

# MARKET UPDATE

**05/07/2023**

## **Asia FX slips, dollar strengthens**

Most Asian currencies retreated on Wednesday amid more weak economic indicators, while the dollar firmed as markets awaited more cues on U.S. monetary policy from the minutes of the Federal Reserve's June meeting.

Softer-than-expected service sector readings from China, Japan, and Australia dented appetite for risk-exposed assets, as did increased fears of a renewed trade war between Washington and Beijing.

The yuan was among the worst-performing currencies for the day, down 0.3% and hovering near its worst levels in eight months.

A private survey showed on Wednesday that China's service sector grew less than expected in June, with local and foreign demand for Chinese goods remaining weak.

The reading followed recent data that showed a sustained slowdown in China's manufacturing sector, raising more doubts over an economic recovery in the country.

Analysts called for more stimulus measures from Beijing to support a recovery, which are likely to increase local liquidity conditions and further weigh on the yuan.

In addition to the weak economic data, China also introduced export curbs on key chipmaking materials to the U.S., raising concerns over worsening trade relations between the world's largest economies.

## **Thai headline inflation at 22-month low**

Thailand's annual headline inflation unexpectedly rose in June but at its slowest pace in 22 months, and the commerce ministry on Wednesday lowered its forecast for consumer prices rises for the whole year.

The headline consumer price index (CPI) increased 0.23% in June from a year earlier, compared with a forecast fall of 0.1% in a Reuters poll, and against May's 0.53% year-on-year rise.

The slower headline pace was due to lower food and energy prices and a high base last year, which should continue to help hold down consumer prices, the ministry said.

"Compared with other countries, Thailand has very low inflation," ministry official Wichanun Niwatjinda told a briefing.

The ministry predicts the headline CPI will rise 0.77% year-on-year in the third quarter and 0.62% in the final quarter of the year, he said.

## Tesla, BYD's China deliveries hit record high in Q2

U.S. automaker Tesla (NASDAQ:TSLA) and its chief Chinese rival BYD achieved record deliveries of their China-made vehicles in the second-quarter, China Passenger Car Association (CPCA) data showed, as a fight for market share heats up.

Tesla sold 93,680 China-made electric vehicles (EVs) in June, up 18.72% from a year earlier, when Tesla's factory in Shanghai delivered 78,906 China-made Model 3 and Model Y vehicles after the city ended a two-month COVID-19 lockdown.

The U.S. automaker sold 247,217 China-made cars over April-June, the most since it started delivering vehicles from Shanghai in early 2020, the data also showed. Tesla reported record deliveries of 466,140 globally for the second quarter.

Chinese rival BYD, with its Dynasty and Ocean series of EVs and petrol-electric hybrid vehicles, saw June sales surge 88.16% year-on-year to 251,685 vehicles, according to CPCA data.

This was also the first time BYD's monthly sales surpassed 250,000 units and meant that between April to June, BYD delivered 700,244 vehicles, the data showed.

CPCA estimated total sales of new energy passenger vehicles - both at home and for export, and including pure electric and plug-in hybrids - at 740,000 units in June, up 30% from a year earlier. It did not separate domestic sales and exports.

The companies' sales surge point to how they are so far managing to stay ahead of their competition even as overall auto sales slow in China amid a softening economy.

Tesla slashed prices for its two ageing models at the beginning of the year to boost sales and started a price war, prompting competitors - including BYD - to offer discounts or new lower-priced models.

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