

ASEAN Morning Bytes

Sentiment remains mixed as investors weigh US deal on paycheck protection and Covid-19 developments



EM Space: Market players look to data and Covid-19 for additional cues

- **General Asia:** Market players will continue to grapple for direction with investors weighing progress on US paycheck protection debates while also monitoring developments on the virus front. US lawmakers remain at an impasse ahead of the deadline with investors also looking to Friday's non-farm payroll data for direction. New Covid-19 daily infections have levelled off from the peak in the US, while outbreaks in Japan and Australia appear to be intensifying. Investors will cautiously monitor developments on the vaccine front and look to economic data for fresh cues on Thursday.
- **Thailand:** July CPI inflation is due today. It will likely show that the negative headline inflation streak extended to the fifth month (ING forecast -1.5% YoY vs. -1.6% in June) and that core inflation remained at zero. As it maintained policy rates at 0.5% in the meeting yesterday, the Bank of Thailand hoped for inflation to return to the 1-3% policy target in 2021 on the back of gradually rising crude prices and economic recovery. In our view, Inflation may rise to the low end of the target at best, though we don't think that will have any implications for policy.
- **Indonesia:** Indonesia 2Q GDP contracted by 5.3%, more severe than expected as partial

lockdown restrictions side-lined household spending, the economy's main growth engine. Government officials have vowed to jump-start economic activity with an IDR695 trillion fiscal package with President Jokowi pushing authorities to accelerate spending. Meanwhile, partial lockdown measures have been extended to 13 August as Covid-19 new infections remain elevated and we expect economic growth to remain subdued with 3Q GDP also likely posting a contraction.

- **Philippines:** 2Q GDP will be reported on Thursday with market consensus pointing to a contraction of 9.4% as stringent lockdown measures implemented in late March knocked out economic activity. 1Q GDP data was revised to reflect a more severe contraction of -0.7% (previously estimated at -0.2%) with the economy in recession. We expect GDP to remain in contraction for the balance of the year as the authorities were forced to reinstate lockdown procedures after the Philippines became the worst-hit country in the ASEAN region in terms of total Covid-19 cases. A severe contraction and fading growth momentum will put pressure on fiscal authorities to roll out a more aggressive stimulus plan with the central bank likely running out of space to cut policy rates further after real policy rates turned negative (-0.45%).

What to look out for: Philippine GDP and Thailand inflation plus Covid-19 developments

- Philippines GDP (6 August)
- Thailand inflation (6 August)
- US initial jobless claims (6 August)
- Malaysia industrial production (7 August)
- US non-farm payrolls (7 August)