

ASEAN Morning Bytes

Investors await China data dump for trading cues on Thursday



EM Space: China economic data to shape sentiment

- **General Asia:** China reports data on GDP, retail sales and industrial production later on Thursday with investors likely to take their cue from these reports. Meanwhile, US president Trump pulled back on additional sanctions for Chinese officials, opting not to stoke additional tension between the two countries at least for now. Investors will also keep an eye on Covid-19 developments on Thursday with still elevated new infection reports in southern US states clashing with optimism over vaccine development.
- **Singapore:** June non-oil domestic export data is due tomorrow morning (17 July). Despite weak global demand due to Covid-19, NODX has been firm this year with a 4.2% YoY rise in the first five months of the year. But this strength is very lopsided, driven by a surge in pharmaceutical demand during the pandemic. There was some tapering of pharma exports in May, dragging the headline NODX down by 4.5% YoY in that month. This might have been one-off. We see NODX growth turning positive in June, though not as much as the consensus forecast of an 8% rise (ING +1.5%).
- **Thailand:** Politics is coming back to take a toll on markets. Local media reports that that government's economic team, led by Deputy Prime Minister Somkid Jatusripitak (and comprising Finance Minister Uttama Savanayana, Energy Minister Sontirat Sontijirawong, Education Minister Suvit Maesincee, and Prime Minister's Deputy Secretary-General Kobsak Pootrakool) is resigning today to make way for a cabinet reshuffle. Some of them have

already resigned from the ruling Palang Pracharath Party. Having outperformed in May and June, the THB has shifted to be an emerging market underperformer this month with a 1.9% loss against the USD month-to-date, beating our end-year forecast of 31.50 (spot 31.57).

- **Philippines:** President Duterte extended partial lockdown measures in the capital region until the end of the month as daily Covid-19 infections remain elevated with the president warning of a return to more stringent measures should the current trend continue. Economic managers have been lobbying for a gradual reopening of the economy despite the recent rise in cases to help jump-start the economy. The threat of a return to more stringent lockdowns in the capital region would likely delay the economic recovery and we continue to price in a drawn-out recession with GDP likely remaining in contraction for the balance of the year.
- **Indonesia:** Bank Indonesia (BI) will hold a policy meeting on Thursday with market analysts expecting the central bank to cut policy rates to give the economy a boost. President Jokowi predicts that GDP will contract by 4.3% in 2Q with economic activity slowed considerably by partial-lockdown measures and restrictions on travel imposed from April to June. Despite the projections for weaker growth, ING expects BI will keep policy rates unchanged as IDR comes under increased pressure in July, down 2.1% for the month. IDR stability was tagged by Governor Warjiyo as a decision point for additional rate cuts and BI will likely pause at today's policy meeting to wait for more stability before easing policy rates further.

What to look out for: China data and US retail sales plus Covid-19 developments

- China GDP, industrial production and retail sales (16 July)
- Bank Indonesia policy meeting (16 July)
- US initial jobless claims and retail sales (16 July)
- Fed's Bailey speaks (16 July)
- Singapore non-oil domestic exports (17 July)
- US housing starts and consumer sentiment (17 July)
- Fed's Williams and Evans speak (17 July)