

ASEAN Morning Bytes

Investors remain focused on planned US fiscal stimulus and the final US presidential debate



EM Space: All eyes on the US presidential debate and fate of fiscal stimulus

- **General Asia:** Negotiations for the much-anticipated US fiscal stimulus are ongoing, although Democrat Speaker Pelosi indicated that a deal was close at hand. Investors have been waiting on additional fiscal stimulus for the past few weeks, with the market slowly accepting that additional funding may come after the upcoming US election. Meanwhile, investors will also be focused on the last US presidential debate scheduled for Friday morning in Asia with challenger Biden seemingly ahead of the incumbent according to polls. Market players will take their cue from US political developments as well as the sustained acceleration in Covid-19 cases around the globe as the fall ushers in a new wave of infections as predicted by experts.
- **Singapore:** September CPI inflation data is due today. We are looking for the headline of -0.3%, a tick up from -0.4% in August, and unchanged core inflation of -0.3%. Inflation has been negative across all but food and communication components of the CPI basket. The sub-potential growth and weak consumer spending owing to rising unemployment suggest we might not see headline inflation turning positive anytime soon.
- **Thailand:** Yesterday the Thai government lifted the state of emergency it enforced a week

ago to curb anti-government protests in Bangkok. The move aimed at appeasing protesters was greeted by markets to start with, but at the end of the day, the markets came to terms with the fact that this could further strengthen the resolve of protestors demanding the resignation of Prime Minister Prayuth Chan-Ocha before the weekend. We think the present political crisis in Thailand is far from over, and this will continue to overshadow the economy until it ends. Meanwhile, yesterday's trade data, which continued to show negative export growth and a narrower trade surplus weren't any good for the THB either ([read more here](#)).

- **Indonesia:** Bank Indonesia's (BI) Governor expects inflation to slide below their 2-4% inflation target in 2020, owing largely to subdued domestic demand traced to the ongoing Covid-19 pandemic. Warjiyo however believes that inflation should rebound and return to target by 2021 as the economy is forecast to bounce back, supported by fiscal spending and efforts to limit the spread of the virus. Even as inflation dips below target, we expect BI to refrain from cutting policy rates over the rest of 2020 to ensure IDR stability. We push back our call for a possible next rate cut to 1Q 2021.

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

- Singapore inflation (23 October)
- US Markit PMI manufacturing (23 October)