

ASEAN Morning Bytes

Asian markets are likely to pullback on Friday, weighed down by sell-off in US stocks



EM Space: Risk sentiment likely to fade on Friday

- **General Asia:** Risk aversion will likely dominate on Friday with the technology sector weighing on overall sentiment. Investors are struggling to find a catalyst to reverse the recent downtrend with the much-anticipated US fiscal stimulus bill still in limbo. Investors will likely digest comments from the ECB on EUR overnight and look to the US inflation data report on Friday for additional direction.
- **Indonesia:** Jakarta will revert to large scale social restrictions on 14 September as new daily infections continue to accelerate. Jakarta governor Baswedan said that authorities needed to pull the “emergency brake” to slow the spread of the virus with hospitals nearing capacity. Non-essential workers will be asked to work from home while recreational areas would be closed to limit mobility. This development moves in-line with our previous assessment that a possible return to more stringent lockdown measures would [weigh on overall growth momentum in the near term](#). IDR will likely remain under pressure on Friday as investors turn anxious over growth prospects with the authorities admitting that 3Q GDP will likely contract with economic indicators (retail sales and consumer confidence) pointing to another quarter of contraction.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor said that gross international reserves

(GIR) will likely top \$100 bn in the near term as the PHP continues to appreciate with the current account likely in surplus. Imports remained in freefall, dropping more than 24% in July, translating to dampened corporate demand for the dollar. With import trends not expected to revert in the near term, we expect PHP to be well-supported in the near term with GIR hitting \$100 bn as early as next month.

- **Malaysia:** Malaysia releases July industrial production data at 12:00 local time. It is possible that yesterday's "No change" decision by Bank Negara Malaysia reflected prior knowledge about a decent IP number today. In any case, the consensus expectation is for a 1.0% gain YoY, a slight improvement on the -0.4%YoY figure for June. Still, with oil prices looking pressured again, we wouldn't expect the MYR to take too much comfort from this data today.

What to look out for: US inflation and Covid-19 developments

- US CPI inflation (11 September)

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