

Morning Coffee News (Asia)

9 June 2023

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Top News * Rush-Hour Traffic Threatens Japan's \$14 Billion Chip Ambitions

Every morning, some of the world's top chip engineers can be found stuck in traffic on Kumamoto Prefecture's Route 30, as vehicles carrying heavy machinery and thousands of workers inch toward what will soon become Japan's most-advanced chip hub when Taiwan Semiconductor Manufacturing Co.'s new factory goes online next year.

Billions of dollars are pouring into Kikuyo in semiconductor-related subsidies, converting fields of cabbages, daikon and carrots into huge factories, lifting land prices and bringing new jobs. But the flood of investment and the influx of workers are also overwhelming the farm town of 43,000, causing chronic gridlock, shortages in housing and services and stretching commute times to the chip industrial park to 90 minutes or more.

As manufacturers seek to lower their technological reliance on Taiwan, an island at the center of geopolitical tensions, Tokyo is jumping at the opportunity.

Kumamoto's rich underground water reserves and vast tracts of level land were a boon for Japanese chipmakers when they dominated overseas rivals in the 1980s. As NEC Corp., Hitachi Ltd., Mitsubishi Electric Corp., Toshiba Corp. and Fujitsu Ltd. rose in prominence, so too did a vast network of domestic suppliers. Companies ranging from Japan Material Co. to Tokyo Ohka Kogyo Co. to Ebara Corp. now manufacture semiconductor chemicals and equipment in Kumamoto, while Sumco Corp. churns out wafers in neighboring Saga prefecture. Sony Group Corp. produces camera sensors and Tokyo Electron Ltd. makes multi-million dollar chip gear in the same industrial park as TSMC's new plant. The presence of a global chipmaker, along with easy access to Taipei, Seoul and Tokyo, is now attracting even more suppliers.

Market News APAC

- North Asian banks' profit prospects, led by BOCHK, could take diverging paths in 2H, with Hong Kong lenders ahead of peers in Japan, China and Korea. DBS and Singapore peers' earnings could lead in Southeast Asia on higher rates and wealth income. Mortgage competition and rising deposit costs might drag Australian bank margins and profits.
- Chow Tai Fook Jewellery Group Ltd., one of the world's largest jewelry retailers by market value, is dialing back expansion plans in an effort to boost profitability as the company fends off intensifying competition. The group is planning to add 600 to 800 new stores in mainland China in the fiscal year ending March 2024, vice-chairman Sonia Cheng said, down from more than 1,500 it added over the past year.

Indices Asia	Last	Change	YTD
Nikkei225	32160.63	1.64%	23.23%
KOSPI Comp	2632.12	0.81%	17.73%
S&P/ASX200	7120.00	0.29%	1.15%
Hang Seng	19290.45	-0.05%	-2.43%
Shanghai Comp.	3211.34	-0.07%	4.06%
TWSE Taiwan	16864.41	0.78%	19.27%
MSCI Singapore	1353.65	0.79%	0.11%
MSCI Malaysia	437.28	-0.37%	-8.21%
JCI Indonesia*	6668.19	0.03%	-2.62%
SET Thailand*	1559.50	1.71%	-6.54%
PCOMP Philippines*	6548.58	0.14%	-0.32%
VN-Index*	1101.32	-0.74%	9.36%
Sensex India*	62848.64	-0.47%	3.30%

*as of yesterday

Indices USA	Yesterday	Change	YTD
DJIA	33833.61	0.50%	2.07%
S&P500	4293.93	0.62%	11.84%
Nasdaq100	14484.54	1.27%	32.40%
VIX	13.65	-2.08%	-37.01%

Indices Europe	Yesterday	Change	YTD
EuroStoxx50	4297.68	0.13%	13.29%
SMI	11308.90	-0.35%	5.40%
DAX	15989.96	0.18%	14.84%
MSCI UK	7484.37	0.36%	7.98%
CAC40	7222.15	0.27%	11.56%

Currencies	Last	Change	YTD
USD/CHF	0.8995	0.06%	2.78%
EUR/USD	1.0780	-0.02%	0.69%
GBP/USD	1.2551	-0.07%	3.88%
USD/JPY	139.2400	0.23%	-5.83%
AUD/USD	0.6703	-0.19%	-1.59%
NZD/USD	0.6088	-0.11%	-4.11%
USD/KRW	1296.2100	-0.61%	-2.75%
USD/HKD	7.8355	-0.02%	-0.43%
USD/SGD	1.3434	0.05%	-0.28%
USD/THB	34.6250	-0.02%	-0.05%
USD/IDR	14855.0000	-0.27%	4.87%
USD/INR	82.5725	0.03%	0.20%
USD/PHP	56.0050	-0.23%	-0.44%
USD/TWD	30.7300	-0.06%	-0.01%
USD/CNH	7.1289	0.11%	-2.89%

Treasury	Yield	Change	YTD
US10Y	3.74	0.02%	-3.64%
EUR10Y	2.40	-0.05%	-6.41%
JGB10Y	0.43	0.00%	4.12%
AUD10Y	3.96	-0.05%	-2.24%
NZD10Y	4.53	-0.03%	0.03%
CNY10Y	2.70	0.00%	N.A.

