

ASEAN Morning Bytes

Caution could dominate Wednesday's trading as investors seek fresh leads



EM Space: Covid-19 developments and regional data could set tone for Wednesday

- **General Asia:** Asian markets will continue to struggle for direction with investors digesting the sustained pickup in Covid-19 cases in the US and other virus hotspots. Investors may also react to the EU stimulus bill while also looking to developments on the possibility of an additional fiscal stimulus package from the US. Regional data features Thailand trade data, Taiwan's industrial production and Malaysia's inflation numbers although Covid-19 developments will likely still be on investors' minds on Wednesday.
- **Malaysia:** June CPI inflation data is due today. The consensus for less negative inflation (-1.8% YoY vs. -2.9% in May) stems from rising fuel and transport prices alongside firmer global oil prices. Retail prices of petrol and diesel jumped 21% MoM in June. The reopening of the economy and release of pent-up demand should have also contributed to firmer prices. Even so, we consider the risk to the consensus forecast as tipped to the downside (ING forecast -2.4%). We see inflation staying deep in negative territory during the rest of the year and the central bank (BNM) cutting its policy rate by at least one more 25bp in this cycle, at the September meeting.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reduced reserve requirements by 100 bps for

thrift and rural banks to 2% as monetary authorities moved to funnel fresh funds to small-sized businesses and households. After a series of policy easings, BSP continued to target credit support for smaller firms and the provinces to help in the recovery effort. The move results in roughly Php10bn in additional liquidity, a drop in the Php1.3 trillion excess system liquidity currently in circulation and will not likely lead to inflationary pressure.

- **Indonesia:** Bank Indonesia's (BI) Governor Warjiyo talked up the currency after IDR continued to weaken, indicating that the recent weakness was tied largely to fluctuations in global sentiment. IDR depreciated 3.1% in July and remains downbeat after the recent rate cut from BI, although Warjiyo reiterated that IDR remained undervalued. Governor Warjiyo maintained that BI maintained its stance to support the currency and we can expect the central bank to intensify intervention should IDR continue to threaten the 15,000 level.

What to look out for: Covid-19 developments

- Thailand trade (22 July)
- Philippines budget balance (22 July)
- Malaysia inflation (22 July)
- Taiwan industrial production (22 July)
- US existing home sales (22 July)
- Singapore inflation (23 July)
- US initial jobless claims (23 July)
- Singapore industrial production (24 July)
- Thailand GIR (24 July)

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