ASEAN Morning Bytes

General market tone: Risk-off.

Investor sentiments are likely to take a hit following risky asset selloff in the overnight US session and disappointing ECB policy action albeit with more dovish tone.

-8.5%

Consensus on Singapore's June manufacturing growth

Year-on-year

EM Space: Draghi signals easing but economic projections were less dour

- **General Asia:** Investors continue to digest green shoots of upcoming US-China trade talks amid persisting anxiety about the likely turn economic policies in the developed world take. The ECB failed to deliver any easing yesterday and the focus now shifts to the Fed policy for which hopes are pinned on a 25bp rate cut next week.
- **Malaysia:** East Coast Rail Link (ECRL) project is back on track in a significant sentiment booster for foreign investors in Malaysia. After suspension for a year, China and Malaysia have reportedly resumed construction for the 640 km rail line forming a part of China's Belt-

and-Road initiative. Meanwhile, Malaysia managed to get the project cost cut by a third to about $44 billion and aims for completion by end-2026. Hopefully, this spins the wheels for another key rail project, the Kuala Lumpur-Singapore High-Speed Rail (HSR), that's been on hold currently.

- **Singapore:** June industrial production figures today will inform about the likely direction of revision to the 0.1% YoY (-3.4% QoQ SAAR) advance 2Q GDP growth estimate. Underlying the consensus of -8.5% YoY IP growth is worst NODX performance with over 17% fall. While electronics continued to be the weak link in both NODX and IP, we don't rule out highly volatile pharmaceutical production producing surprises. But anything bad than consensus would intensify calls for MAS easing before the October policy review.
- **Thailand:** Moody's affirmed Thailand's Baa1 sovereign rating but upgraded outlook of the same Positive from Stable. It cited strong public and external finances providing for a significant room to counter shocks, and a large and diverse economy allowing shock absorption capacity. It identified lingering political risks and long-term structural challenges of aging society and labor skills shortages as key constraints on potential growth (and rating). Judging from the last rating changed in 2000 and 2003, Moody's acted within months after putting the rating on an upgrade watch. The circumstances are different now as the economy remains plagued by sustained anaemic growth for the last several years, which keeps us from anticipating a quick upgrade this time.
- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo maintains his dovish rhetoric, indicating that subdued inflation and the need to boost growth underscore the need further reduction in policy rates. Meanwhile, his newly appointed Deputy Governor Destry Damayanti expressed her opinion that the global monetary easing cycle may be drawn out, affording BI room to ease further. Damayanti shared that further BI easing could trigger an influx of foreign funds into Indonesia, thus offsetting the current account deficit and supporting the IDR in the process.
- **Philippines:** The BSP's Monetary Board member Bruce Tolentino downplayed the need to ease policy in the near term, indicating he did not see the need to "rush" into cutting rates. Preaching data-dependence, Tolentino wants to see more data and the effects of recent easing before considering future policy adjustments. This dampens the chances to some extent for a BSP rate cut in August with investors looking to economic data reports in coming weeks.

What to look out for: US GDP

- Japan inflation (26 July)
- US GDP (26 July)

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