

ASEAN Morning Bytes

Asian markets set to tick higher as US election results trickle in from battleground states



EM Space: Risk sentiment boosted by current election trends

- **General Asia:** Asian markets will likely move sideways with an upward bias as Democrat challenger Biden pulls ahead of President Trump although Republicans are poised to retain control over the Senate. Without a “blue wave”, the chances of a quick rollback of US corporate tax cuts and massive stimulus spending are fading which is lifting sentiment in equity markets. Gains were capped as President Trump threatened legal action and jobs data missed expectations overnight. Regional inflation data is slated for release although the fate of the US election will likely drive sentiment on Thursday.
- **Singapore:** September retail sales data is due today. We expect a steeper sales decline of -8.6% YoY than the -5.7% fall in August. Motor vehicle sales, the main driver of headline sales growth, weakened in September as seen from the accelerated fall in new vehicle registrations. And, a jump in the unemployment rate past the global financial crisis high to 3.6% in the last quarter likely depressed non-auto sales. Standstill tourism is yet another drag. We don't expect a turnaround to positive sales growth anytime soon.
- **Thailand:** October CPI inflation is due today. It will be an eighth straight month with negative inflation, though slightly less negative than in September (ING forecast -0.5% YoY vs. -0.7% in September). Transport prices remain the weak spot. 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 achieve its target. We see the BoT policy rate staying at an all-time low of 0.50% throughout 2021.

- **Indonesia:** Indonesia reports 3Q GDP later on Thursday with the economy likely contracting as new daily Covid-19 infections remain elevated, weighing on overall consumption. Gauges for retail sales and consumer confidence remain downbeat while manufacturing activity remains in contraction, suggesting that a negative GDP report is likely. We expect GDP to remain subdued with much of the economy under partial lockdown restrictions with [control of the virus crucial for an economic recovery](#).
- **Philippines:** The Philippines reports October inflation which is expected to remain soft at 2.4% as depressed domestic demand keeps a lid on price gains. Inflation is set to remain at the lower end of the Bangko Sentral's (BSP) 2-4% inflation target and but we expect the central bank to keep policy rates unchanged well into 2021 as real policy rates are now negative. BSP will likely focus on liquidity support in the meantime to help bolster economic activity with the central bank continuing its bond purchase program in the secondary market.

What to look out for: US election results, FOMC meeting and Covid-19 developments

- Philippines inflation (5 November)
- Thailand inflation (5 November)
- Indonesia GDP (5 November)
- Taiwan inflation (5 November)
- Singapore retail sales (5 November)
- US initial jobless claims (5 November)
- US FOMC decision (6 November)
- US non-farm payrolls (6 November)