

ASEAN Morning Bytes

US jobs numbers to lift sentiment on Friday with investors looking to China Caixin PMI reports for further direction



EM Space: Positive US jobs report to boost sentiment for now

- **General Asia:** Market sentiment may improve on Friday with investors reacting to the US jobs report although the sustained acceleration in new infections in US states could reverse this trend with select lockdown measures reinstated in hotspots. On the geopolitical front, the US Senate passed along the bill that supports sanctions on Chinese officials for human rights violations to Trump for his signature as US-China tensions simmer. Investors will get additional direction from China's Caixin PMI figures for release in the morning session with Singapore retail sales and Thailand inflation also slated for release to close out the week.
- **Singapore:** June's manufacturing PMI and May retail sales are today's data line-up. The reopening of the economy from the Covid-19 circuit-breaker should nudge the PMI higher. However, as in most Asian economies, we don't see it crossing the 50 threshold for expansion just yet. The PMI loosely tracks year-on-year GDP growth, which we forecast slumping to a record -9.2% YoY in 2Q.
- **Singapore:** Private consumption will be the main expenditure-side drag on GDP, as the retail sales data should stress. We are looking for a 52% YoY fall in sales, steeper than the 40.5% fall in April. Supermarket sales should continue to outperform non-essential consumer spending of all sorts, while big-ticket items like cars should remain a dominant

pull on the downside, as also evident from the more than 90% YoY plunge in new registrations in May.

- **Thailand:** June CPI inflation is due today. Relaxation of Covid-19 restrictions and return of pent-up demand underpins the consensus of slightly less negative inflation (-3.1% YoY vs. -3.4% in May). The risk is tilted on the downside though, with high base effects likely pushing food inflation into negative territory. Housing and transport prices have been the other sources of falling inflation recently and they remained in play in June. We expect inflation in the rest of the year to stay around -3%. There isn't any easing space left for the Bank of Thailand though.
- **Indonesia:** Indonesia's parliament will hold a hearing on Monday to discuss the planned "burden-sharing" arrangement between the fiscal sector and the central bank. Finance Minister Indrawati reported that Bank Indonesia (BI) will be asked to purchase a portion of the planned bond issuances to help finance the Covid-19 relief effort at zero interest rates, a move that has raised investors' concerns. IDR was under depreciation pressure over the past few sessions with BI activating its triple intervention to stabilize the currency. We expect concerns over the planned burden-sharing arrangement to hurt market sentiment in the near term with IDR likely facing marginal depreciation with BI capping any sharp weakening trend.

What to look out for: China Caixin PMI and Covid-19 developments

- China Caixin PMI (3 July)
- Thailand inflation (3 July)
- Malaysia trade (3 July)
- Singapore retail sales (3 July)