

ASEAN Morning Bytes

Investors will likely turn defensive on Monday as strong US data overshadows the Fed easing prospects.



EM Space: Surprisingly strong payroll figure weighs on Fed easing

- **General Asia:** The US created more than expected 224k jobs in June, which could delay the Fed rate reduction while the market continues to price in aggressive easing ahead and President Trump continues to prod Powell slashing rates. Chairman Powell is expected to reveal his thinking in his testimony to the Congress on Wednesday and Thursday. Meanwhile, Asian markets may pull back and look to US inflation and China trade data for direction.
- **Malaysia:** S&P Global Ratings affirmed Malaysia's long-term sovereign ratings of A- and short-term rating of A-2 with a stable outlook. The agency cited strong external payments position and monetary flexibility offsetting relatively weaker yet stable (public) finances, while current ratings also reflected the depth of the domestic bond market reducing reliance on external financing. Finance Minister Guan Eng welcomed the news as demonstrating Malaysia's positive economic outlook.
- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo continued to lean dovish indicating that inflation was well within target and that the economy was in need of a boost. Warjiyo shared that inflation will likely slip to 3.1% in July while the current account is seen to

improve to just under 3% of GDP. Despite concerns about the current account deficit, the BI chief said that foreign investment continues to flow in, helping the country post a capital account surplus to offset the shortfall in the current account.

- **Philippines:** June CPI inflation slipped below consensus to 2.7% YoY from 3.2% in May (consensus 2.8%). Disinflation was noted in the index-heavy food subcomponent led by a second consecutive contraction in rice price as imports are flooding the market. With a 3.4% year-to-date rate, inflation is on course to remain within target for the rest of the year and next. Bangko Sentral ng Pilipinas (BSP) Governor Diokono has pledged further rate cuts and these can resume as early as August if inflation continues to slide and growth momentum slows.

What to look out for: Fed speakers, US inflation data

- Taiwan trade (8 July)
- Singapore GIR (8 July)
- Malaysia BNM meeting (9 July)
- US JOLTS jobs opening (9 July)
- China money supply (9 July)
- China trade (10 July)
- Fed Bostic and Powell speak
- Philippines trade (10 July)
- US wholesale inventories (10 July)
- FOMC meeting minutes (11 July)
- Fed Bullard speaks
- US inflation (11 July)
- Singapore GDP and retail sales (12 July)
- Malaysia industrial production (12 July)
- Japan industrial production (12 July)
- India inflation (12 July)
- US PPU (12 July)
- China trade (12 July)