

ASEAN Morning Bytes

Asian markets to move sideways, digesting recent economic data from the US and China



EM Space: Market searches for direction

- **General Asia:** Mixed economic data reports out from China and the United States should keep investors in a holding pattern on Friday with market players looking for fresh cues. China's 2Q GDP beat forecasts but retail sales fell below expectations while US jobless claims came slightly off from consensus. Southern US states continue to struggle with the recent surge in cases with more state governors dialling back their reopenings to deal with the crisis. Investors will likely keep their eyes on Covid-19 developments as well as on US-China relations for further direction to close out the week.
- **Singapore:** In a substantial upside surprise, non-oil domestic exports surged 16.1% YoY in June, double the consensus estimate of 8.0%. For the month. A 0.5% MoM SA rise followed two consecutive months of declines. After a contracting year-on-year in May, pharmaceuticals rose 31% YoY in June, though that mainly owed to base effects and pharma was down for a second month. Electronics exports continued to hold firm above SGD3bn in monthly exports for the third consecutive month (SGD3.128bn in June, SGD3.318bn in May and SGD3.106bn in April). By destination, strong gains in shipments to Europe and Japan helped to offset anaemic demand in China and the US.
- Don't get too carried away with thoughts of a strong recovery following this data. In a

media briefing yesterday, the MAS's head Ravi Menon warned about the dire economic situation and slow and uneven recovery ahead, with a potential rise in job losses and corporate bankruptcies as well as higher household and corporate debt levels undermining the recovery. But he also ruled out any changes to the MAS monetary policy or the property cooling measures in place in currently.

- **Thailand:** Prime Minister Prayuth Chan-Ocha is preparing for a cabinet reshuffle after resignations yesterday by key economic ministers. This reshuffle will happen by August. The Bank of Thailand's senior director, Don Nakornthab said they were prepared for more rate cuts in the event that a second-wave of Covid-19 hits the economy. All this should sustain the THB under weakening pressure after the currency fell to a six-week low of 31.667 against the USD yesterday.
- **Indonesia:** Bank Indonesia (BI) cut policy rates by 25 bps with the central bank looking to bolster economic activity as government officials forecast a deep contraction in 2Q GDP. BI governor Warjiyo opted to focus on stimulus over IDR stability and we expect the currency to come under additional pressure after the recent rate cut. Warjiyo vowed to step up intervention to stabilize IDR but we expect renewed bouts of weakness during episodes of risk-off tone with IDR down more than 2% in July.

What to look out for: Covid-19 developments

- US housing starts and consumer sentiment (17 July)
- Fed's Williams and Evans speak (17 July)