Commodities	Last	Change	YTD
Gold	1964.13	-0.07%	7.68%
Silver	24.29	0.23%	1.41%
Brent Crude Oil	75.58	-0.50%	-9.45%

Singapore Time: 10:05:22 AM

* Numbers and values in the tables were extracted later than, and may therefore vary from, the numbers and values mentioned in the news extracts.

What to Watch*

- Coalition Cracks May Not Stop Japan PM From Calling Early Vote
- MSCI Says South Korea Still Has 9 Market Accessibility Issues
- Chinese Stocks Jump as Regulator to Guide More Stock Allocation
- Population Bump Won't Lift Sluggish Melbourne Office Rent Growth
- Watch China's AI Stocks After State Council's Legislation Push
- CATL Rises as Jefferies Says Battery Export to US Still Feasible
- Japan Regulator Wants Bigger Role for Independent Directors

Market News EU & US

- General Motors Co. will adapt its electric vehicles to Tesla Inc.'s Superchargers, following Ford Motor Co.'s lead and all but ensuring it will become an industry standard in the US. GM Chief Executive Officer Mary Barra broke her seven-month silence on Twitter to announce the news with Tesla CEO Elon Musk on Twitter Spaces Thursday, saying GM EVs will gain access to 12,000 Superchargers. GM shares rose 3.8% in extended trading in New York. Tesla climbed 4.8% on the news. The move by GM effectively ends any indecision among automakers and their charging network partners over which standard to use. With the three largest US-based companies joining forces, it will put pressure on other companies to ditch the industry's previous standard, called CCS, and build out their networks using Tesla's system. Collaborating also knocks down a possible barrier to car buyers, some of whom worry about adequate charging on America's roadways, Barra said. It will also add millions of drivers to Tesla's existing charging network. GM plans to have production to build 1 million EVs in the US in 2025. Ford has similar ambitions for 2026. "Positive all round and will help further cement Tesla's BEV dominance." Barra said GM will talk to its partners about working with Tesla's charging network. It had recently announced a joint venture with Pilot and EVgo Inc. to add 2,000 chargers nationwide. The Detroit automaker works with other charge networks in addition to EVgo. For Tesla, the deal will improve use of its charging network and add charging revenue from motorists, a GM spokesman said. Tesla's network will be open to GM EV drivers starting in 2024 and require an adapter, the companies said. Starting in 2025, GM will build its electric vehicles with a port for direct access to Tesla Superchargers.
- Semiconductor research projects with €8 billion (\$8.6 billion) in public funds were approved by the European Union's executive arm as part of a push to increase the bloc's domestic chip-supply chain. The projects are backed by a total €13.7 billion in private funding,

amounting to about €22 billion, the European Commission announced Thursday. It said a total of 68 Important Projects of Common European Interest – or IPCEI – have been given the go-ahead from 56 companies in 19 countries, including Norway. "Europe is taking its destiny into its own hands," Internal Market Commissioner Thierry Breton wrote in a blog post. "By mastering the most advanced semiconductors, EU will become an industrial powerhouse in markets of the future." The commission proposed the EU's Chips Act in early 2022, setting an ambitious goal to produce 20% of the world's semiconductors by 2030. These IPCEI projects form one component of that plan, which also opened the door for governments to provide funds for production facilities. So far, companies like Intel Corp, Infineon Technologies AG, STMicroelectronics NV, GlobalFoundries Inc and Wolfspeed Inc have all announced new investments. Taiwan Semiconductor Manufacturing Co. is also looking at building a production site in Germany.

Overnight News

- Biden, Sunak Agree to Launch Talks on Critical Minerals Pact
- US Seeks to Extend Digital-Tax Freeze as Global Deal Stalls
- Zuckerberg Shares AI Products to Reassure Workers of Strategy
- Bank of America Reworks Leadership in Investment Bank Unit
- EU's Fastest Inflation Slows as Hungarian Recession Drags On
- Oil Giant Earnings Estimates Slashed in Blow for Buyback Outlook

Earnings Releases (Source: Bloomberg)

- Kumiai Chemical Industry Co. Lt (4996 JP)

Rating Changes (Source: Bloomberg)

- Auckland Airport Raised to Neutral at Citi; PT NZ\$8.78
- Boral Raised to Outperform at Macquarie; PT A\$4.50
- Hysan Dev Raised to Overweight at JPMorgan; PT HK\$26
- Chervon Cut to Hold at HSBC; PT HK\$34.40
- Shenzhen Inovance Cut to Sell at Citi; PT 46 yuan
- Wiyynn Cut to Neutral at Macquarie; PT NT\$1,183
- Adastria Raised to Buy at Goldman; PT 3,100 Yen
- Otsuka Corp Raised to Equal-Weight at Morgan Stanley
- Itochu Techno Cut to Underweight at Morgan Stanley; PT 3,100 Yen
- Trend Micro Cut to Neutral at Mizuho Securities; PT 7,200 Yen
- Welcia Cut to Neutral at Goldman; PT 3,000 Yen
- Gudang Garam Raised to Outperform at Macquarie; PT IDR36,000

