

ASEAN Morning Bytes

Investors waiting on more direction, likely to monitor US stimulus and monitoring US-China deal for trading cues



EM Space: US and China scheduled to revisit phase 1 deal

- **General Asia:** US-China relations will be in focus with both sides announcing a possible meeting by mid-month to discuss the phase 1 trade deal. Investors will also be monitoring progress with the proposed US fiscal stimulus with lawmakers hoping to deliver an agreement by the end of the week. Covid-19 new daily cases have come off from the recent peak in the US but remain elevated, while select European nations have reported a renewed pick-up in Covid-19 infections. Regional data (Philippine trade, Indonesia GDP, Thailand inflation and Singapore retail sales) could give additional cues for trading on Wednesday while investors continue to monitor Covid-19 developments and the US-China trade deal.
- **Thailand:** The Bank of Thailand policy decision should be out around 2 pm local time (3 pm SGT). A near-unanimous consensus of no change to the policy rate, currently at a record low of 0.50%, suggests it will pass as a non-event. While the argument for further monetary easing remains strong, there is not much easing space left for the central bank, which is why we consider the BoT is done with easing in this cycle ([read more here](#)). The THB should continue to be an Asian underperformer through the end of the year.
- **Singapore:** June retail sales data is due. The reopening of the economy in June from the

Covid-19 circuit-breaker should have lifted demand, though not enough of a lift to swing the year-on-year sales growth back into positive territory. We are looking for a 32% YoY fall, shallower than May's 52% fall. As in prior months, we think supermarket sales continued to outperform non-essential consumer spending. Automobiles remained a weak spot as seen from a 77% YoY fall in new registrations in June. Private consumption will remain the main expenditure-side drag on GDP in the remainder of the year.

- **Indonesia:** Indonesia 2Q GDP will be released today with analysts expecting a contraction of 4.7% with partial lockdown measures weighing on overall economic momentum. We expect a more severe drop off in activity with GDP falling to -5.1% as trends in manufacturing activity and downbeat consumer confidence reflect a much deeper downturn. Covid-19 cases remain elevated with authorities unable to fully relax partial lockdown restrictions, which have been extended until 13 August. We expect the virus to weigh on GDP momentum for the balance of the year with a likely contraction in GDP also recorded in 3Q.
- **Philippines:** Inflation and trade data will be reported on Wednesday with price pressures expected to be modest while overall trade activity is projected to remain subdued due to the pandemic. Inflation will likely settle at 2.6% in July, still well within the central bank's 2-4% target band although we do not expect a change in monetary stance any time soon. Meanwhile, both exports and imports will probably both record double-digit declines as weaker global demand and slowing domestic economic activity cause trade activity to shrink. A substantial drop in imports will likely keep PHP supported and we expect this trend to continue for the next few months.

What to look out for: Covid-19 developments

- Philippine inflation and trade data (5 August)
- Indonesia GDP (5 August)
- Thailand inflation and BoT meeting (5 August)
- Singapore retail sales (5 August)
- US trade balance and ISM PMI non-manufacturing (5 August)
- Philippines GDP (6 August)
- Taiwan inflation (6 August)
- US initial jobless claims (6 August)
- Malaysia industrial production (7 August)
- US non-farm payrolls (7 August)