

ASEAN Morning Bytes

Uncertainty over US-China trade talks and planned stimulus to keep investors on their toes



EM Space: Regional data in focus as US-China talks postponed

- **General Asia:** Market players will likely remain in a holding pattern on Monday, with investors looking to regional growth, inflation and central bank meetings for further direction. US-China tensions remain elevated as planned talks on trade were postponed, while the fate of additional US stimulus spending remains in limbo. Covid-19 cases in the US showed some early positive signs, although hotspots continued to emerge in other countries like New Zealand. Data should drive trading on Monday with investors also looking to Covid-19 developments and US-China relations for further direction.
- **Singapore:** Non-oil domestic exports continued to beat expectations in July with a 6.0%YoY and 1.2% MoM SA growth (consensus +3.6% YoY and -0.6% MoM SA). The base year effect imparted more volatility to the year-on-year growth rates in recent months as it slowed sharply from 13.9% in June (revised down from 16.1% initial print). But monthly NODX levels continued to hover around S\$14.3 billion average in the first half of the year (S\$14.8 billion in July). Among the main NODX drivers, Electronics continued to hold firm above S\$3 billion in July, albeit a sharp slowdown in year-on-year growth to 2.8% from 22%. Pharmaceutical exports were down for a third month. By destination, strong gains in shipments to the US and Japan offset weak demand in China and Europe. July data will get expectations about

3Q20 GDP growth rolling (ING forecast -8.2% YoY).

- **Thailand:** 2Q20 GDP report is due today. As elsewhere, the Covid-19 lockdown dealt a significant blow to the economy in the last quarter. We expect a 12.8% YoY GDP fall in the last quarter, in line with the consensus of -13.0% and down from -1.8% in 1Q. However, as seen with other ASEAN neighbours, a big downside GDP miss cannot be ruled out here. As if Covid-19 troubles aren't enough, political troubles are brewing with intensifying anti-government student protests. This will weigh on economic recovery in the rest of the year.
- **Malaysia:** 2Q20 GDP growth of -17.1% YoY was a substantial downside surprise (consensus -10.9), and the worst economic performance on record. Investment spending took the biggest hit by -28.9% YoY, followed by exports (-21.7%) and private spending (-18.5%). And, a huge stimulus was not evident in government spending whose growth in fact slowed (2.3% vs. 5.0% in 1Q). The data paves the way for more central bank (BNM) rate cuts than our view of one more 25bp cut in this cycle. This is further made possible by persistent negative CPI inflation, for which July data is due tomorrow (18 August).
- **Indonesia:** President Jokowi announced an adjustment to growth targets with GDP in 2020 likely between -1.1 and 0.2% with GDP rebounding to 4.5 to 5.5% by 2021. The bounce back in growth would likely be fuelled by government spending with the budget deficit expected to jump to 6.3% of GDP this year before normalising to 5.5% of GDP in 2021. Jokowi announced a 2021 Covid-19 fiscal stimulus package of IDR 356 trillion, roughly half of this year's IDR 697 trillion with the central bank on standby to help in financing the debt. Bank Indonesia entered into a "burden sharing" agreement with the national government and any additional attempts to monetise the nation's debt may not sit well with investors who had initially looked past the 2020 bond purchases.

What to look out for: Covid-19 developments

- Singapore non-oil domestic exports (17 August)
- Thailand GDP (17 August)
- US empire manufacturing (17 August)
- Malaysia inflation (18 August)
- Indonesia trade (18 August)
- US housing starts (18 August)
- Bank Indonesia policy meeting (19 August)
- Hong Kong unemployment (19 August)
- US MBA mortgage applications (19 August)
- Hong Kong CPI inflation (20 August)
- Bangko Sentral ng Pilipinas policy meeting (20 August)
- Taiwan export orders (20 August)
- US initial jobless claims (20 August)
- US PMI manufacturing and existing home sales (21 August)