

ASEAN Morning Bytes

Sentiment remains mixed as investors wait on US stimulus and monitor data releases



EM Space: Asian markets to move sideways as investors grapple for direction

- **General Asia:** Asian market sentiment will remain mixed with investors looking to data reports towards the end of the week for more direction given the lack of fresh leads. Covid-19 new infections remain elevated in select European countries and in the US as we enter the fall season. Meanwhile, the US election campaign season heats up with Joe Biden and incumbent Donald Trump squaring off at their first presidential debate on Tuesday. Economic data is quite light to start the week but reports pick up starting Thursday with regional PMI and US jobs numbers slated for release. Investors will likely remain sidelined on Monday, monitoring Covid-19 new daily infections, US political developments and the data reports later in the week for more direction.
- **Malaysia:** August trade data is due today. A third consecutive month of upside export surprise is more likely than not as the upturn in the semiconductor cycle leads the recovery. We expect 6.5% YoY export growth, faster than the 1.8% consensus estimate and July's 3.1%. This, together with weak domestic demand weighing down imports means another big trade surplus this month; MYR 25.2 billion surplus in July was the highest ever. This is positive for the MYR. The currency was battered last week by a spike in the political risk in

the run-up to the state elections in Sabha over the weekend. A clear win for state coalition (Gabungan Rakyat Sabha) backed by Prime Minister Muhyiddin Yassin should be a relief for markets as this further strengthens an otherwise shaky ruling coalition at the national level.

- **Singapore:** Released last Friday, August industrial production with a 13.7% YoY and 13.9% MoM surge was an upside surprise for the markets (consensus 2.2% YoY and 1.7% MoM). Leading the surge was electronics with a 44% YoY jump and within that, semiconductors with a 57% jump. 2.2% YoY average IP growth in July-August bodes well for GDP growth in 3Q, though services will continue to be a key drag on GDP. That said, we consider our -8.4% YoY GDP forecast for this quarter subject to more upside than downside risk (data due mid-October).
- **Indonesia:** Jakarta will extend mobility restrictions for 14 more days in a bid to slow the number of new daily infections in the capital and surrounding areas. Indonesia has experienced a recent surge in infections prompting authorities to reinstate stricter guidelines to curb the spread of the disease. IDR has been on the back foot recently due to concerns about the virus and its broader impact on the economy, with government officials scaling down expectations for 2020 GDP, which is now expected to contract between 0.6 to 1.7% per cent. IDR will likely be pressured again this week with hopes for a quick recovery fading fast.

What to look out for: Covid-19 developments

- Malaysia trade (28 September)
- US consumer confidence (29 September)
- China manufacturing and non-manufacturing PMI (30 September)
- Thailand trade (30 September)
- Hong Kong retail sales (30 September)
- US ADP employment and 2Q GDP revisions (30 September)
- Regional PMI manufacturing (1 October)
- Indonesia CPI inflation (1 October)
- Bangko Sentral ng Pilipinas policy meeting (1 October)
- US initial jobless claims, core PCE inflation and ISM PMI manufacturing (1 October)
- Singapore PMI (2 October)
- US non-farm payrolls, factory orders, durable goods orders, consumer sentiment (2 October)

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