

ASEAN Morning Bytes

Asian markets will take their cue from China PMI data scheduled for release later on Wednesday



EM Space: Investors will remain in holding pattern and take direction from China activity data

- **General Asia:** Asian market players will take their cue from China PMI data set for release later on Wednesday with China reporting both manufacturing and services sector data. The focus will also be on political developments in the US with Biden and Trump squaring off for their first presidential debate while US lawmakers attempt to hammer out another round of stimulus.
- **Thailand:** The August manufacturing and balance of payments data are due today. A moderate export fall in August should translate into a moderate manufacturing fall (ING forecast -10.6% YoY vs. -14.7% in July). Weak domestic demand remains a key drag on output growth. It has been a key driver for large trade and current account surpluses as well. August's \$4.3 billion customs-basis trade surplus was the second-highest ever. This should more than offset continued net services outflows and widen the current account surplus also released later today (ING forecast \$2.4 billion vs. \$1.8 billion in July). That said, the THB is set to end another month today as an Asian underperformer, a status it is likely to hold over the remainder of the year. We are reviewing our end-2020 USD/THB forecast of 31.50 for upward revision (spot 31.63).

- **Singapore:** August monetary data due today should repeat the same pattern as in recent months –strong money supply (M2) growth but falling bank lending. Record stimulus has buoyed liquidity and pushed M2 growth to its fastest pace of 12.2% YoY in July since the global financial crisis. But weak business confidence has dented demand for cheap funds, while interest rates continue to be the lowest since the GFC. July bank lending was down 0.3% YoY. We think this pattern should continue through the end of the year, maybe well into 2021.
- **Philippines and Indonesia:** The World Bank revised growth projections for both Indonesia and the Philippines, citing their inability to get the spread of the virus under control as one of the main reasons for the revision. Indonesia is expected to contract between 1.6 to 2.0% percent in 2020 while the Philippines is expected to post a contraction between 6.9 to 9.9% under a baseline and worst-case scenario. Indonesia has refrained from full lockdown measures for the most part although the capital city and surrounding provinces are currently under partial restrictions while the Philippine capital has been under some form of lockdown since mid-March. We continue to expect Indonesia and the Philippines to struggle to recover given the still-elevated number of daily infections of Covid-19.

What to look out for: China PMI and Covid-19 developments

- 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)