

## Pre-payrolls pause in Asia

Don't expect too much movement ahead of the US payrolls figure - this could go either way.



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### Thank crunchie it's Friday

Luckily I don't have to manage any funds, since if I did, I'm not sure I'd be any good at it. But if I did, I'd probably be squaring positions today ahead of US non-farm payrolls. The lottery of the monthly US Labour market is not any worse this month than usual. The spread of forecasts is indeed wide, at about 400,000 to 1,000,000. But that isn't unusual. But with decisions like the timing of the taper hanging in the balance, the outcome might be more pivotal for markets than it often is.

That certainly seems to be how most markets are reading it. We have seen some minor Treasury moves overnight that amount to a very small bull-flattening. Equities have edged up after yesterday's decline. The EUR remains in the ascendancy for now, but moves are not very substantial and Asian FX is trading broadly sideways, with the occasional currency pair sticking its nose out of the pack on local issues - KRW on an extension of movement restrictions to 3 October is a good example of this, as is the THB unwinding earlier exuberance about border opening (never seemed very plausible).

Following the weak ADP reading earlier this week, the real whisper consensus figure is probably

lower than the 725,000 current median. But anything in the 650-750,000 area would likely be considered a non-event. Much higher than that (900,000 and up), and expectations for an earlier taper and earlier rate hikes might weigh on equity markets but could lift the USD and maybe give bond yields a small upwards nudge. A bit lower, and equities ought to enjoy the reduced taper and rate expectations and the USD should slide as too should bond yields. Much, much lower and we might see growth concerns dominating all markets. USD should probably still do well, but equities will be harder hit and bond yields would likely drift much lower as real yields take a bigger hit. We'll know soon enough anyway...

## Asia today

As for today in Asia, there will be a raft of services PMI data out from the APC region, and we've already had the Australian numbers, which fell to a very soft 42.9 in August from 43.3 in July. That is well into contraction territory and extends and deepens the contraction from July. We are currently looking for a contraction in GDP in 3Q after the better-than-consensus 0.7%QoQ figure that was just printed for 2Q21. After that, GDP should bounce back again as long as either the outbreak is contained, or the vaccination rate increases to allow the authorities to take a different approach to high daily case counts. If not, we will be taking a scalpel to our 4.8% full-year GDP forecast.

In China, we get the Caixin services PMI - Iris Pang writes, "We expect another contraction of service activity to be reflected by Caixin services PMI today. But that might be it for service sector PMI contractions, even if there is another localised lockdown due to Covid in September. That is because September is not a big month for leisure travel. There is a greater risk from another Covid case being found at a port or at an airport. That would affect both manufacturing and non-manufacturing PMIs. Chip shortages and reform type policies are here to stay. In fact, you should expect more reform type policies from the Chinese government for the rest of the year.

Overnight, President Xi announced that there will be a stock exchange in Beijing for innovative SMEs. This will be the first stock exchange in Beijing. This sends a message that market-driven activity is still important for the economy. The macro direction of the economy will increasingly be driven by the "planned" part while the market will drive "micro" decisions for businesses".

And Singapore retail sales figures for July out later are covered by Prakash Sakpal, who writes, "The consensus is of a sharp slowdown in sales to almost zero year-on-year growth or even negative, from 26% YoY in June due to fading base year effects. Spending remained under pressure from Phase-2 Covid-19 movement restrictions, which started in mid-May and went through mid-August. The retail sector continued to operate as normal, however, while the government's wage support policies and falling jobless rate prevented a big hit to demand. Rising core CPI inflation also underscores resilient demand. By product type, automobiles will probably lead the slowdown as reflected by a -19% YoY plunge in new vehicle registrations in July after surges in the previous three months. All said the reopening of the economy and return of pent-up demand should keep private consumption in the driving seat for GDP growth over the rest of the year; it contributed almost half of the 14.7% YoY GDP growth in 2Q21".

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