

ASEAN Morning Bytes

Asian markets could bounce back after US markets recover overnight ahead of today's ECB meeting



EM Space: Investors will take their cue from ECB meeting and US initial jobless claims

- **General Asia:** Sentiment in Asia may track US moves overnight with technology stocks rebounding after trading lower for most of the week. Market players will digest political developments in the US as Donald Trump brushes aside accusations that he deliberately concealed the severity of Covid-19. Investors will be monitoring Malaysia's policy meeting and take additional cues from US initial jobless claims report and the ECB meeting later on Thursday.
- **Thailand:** Released yesterday, the Consumer Confidence Index for August improved slightly to 51.0 from 50.1 in July. It's still well below the pre-Covid level of 67.3 in January. Private consumption was a key spending-side drag on GDP in 2Q. It remains so in the current quarter. As the Bank of Thailand's monetary easing has almost run its course, outgoing governor Veerathai Santiprabhob has urged more fiscal policy accommodation to revive growth. While we don't see any more policy support forthcoming, rising political uncertainty will continue to hinder confidence and any prospective economic recovery.
- **Malaysia:** Bank Negara Malaysia's (BNM) policy decision will be out at 3 pm local time. The consensus is split on a '25bp rate cut' and an 'on-hold policy' outcome. We are in the 'rate

cut' camp. Unlike most Asian central banks whose rate policies have almost reached their easing limit, BNM still has some room ease further. And, there is a strong case for it to do so today, as we explained in our [policy preview note](#) published on Monday. Markets have also have priced in a rate cut, judging from the more than 20bp decline in 10-year local currency bond yields since the last BNM meeting in early July.

- **Philippines:** Philippine trade data will be reported later on Thursday with both exports and imports expected to remain in deep contraction. The trade gap will likely tighten as imports drop faster than the weakness in exports, one of the key reasons for the Peso's outperformance in 2020. Although a boon to PHP, the freefall in imports will also likely mean that potential output for the economy will be handicapped going into 2021, one other reason we do not expect a quick turnaround from the recession with our GDP forecast to remain in the red until 1Q 2021.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) will be issuing its own securities starting 18 September as it broadens its liquidity management toolkit. The BSP bonds will issue Php20 bn worth of 28-day bills on a weekly basis and will likely issue longer-dated securities should the central bank want to mop up more liquidity. The maiden issuance will not likely affect local bond yields just yet given that excess liquidity is at roughly Php1.4 trillion but we do expect the additional policy tool to be utilized when BSP begins normalizing policy operations.

What to look out for: ECB meeting and Covid-19 developments

- Philippines trade (10 September)
- Thailand consumer confidence (10 September)
- Malaysia BNM policy meeting (10 September)
- ECB policy meeting (10 September)
- US PPI inflation and initial jobless claims (10 September)
- Malaysia industrial production (11 September)
- US CPI inflation (11 September)