

Asia Morning Bites

Japan's labour cash earnings provide more positive data for the Bank of Japan to ponder



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Global Macro and Markets

- **Global Markets:** Friday's US labour report wasn't all that bad (see below), but bond yields still dropped sharply. The 2Y yield dropped 10.2 basis points, but the 10Y dropped only 8 bp to 4.278%. EURUSD rose to over 1.0840 on Friday, but is trading at only 1.0826 this morning. The AUD has also risen to the mid-67 cent level and Cable has pushed above 1.28. Even the JPY has benefited from the dollar weakness and has retreated to 160.69. Asian FX was also mostly stronger on Friday. The IDR led the pack, and USDIDR fell to 16278.
- US equities decided that weaker data was good news for rate cut expectations and rallied. The S&P 500 rose 0.54% while the NASDAQ gained 0.9%. US equity futures are a bit less positive today. Chinese stocks were down once again. The Hang Seng fell 1.27%, while the CSI 300 fell 0.43%. European stocks were also soft on Friday.
- **G-7 Macro:** US labour data was greeted as further confirmation of a cooling US economy by markets on Friday, But the reality is that the numbers weren't all that bad. There was a 206,000 increase in non-farm employment, more than the 190,000 forecast. But prior data was revised lower, and the unemployment rate edged up 0.1% to 4.1%. Average hourly earnings growth fell from 4.1% to 3.9%, as expected. [Here is a link to James Knightley's full report.](#)

- The weekend run-offs in the French Parliamentary elections were a disappointment for Marine Le Penn's RN party, as tactical withdrawals of other candidates firmed up the votes for other parties. Still, a ramshackle coalition parliament seems probable, so markets don't seem to be regarding the outcome in too favourable a light. There isn't much on the G-7 macro calendar today. But tomorrow, the Fed's Powell testifies to the Senate Banking Committee and on Wednesday to the House Financial Services Committee. This could be an opportunity for him to share whether the odds of a September rate cut have improved with the latest data. Later this week we also get US CPI inflation data.
- **Japan:** Today's labour cash earnings data showed that the overall wage trend is improving. Labour cash earnings actually missed the market consensus, rising 1.9% YoY in May (vs 1.6% in April, 2.1% market consensus), but base wage rose 2.5%, the largest increase since 1993. Also, the same sample cash earnings – the BoJ's preferred measure – rose more than expected by 2.3% (vs 1.7% in April, 2.1% market consensus). Also, full-time payment rose a healthy 2.7% (vs 2.1% in April, 2.2% market consensus), showing the results of the Spring wage negotiations – an average increase of 5.1% – is being phased into salaries. In our view, the healthy rise in basic and full-time wages should lend more confidence to the BoJ's rate hike decision at the end of this month.

In a separate report, the adjusted current account recorded a surplus of 2.4 trillion yen (vs 2.5 in April, 2.0 market consensus), an improvement compared to 1Q24 (average of 1.9 trillion), suggesting that 2Q24 GDP will rebound with a better net export contribution.

What to look out for :

July 8th

- Germany: May Trade balance
- Japan: Labour Cash Earnings
- US: NY Fed 1-Yr Inflation Expectations
- Singapore: GDP

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

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