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Key Economic Event for this Asia-Pacific Week (Last Update on 5 June 2023)

Time	SG/Country	Event	For	Survey	Prior
Monday, 5 June 2023					
(Exchange Holiday: Malaysia, New Zealand, Thailand)					
9:30	AU	Inventories SA QoQ	1Q	0.30%	-0.20%
9:30	AU	Company Operating Profit QoQ	1Q	2.00%	10.60%
9:45	CH	Caixin China PMI Composite	May	--	53.6
9:45	CH	Caixin China PMI Services	May	55.2	56.4
12:00	ID	CPI Core YoY	May	2.81%	2.83%
12:00	ID	CPI YoY	May	4.21%	4.33%
12:00	ID	CPI NSA MoM	May	0.30%	0.33%
13:00	SI	Retail Sales Ex Auto YoY	Apr	--	4.10%
13:00	SI	Retail Sales SA MoM	Apr	--	2.20%
13:00	SI	Retail Sales YoY	Apr	-1.90%	4.50%
Tuesday, 6 June 2023					
7:30	JN	Labor Cash Earnings YoY	Apr	1.80%	0.80%
7:30	JN	Real Cash Earnings YoY	Apr	-2.00%	-2.90%
7:30	JN	Household Spending YoY	Apr	-2.20%	-1.90%
9:00	PH	CPI YoY 2018=100	May	6.10%	6.60%
9:30	AU	BoP Current Account Balance	1Q	A\$15.0b	A\$14.1b
9:30	AU	Net Exports of GDP	1Q	-0.5	1.1
11:30	TH	CPI Core YoY	May	1.60%	1.66%
11:30	TH	CPI NSA MoM	May	0.10%	0.19%
11:30	TH	CPI YoY	May	1.60%	2.67%
12:30	AU	RBA Cash Rate Target	6-Jun	3.85%	3.85%
16:00	TA	CPI YoY	May	2.30%	2.35%
16:00	TA	CPI Core YoY	May	--	2.72%
16:00	TA	PPI YoY	May	--	-1.98%
Wednesday, 7 June 2023					
9:30	AU	GDP SA QoQ	1Q	0.30%	0.50%
9:30	AU	GDP YoY	1Q	2.40%	2.70%
16:00	TA	Imports YoY	May	-21.60%	-20.20%
16:00	TA	Trade Balance	May	\$5.00b	\$6.71b
16:00	TA	Exports YoY	May	-14.20%	-13.30%
--	CH	Exports YoY	May	-1.50%	8.50%
--	CH	Imports YoY	May	-8.00%	-7.90%
--	CH	Trade Balance	May	\$95.10b	\$90.21b
Thursday, 8 June 2023					
6:45	NZ	Mfg Activity Volume QoQ	1Q	--	-4.70%
6:45	NZ	Mfg Activity SA QoQ	1Q	--	-0.40%
7:50	JN	GDP SA QoQ	1Q F	0.50%	0.40%
7:50	JN	GDP Annualized SA QoQ	1Q F	1.90%	1.60%

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7:50	JN	GDP Nominal SA QoQ	1Q F	1.80%	1.70%
7:50	JN	GDP Deflator YoY	1Q F	2.00%	2.00%
7:50	JN	GDP Private Consumption QoQ	1Q F	0.60%	0.60%
7:50	JN	GDP Business Spending QoQ	1Q F	1.30%	0.90%
7:50	JN	Inventory Contribution % GDP	1Q F	0.10%	0.10%
7:50	JN	Net Exports Contribution % GDP	1Q F	-0.30%	-0.30%
7:50	JN	BoP Current Account Balance	Apr	¥1650.0b	¥2278.1b
7:50	JN	BoP Current Account Adjusted	Apr	¥1397.3b	¥1009.0b
7:50	JN	Trade Balance BoP Basis	Apr	-¥275.5b	-¥454.4b
9:30	AU	Exports MoM	Apr	--	4%
9:30	AU	Imports MoM	Apr	--	2%
9:30	AU	Trade Balance	Apr	A\$13650m	A\$15269m
Friday, 9 June 2023					
9:00	PH	Unemployment Rate	Apr	--	4.70%
9:00	PH	Exports YoY	Apr	-7.60%	-9.10%
9:00	PH	Imports YoY	Apr	-8.00%	-2.70%
9:00	PH	Trade Balance	Apr	-\$4778m	-\$4928m
9:30	CH	CPI YoY	May	0.20%	0.10%
9:30	CH	PPI YoY	May	-4.40%	-3.60%
12:00	MA	Manufacturing Sales Value YoY	Apr	--	8.00%
12:00	MA	Industrial Production YoY	Apr	2.00%	3.10%

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