly uninteresting. The THB managed to appreciate slightly to 36.463, though there wasn't much going on elsewhere. Equity markets were equally lacklustre. The S&P rose 0.1% and the NASDAQ rose 0.28%. US equity futures look a bit brighter today. Chinese stocks continued to slide. The Hang Seng fell 1.55% and the CSI 300 dropped 0.85%.
- **G-7 Macro:** Fed Chair, Jerome Powell kicks off the first of his two set-piece speeches and grilling from Congress today. The first speech is to the Senate Banking Committee. He will probably want to provide some assurance that rates are likely to be on a downward path, though not indicate that the Fed is cavalier about the easing process. A difficult balancing

act, so markets will be on the watch for any loose comments. The US NFIB small firm business sentiment index is also released later today. Aside from this, there is nothing of note on the G-7 macro calendar. However, on the political calendar, the US House Democratic Caucus meets today and could pressure President Joe Biden to stand down from the upcoming elections. However, Biden seems intent on staying in the race for now.

- **Taiwan:** Taiwan will publish trade data this afternoon. We are looking for both exports and imports to rebound in June, with forecasts of 11.1% YoY and 9.5% YoY respectively for a trade balance of USD 18.2bn. Through the first five months of the year, exports have been highly concentrated in the Machinery and Electrical Equipment category, driven by semiconductor exports, while most other product categories have shown low single-digit or even negative YoY growth in the year to date. By destination, exports to North and Central America have seen rapid growth but exports to other regions have been in weak growth or contraction. These trends appear likely to continue.

What to look out for : Taiwan trade balance

July 9th

- Taiwan: June Trade balance
- US: NFIB Small Business Optimism
- China: Aggregate Financing

July 10th

- Philippines: May Trade balance
- S Korea: June Unemployment Rate
- China: June CPI, June PPI

July 11th

- Australia: June CBA Household Spending
- Japan: May Core Machine Orders
- UK: May GDP
- S Korea: BOK Base rate
- China: FDI (Due by July 18th)
- US: Weekly Jobless Claims, real average hourly earnings, June CPI, June Core CPI

July 12th

- India: June CPI, June Industrial Production
- US: June Final Demand PPI, Core Final Demand PPI, U. of Mich. Sentiment

Author

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

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