ASEAN Morning Bytes

Asian markets are expected to move sideways ahead of regional manufacturing data

EM Space: China corporate crackdown and US jobs numbers to be in focus

- **General Asia:** Asian markets are likely to move sideways on Monday with investors taking their cue from regional manufacturing data out in the morning. Market sentiment will be weighed down by concerns over China's recent crackdown on corporates as well as simmering concerns about growth given the pickup in Covid infections linked to the delta variant. The economic calendar features inflation reports out in the region capped off by US employment figures at the end of the week.
- **Malaysia:** Politics has been dominating the headlines following the clash of the King and the premier last week over the revocation of the emergency ordinance. The state of emergency in force since the start of this year was to end on 1 August. Prime Minister Muhyiddin Yassin has postponed the parliament session set for today indefinitely on the grounds of Covid-19 infections among parliament staff. Meanwhile, nationwide daily new cases continued to scale new highs, hitting about 18,000 over the weekend. The ongoing headwinds to the economy should keep the Malaysian ringgit on a steady depreciation path over the rest of the year. We have revised our end-2021 USD/MYR forecast to 4.40 from 4.22 (spot 4.23).

- **Thailand:** The daily new Covid-19 cases surged to a record of over 18,900 over the weekend, forcing the authorities to extend the existing tighter movement restrictions in the capital Bangkok and 13 surrounding provinces until 31 August. The pandemic is shaping Thailand to be Asia's worst-performing economy in 2021 with only 1.4% GDP growth according to our latest forecast after revision last week from 2.1%. This calls for greater macro-policy support for the economy. Fiscal policy is taking the lead in providing this support, while monetary policy has hit a wall. The Bank of Thailand meets this week (4 August). We are part of a unanimous consensus that the central bank will leave the policy rate unchanged at 0.50% this week.
- **Philippines:** Stricter quarantine restrictions will be reinstated on 6 August as Covid-19 daily infections spiked due to the spread of the delta variant. Growth momentum is expected to take a hit while the PHP appreciated sharply on Friday on projections for a slowdown in import demand in the coming months. The stricter quarantine measures will be in place for 2 weeks and we will likely adjust our growth forecast for 3Q once we receive more clarity on the length of the stricter mobility curbs.
- **Indonesia:** Indonesia reports July inflation with price gains expected to have been subdued due to soft domestic demand. Tighter mobility curbs were implemented during the month as the country saw a spike in Covid-19 infections linked to the delta variant. Inflation is forecast to fall below the 2-4% target of the central bank, but we don't expect any adjustment from Bank Indonesia as Governor Warjiyo hopes to stabilize the IDR.

What to look out for: Regional PMI and Covid-19 developments

- Regional PMI manufacturing (2 August)
- Indonesia CPI inflation (2 August)
- Hong Kong retail sales (2 August)
- US ISM manufacturing (2 August)
- US factory orders and durable goods orders (3 August)
- China Caixin PMI services (4 August)
- Bank of Thailand policy meeting (4 August)
- US ADP employment and ISM services (4 August)
- Philippines CPI inflation (5 August)
- Thailand CPI inflation (5 August)
- Indonesia 2Q GDP (5 August)
- Taiwan CPI inflation (5 August)
- US trade balance and initial jobless claims (5 August)
- Philippines trade balance (6 August)
- US non-farm payrolls (6 August)