

Today - mainly good news

OK - the Coronavirus numbers are marching steadily higher, but for now, markets seem to be ignoring that. Instead, they will probably latch on to the relatively positive data coming from global PMI indices.



lightning

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Portent of the day ahead?

A new experience for working from home today, as I sat on my covered balcony in the middle of such a violent electrical storm that at one stage it turned so dark that I could only read my morning notes by shining my phone light onto them. Doubt anyone could hear anything I said on the morning call over the rain and thunder.

Anyway, markets seem to be of a much sunnier disposition today, and I suspect that will continue over the course of the day despite the relentless upward march of global coronavirus cases, in particular the rising trend in the US, and the new spikes being seen in various places around the world which had seemed to be on top of their virus control.

The net result of the growing market resistance to covid-19 news is that as well as equities rising, the dollar is weakening again, and that should provide a generally supportive environment for Asian currencies today.

Today's newsflow is likely to help too. Today we see Markit PMIs in both the US and Eurozone. Australia has also released its PMI numbers for June and they show the manufacturing PMI returning to 49.8, just fractionally below the 50-threshold indicating growth, while the services PMI

leapt from 26.9 to a very respectable 53.2, showing what the effect that opening up (Victoria excepted) is doing for Australia's service sector economy.

Be very clear though, 53.2 though marking a growing services environment, does not mean business as normal. If the difference between 50 and last month's 26.9 index for services was an indication of how far service activity fell that month, June's reading of 53.2 suggests that about one-eighth of that single month's decline was clawed back. Actually, it isn't that straightforward, but that sort of back-of-the-envelope comparison should hopefully dispel any idiotic comments about V-shaped recoveries, though doubtless there will be a few.

The AUD has taken some encouragement from the data and has pushed further above 0.69 today, currently sitting at about 0.6930. The NZD is being a little more circumspect ahead of tomorrow's RBNZ meeting, where Governor Adrian Orr may seek to deflate enthusiasm for the NZD, though we don't expect to see any meaningful policy moves. [See here for more on that.](#)

Elsewhere in Asia today

Prakash Sakpal comments on some of the releases due for today in our region:

Singapore: May CPI inflation data is due today. We expect a further fall in headline inflation to -1.0% YoY from -0.7% in April as a result of steeper declines in housing and transport prices besides broader demand weakness during the Covid-19 circuit-breaker. Core inflation should be unchanged at -0.3%. There will be no break from the negative inflation trend until low base effects come into play in the second quarter of 2021.

Malaysia: After a near-total collapse in April, vehicle sales bounced back to 22,960 units in May, though these were still 62% lower than a year ago. Year-to-date sales are down 49% on the year. The data reflect the extent of the hit to consumer spending due to the Covid-19 lockdown. The strain has subsided now that the lockdown is over. Yet, rising job losses and lingering political risk will continue to depress spending.

Political tensions are brewing in the background as the Pakatan Harapan coalition of Mahathir-Anwar is trying to regain its electoral mandate through a confidence vote against the ruling government of Muhyiddin Yassin. But the duo is yet to agree on who would become the next prime minister if they succeed.

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