

ASEAN Morning Bytes

Asian markets expected to tread water while looking for trading cues on Friday



EM Space: Covid-19 infections and mixed economic data may affect sentiment on Friday

- **General Asia:** Surging new daily Covid-19 infections in select US states and mostly gloomy economic data provide the backdrop for trading on Friday with investors struggling for direction. Covid-19 new daily infections in southern US states are accelerating enough to force the governor of Texas to reinstate measures that were previously relaxed in May as the state runs out of hospital space. US-China tensions may also add some more colour to Friday with the US Senate passing legislation that would allow the government to impose sanctions on banks that deal with select Chinese officials.
- **Singapore:** May industrial production data is due. Non-oil domestic exports and manufacturing disproportionately benefited from a surge in pharmaceutical demand in the global pandemic. But the export surge ended in May with a 4.5% YoY NODX fall, and so did the manufacturing surge, providing some downside risk to the consensus of still strong IP growth of 7.7% YoY. We are looking for a 6.3% fall instead.
- **Thailand:** The government is considering extending its state of emergency to end-July. The Cabinet will take a call on this next week. The emergency has been in force since end-March, though the government has lifted most of the lockdown as the Covid-19 spread has been

under control with only 3,158 total cases so far and 96% of these recovered.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) surprised market players with a hefty 50 bps rate cut at yesterday's meeting. BSP governor Diokno kept the door open to further easing, indicating he would need to retain the accommodative stance to ensure ample credit and ease the cost of borrowing as the economy enters its recovery stage. We expect Diokno to refrain from additional cuts to the policy rate with the BSP likely turning to possible reductions to the reserve requirement should it need to ease monetary policy further. The PHP should lose some of its appreciation momentum on Friday after the surprise move.

What to look out for: Covid-19 developments

- Singapore industrial production (26 June)
- US personal spending and consumer sentiment (26 June)