

ASEAN Morning Bytes

Asian markets likely to track Wall Street lower in reaction to Fed minutes



EM Space: Investors focus on Taper talk

- **General Asia:** Asian markets may open on the backfoot on Thursday as investors react to the minutes of the FOMC meeting which suggested most Fed officials support beginning the taper before the year-end. The focus will shift back to economic data with US initial jobless claims scheduled for release on Thursday before shifting to the upcoming Jackson Hole symposium next week. Meanwhile, market sentiment will likely remain sensitive to data on global growth as the Delta variant spreads across several jurisdictions.
- **Philippines:** Authorities downgraded the official GDP growth forecast for 2021 to 4-5% (6-7% previously) citing the negative impact from the ongoing Delta variant wave. Official growth projections for 2022 (7-9%) and 2023 (6-7%) were retained. Government officials will focus on accelerating the pace of vaccination with only about 11.5% of the total population vaccinated as of today. We had previously trimmed our GDP growth projection to 3.8% and we may need to rework our forecast should the current period of heightened restrictions be extended further.
- **Indonesia:** Bank Indonesia (BI) meets to discuss policy today. Governor Warjiyo is widely

expected to keep rates at 3.5%. Previously, Warjiyo had signaled a “pro-growth” stance suggesting he would be on hold for the rest of the year to provide monetary support for the economic recovery. We do not expect additional rate cuts from BI however as Governor Warjiyo also cited currency stability as one key objective for this year. We expect BI to unveil specialized incentives to help boost bank lending with further rate cuts off the table for now while IDR will likely come under pressure in the near term with market focus back on the Fed taper.

What to look out for: Covid-19 developments

- Hong Kong CPI inflation (19 August)
- Bank Indonesia policy meeting (19 August)
- US initial jobless claims (19 August)
- Regional GIR data (20 August)
- Fed Kaplan speech (20 August)