

ASEAN Morning Bytes

Market sentiment likely to turn defensive on Friday ahead of the US jobs report



EM Space: Tech rally fizzles out, could drag on trading sentiment on Friday

- **General Asia:** The tech rally finally ran out of steam mainly on profit-taking with the sell-off overnight likely to weigh on trading sentiment on Friday. Meanwhile, investors remain concerned about the simmering US-China tension with a pickup in military exercises in the South China Sea and a strongly worded speech from China's Xi. Covid-19 developments will also remain a concern with market players monitoring vaccine developments with several candidates now in phase 3 trials. Regional economic data reports feature Philippine inflation and Singapore's retail sales while investors look to the US jobs report out later tonight for further direction.
- **Thailand:** Yesterday's news of the first local Covid-19 case after more than three months of no local transmission isn't good for the government rushing to reopen the doors for foreign tourists. Thailand has been one of Asia's Covid-19 success stories; with the total number of infections of 3,427 so far much lower than its ASEAN neighbours. The news should keep the THB under a weakening bias today.
- **Singapore:** Released yesterday, the August PMIs painted a mixed picture of manufacturing activity. The official PMI signalled continued growth, although at a slightly slower pace (50.1

vs. 50.2 in July). But the Markit index showed a steeper fall (43.6 vs. 45.6 in July). This is sentiment-driven after all. Actual manufacturing output remains on a mildly upward trend.

- **Singapore:** The July retail sales data today will inform about how the service sector is doing. Sales continued to clawback large declines caused by the Covid-19 circuit-breaker measures in April-May but are still below their year-ago level (ING forecast -11 for July, consensus -16%). We see weak services and construction activity outweighing firmer manufacturing to keep year-on-year GDP growth in negative territory for the rest of the year.
- **Indonesia:** Authorities have distanced themselves from a proposal to increase national government influence over Bank Indonesia (BI) with Economic Minister Hartarto declaring he was opposed to the idea of turning over control of the central bank to the Finance Ministry. Hartarto, however, said that the so-called “burden-sharing” arrangement between BI and the national government would continue in 2021 despite BI Governor Warjiyo insisting that 2020’s debt monetization was a one-off event. Concern and confusion over proposed plans to dilute central bank independence should continue to push IDR weakness in the near term as investors remain concerned about additional rounds of debt monetization.
- **Philippines:** Philippine inflation will be released today with analysts expecting a 2.7% increase in prices for August. Price pressures remain modest given the economic recession with upward pressure on headline inflation driven mainly by slightly higher transport fares due to social distancing measures that disallow ride-sharing. Year-to-date inflation will likely settle at 2.6%, at the lower end of the central bank target and we do not expect any changes to monetary policy for the balance of the year.

What to look out for: US NFP report Covid-19 developments

- Philippines inflation (4 September)
- Singapore retail sales (4 September)
- Malaysia and Thailand GIR (4 September)
- US non-farm payrolls (4 September)