

ASEAN Morning Bytes

Relatively positive PMI manufacturing reports from the US and China boost risk sentiment



EM Space: Investors remain hopeful for a pickup in economic activity

- **General Asia:** PMI manufacturing data out from China and the US beat market consensus helping boost hopes for a pickup in economic activity towards the end of the year. Meanwhile, US officials have reported that talks on the proposed round of fiscal stimulus would be restarted soon, also lifting sentiment overnight. Economic data thins out in the region with investors likely looking to the data from the US later on Wednesday which features factory orders and the ADP jobs report for further direction.
- **Singapore:** The August manufacturing PMI is due today. A 5-month long falling manufacturing streak reflected by sub-50 PMI readings ended in July, putting the index at 50.2. The consensus is looking for a tick down to 50.1 in August. We don't see it drifting far from the 50 threshold level for expansion. Both NODX and manufacturing have had a good run so far this year despite the slump in global demand. The economy might have seen its Covid-19 low in 2Q with a 13% YoY GDP fall. But we see nothing on the horizon to turn the negative GDP trend around just yet. The SGD started trading in September on a weak note but still remains close to a 7-month high against the USD at 1.36.
- **Thailand:** Less than a month in the job and new Finance Minister, Predee Daochai, has

decided to quit, throwing the economy into further chaos amidst the growing political risk. In mid-July, the entire economic team of the Prayuth administration, led by former Deputy Prime Minister Somkid Jatusripitak and Finance Minister Uttama Savanayana, stepped down to make way for a cabinet reshuffle. The administration is now facing anti-government protests by students demanding political reforms and challenging the role of the monarchy in politics. Both stocks and the THB were under pressure yesterday from the minister's resignation news. The THB has been an Asian underperformer so far this year and should remain so over the remainder of the year.

- **Indonesia:** Indonesia reported that inflation fell below target in August to 1.3% although we do not expect any policy action from Bank Indonesia (BI) in the near term. Investor focus has shifted to proposals to amend the composition of BI's monetary board to have the Finance Minister play a more active role in monetary policy. Such a move would undermine BI's independence and could open the door to successive rounds of debt monetization, something that would rattle investor confidence and exert additional depreciation pressure on the IDR.

What to look out for: US ADP report and Covid-19 developments

- US Factory orders, ADP employment and durable goods orders (2 September)
- Singapore PMI manufacturing (3 September)
- Regional PMI services (3 September)
- US initial jobless claims, ISM services and trade balance (3 September)
- Philippines inflation (4 September)
- Singapore retail sales (4 September)
- Malaysia and Thailand GIR (4 September)
- US non-farm payrolls (4 September)