

## ASEAN Morning Bytes

Regional PMI reports will give trading additional direction on Thursday



### EM Space: Asian markets to take their cue from regional PMI as US fiscal stimulus remains elusive

- **General Asia:** Asian market players will take their cue from PMI manufacturing reports out early on Thursday after China reported slightly better numbers on Wednesday. Investors remain hopeful for another round of fiscal stimulus in the US as Democrat lawmakers and the government officials extend their talks on the planned spending bill. Covid-19 cases remain elevated in select US states and countries in Europe as investors monitor vaccine development. Market players will take their cue from the regional data reports while looking to US political developments and the US jobs report later on Friday for further direction.
- **Thailand:** Yesterday's manufacturing data for August point to a very slow economic recovery ([read more here](#)). While tourism slack is expected to continue well into 2021, stimulus spending is being very slow to come on-stream. Data shows that a significant amount of the Covid-19 stimulus – four packages announced from March to June for a total stimulus worth 14.5% GDP, half of which is real or on-budget spending – remains unspent. This is further underscored by the latest budget data for the first nine months of FY2019/20 just ended in September, showing only a fiscal deficit of 3.9% of GDP. There are now reports of the government considering more stimulus to revive domestic demand. We think the

weakness of effective fiscal support will continue to weigh on investor confidence and exert more weakening pressure on the THB. We have revised our end-2020 USD/THB forecast from 31.50 to 32.00.

- **Indonesia:** Indonesia will report September CPI inflation which is expected to slip below the 2-4% inflation target (ING forecast at 1.4%) for another month, given depressed demand due to slowing economic momentum. Despite decelerating inflation, Bank Indonesia (BI) will be hard-pressed to cut policy rates in the near term as IDR remains on the backfoot due to concerns about growth with Jakarta recently extending more stringent lockdown measures with Covid-19 new daily infections remaining elevated. IDR will likely remain pressured as Indonesia struggles to contain the spread of the virus and we expect BI to maintain a presence in the spot market to limit the currency's recent depreciation spell.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) holds a policy-setting meeting today with the central bank expected to pause after a series of rate cuts earlier in the year. BSP Governor Diokno's recent comments point to a "prudent pause" as monetary authorities assess the impact of releasing up to Php1.5 trillion into the financial system. ING expects BSP to keep rates steady with the bigger development being the planned Php540 bn 3-month repurchase agreement with the national government with the BSP likely to announce a deal with the national government later on Thursday. The overall impact of such an arrangement will translate to even more liquidity infused into the financial system, which will likely keep rates on the short-end of the curve floored close to the BSP's 2.25% policy rate.

## What to look out for: Regional PMI and Covid-19 developments

- Regional PMI manufacturing (1 October)
- Indonesia CPI inflation (1 October)
- Bangko Sentral ng Pilipinas policy meeting (1 October)
- US initial jobless claims, core PCE inflation and ISM PMI manufacturing (1 October)
- Singapore PMI (2 October)
- US non-farm payrolls, factory orders, durable goods orders, consumer sentiment (2 October)