

ASEAN Morning Bytes

Asian markets to move sideways, waiting on fate of much-anticipated US fiscal stimulus



EM Space: Investors monitoring negotiations for additional US fiscal stimulus

- **General Asia:** Sentiment will continue to take its cue from developments related to the planned US fiscal stimulus bill on Thursday. Negotiations between Democrats and White House officials are ongoing but hopes for relief ahead of the 3 November elections are fading fast. Meanwhile, the US election campaign season is in full swing with the final presidential election scheduled on Thursday evening (US time). The data calendar remains relatively thin with Thailand trade and US initial jobless claims scheduled for release but market players will likely focus on the fate of US stimulus and Covid-19 developments for direction.
- **Malaysia:** In a hopeful sign of domestic demand returning, vehicle sales posted a strong rebound in September (up 7% MoM and 26% YoY). But that wasn't evident in yesterday's consumer price data for September; inflation was steady at -1.4% YoY, led by continued declines in housing and transport components. The second wave of Covid-19 outbreak since last month could still derail the recovery. Strengthening this headwind to recovery further are occasional bouts of political jitters. All eyes now are on the 2021 Federal Budget to be unveiled in early November. We expect expansionary policy to remain in force for the

foreseeable future.

- **Thailand:** September trade data is due today. Year-on-year export growth in the majority of Asian economies has crept back into positive territory in September. But not yet in Thailand where the key export drivers, electronics and automobiles remain missing in action. However, we expect September to be slightly less negative (-3.0% YoY vs. -7.9% in August). With continued deep import falls (ING forecast -18% YoY) the trade surplus should stay near its record high; August's \$4.3 billion surplus was the second highest. This is positive for the THB. The currency has been pretty resilient to the latest escalation of political turmoil in the country with the USD/THB firm around the 31.20 level. We maintain our end-year forecast of 32.30.
- **Philippines:** Finance Minister Dominguez expects full-year GDP to slip to -6.0% with some economic activity recovering after the first half swoon of -9.0%. Authorities have been moving to reopen the economy with the capital and surrounding regions under partial lockdown for almost 8 months. Mobility restrictions were relaxed yesterday with citizens now allowed "non-essential" travel while curfew hours have been reduced. Despite these moves, we do not expect a sharp pickup in household consumption with elevated unemployment and we hold on to our forecast of -9.9% for 2020 GDP.

What to look out for: Covid-19 developments

- Philippines budget balance (22 October)
- Thailand trade (22 October)
- Malaysia and Thailand GIR (22 October)
- Hong Kong CPI inflation (22 October)
- US initial jobless claims and existing home sales (22 October)
- Singapore inflation (23 October)
- US Markit PMI manufacturing (23 October)