

## ASEAN Morning Bytes

Asian markets to turn defensive ahead of key data reports



### EM Space: Regional PMI data to give direction for Tuesday

- **General Asia:** Asian markets may turn defensive on Tuesday, with regional PMI manufacturing data showing mixed trends with select countries remaining in contraction due to subdued economic activity. Covid-19 developments remain on investors' minds with cases picking up in some countries although US new daily Covid-19 infections continue to decelerate from the peak in the summer. A string of manufacturing and services sector data out from the region should give investors an indication of the status of respective economies post lockdown easing while the US is set to report labour market data later on Friday. Investors should take their cue from Tuesday's PMI manufacturing reports while also monitoring Covid-19 developments for additional colour for trading.
- **India:** [The Indian economy crashed 24% YoY in the April-June quarter](#). The decline was broad-based, with a plunge in both domestic demand and exports, while the 10%+ (in terms of GDP) fiscal stimulus package again wasn't apparent in government consumption.
- This data has pushed our forecast for FY2020-21 growth further down to -10.3% from -8.6%. Without any more policy support, it could be even worse. The INR 8.21 trillion budget deficit in the first four months of the fiscal year has already exceeded the INR 7.96 trillion official projection for the whole year. The RBI announced measures to ease stress in the bond market. But we would expect any relief for the market to be short-lived given the persistent inflation threat and supply overhang. Yields came off only a bit yesterday, and

the INR weakened. We expect the INR will remain an Asian underperformer over the rest of the year.

- **Singapore:** Broad money (M2) growth further accelerated to 12.2% YoY in July from 11.0% in June. This was the fastest rate of growth since the 2009 global financial crisis. The record Covid-19 stimulus explains the surge in liquidity, though there are no takers for it just yet. Bank lending extended its slowdown for a fifth straight month and was down 0.3% YoY in July even as interest rates continued to grind lower. 3-month Sibor ended August with another 3 basis point fall on the month to 0.41%. Weak economic confidence suggests this state of affairs should continue through the end of the year.
- **Thailand:** As expected, the current account swung back to surplus in July as the wide goods trade surplus more than offset continued outflows on the services account. The \$1.8 billion of current surplus in the month was almost double the consensus estimate and was a sharp swing from a \$247 million deficit in June. This brings the year-to-date current surplus to \$9.9 billion. This is still down from \$19.7 billion a year ago, keeping our forecast of a near-halving of the annual surplus this year from 7.1% of GDP equivalent in 2019 on track. The THB has been an Asian underperformer so far this year and should remain so over the remainder of the year.
- **Indonesia:** Indonesia reports inflation data for the month of August with market players expecting inflation to remain subdued and dip to 1.4% as economic activity slows due to the pandemic. Inflation will be below the central bank's target of 2-4% as Covid-19 new infections in Indonesia remains elevated, sapping momentum from consumption activity on fears of catching the virus. Despite the below-target inflation, Bank Indonesia (BI) will likely refrain from easing monetary policy further given recent struggles of IDR and we only expect BI to cut policy rates again should IDR stabilize.

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

- Regional PMI manufacturing (1 September)
- China Caixin PMI manufacturing (1 September)
- Indonesia inflation (1 September)
- Hong Kong retail sales (1 September)
- US ISM PMI manufacturing (1 September)
- US Factory orders and durable goods orders (2 September)
- Singapore PMI manufacturing (3 September)
- Regional PMI services (3 September)
- US initial jobless claims, ISM services and trade balance (3 September)
- Philippines inflation (4 September)
- Singapore retail sales (4 September)
- Malaysia and Thailand GIR (4 September)
- US non-farm payrolls (4 September)

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