

ASEAN Morning Bytes

Investors likely to remain cautious ahead of the FOMC meeting later in the week.



EM Space: Investors to remain cautious with no clear direction

- **General Asia:** Investors will likely remain cautious awaiting the fate of proposed fiscal stimulus from the US while also waiting on comments from the Fed later in the week. The FOMC meets this week to discuss policy and is not expected to change policy rates although investors will likely be looking out for comments from Chair, Powell. Newly confirmed Covid-19 cases in the US remain elevated although slightly lower than their recent peak, though today's figures will add more insight as figures relating to the weekend always tend to dip lower. Meanwhile, Covid-19 hotspots have emerged across the globe in Vietnam, China, Spain and Germany, highlighting the difficulty in containing the virus. Expect caution to dominate on Tuesday with investors looking to possible stimulus measures and Covid-19 developments for further direction.
- **Malaysia:** All eyes today are on the court verdict on former prime minister Najib Razak's corruption trial, which may overshadow the trade data release for June. On trade, we share the consensus of a sharp improvement in growth; exports to -10.0% YoY and imports to -13.1% from -25.5% and -30.4% respectively in May. The improvement stems from two things. First, a favourable base year effect. Second, a clawback from the slump during the Covid-19 movement control order (MCO), which was further relaxed in June. An estimated

MYR 11 billion trade surplus in June, brings the surplus in the first half to MYR 55 billion or MYR 13 billion narrower than a year ago. A falling trade surplus, the absence of tourism-related inflows, and political uncertainty are behind the MYR's 3.8% year-to-date depreciation. We expect it to remain an Asian underperformer over the remainder of the year.

- **Philippines:** President Duterte delivered his State of the Nation speech yesterday, emphasizing that he will not reopen the economy to pre-pandemic levels any time soon given the sustained rise in new daily infections. Duterte prompted Congress to pass select Covid-19 stimulus bills although he refrained from supporting aggressive stimulus plans and opted to push a modest bill aimed at extending credit through government banks. The Philippine economy is slowing considerably and the lack of government spending may hamper recovery efforts. ING now forecasts growth to remain in contraction for the balance of the year with growth only returning in 2021.
- **Indonesia:** Indonesian President, Jokowi, pushed his cabinet to expedite government outlays as only about IDR136 trillion of the IDR695 trillion Covid-19 stimulus plan had been disbursed since the outbreak. Jokowi earlier pledged to accelerate spending with 2Q GDP expected to fall into contraction although government officials vowed to salvage growth in the second half of the year with a surge in government outlays. We continue to price in a long drawn out slump with new Covid-19 cases remaining elevated after partial lockdown measures were relaxed in June.

What to look out for: Covid-19 developments

- Malaysia trade (28 July)
- US consumer sentiment (28 July)
- Hong Kong GDP (29 July)
- US wholesale inventories (29 July)
- Singapore unemployment (29 July)
- Fed policy meeting (30 July)
- Hong Kong retail sales (30 July)
- US GDP, initial jobless claims (30 July)
- China PMI manufacturing (31 July)
- Thailand trade (31 July)
- Taiwan GDP (31 July)
- US core PCE and consumer sentiment (31 July)