

ASEAN Morning Bytes

Hopes for stimulus may keep positive sentiment alive on Thursday



EM Space: Asian markets may track US gains on stimulus hopes

- **General Asia:** Positive sentiment driven by stimulus hopes may push the rally in Asia on Thursday while investors also looking to China's Caixin PMI services data for more direction. In the US, investors await the resumption of talks for additional fiscal stimulus after months of debate with both sides targeting September for a possible breakthrough. The US CDC informed US states to prepare for vaccine distribution in early November even as all Western vaccine candidates have not completed phase 3 trials. Investors will continue to monitor Covid-19 developments, regional PMI data and economic reports out from the US later in the evening for further direction on Thursday.
- **Thailand:** The August CPI inflation is due today. It will likely show that the negative headline inflation streak extended for a sixth month, though to a lesser extent than in July (ING forecast -0.7% YoY vs. -1.0% in July). Core inflation has been positive and we expect it to be little changed in August from July's 0.4%. With persistently weak demand and low fuel prices ahead, the Bank of Thailand will continue to face difficulty in meeting its 1-3% policy target for inflation for some time to come. Nor does it have any more policy levers left to help it reach its target. We see the policy rate staying at an all-time low of 0.50% throughout 2021.
- **Indonesia:** Bank Indonesia's (BI) Deputy Governor, Waluyo, indicated that the currency remained fundamentally undervalued and reiterated that the recent burden-sharing

arrangement between the central bank and the national government was a one-off event. Concerns about central bank independence drove the IDR to depreciate again on Wednesday after lawmakers were proposing to give the national government a more active role in BI. IDR steadied after central bank intervention but will likely remain on the defensive until authorities can convince investors that debt monetization will not be revisited in the near term.

- **Philippines:** The Philippines will report unemployment for 2Q with ING expecting a possible worst-case scenario of a 22.9% unemployment rate given the backdrop of the 16.5% decline in GDP reported during the same period. The capital region and surrounding cities remain on partial lockdown due to still elevated Covid-19 cases. Meanwhile, the influx of fresh graduates during the period may have also pushed the unemployment rate higher from the 17.7% reported in April.

What to look out for: Covid-19 developments

- Singapore PMI manufacturing (3 September)
- China Caixin PMI services (3 September)
- Philippines unemployment (3 September)
- US initial jobless claims, ISM services and trade balance (3 September)
- Philippines inflation (4 September)
- Singapore retail sales (4 September)
- Malaysia and Thailand GIR (4 September)
- US non-farm payrolls (4 September)