

ASEAN Morning Bytes

Asian markets may edge higher, looking to China trade data for more direction



EM Space: China data in focus on Tuesday

- **General Asia:** Asian markets moved higher, steadied by hopes for central bank support as recent labour market disappointment in the US may result in a delay for the Fed taper. China's trade data will be the focus on Tuesday with investors examining the effects of the recent port closures in China on trade flows. Dallas Fed President, Steven Kaplan, who has shifted between dovish and hawkish comments of late, is scheduled to speak later today and could provide a new update on the mindset of Fed officials.
- **Singapore:** The authorities have stepped up Covid-19 preventive measures as community infections doubled to over 1,200 last week from the previous week. Although there is no backpedalling yet to tougher Phase-2 restrictions, which they started to unwind in August, the authorities have put on hold further easing and are accelerating testing, limiting social gathering to one a day, and ceasing workplace interactions to bring down the transmission rate ([read more here](#)). These measures will take effect from Wednesday, 8 September. We expect a limited impact on the economy and local markets. While the economy continues to enjoy an export-driven recovery, persistent downside growth risk means the continued neutral MAS policy stance in October is the safest bet for now.

- **Thailand:** The THB received a boost yesterday from reports that the government might not extend the current state of emergency once it expires at the end of September and may reopen more tourist spots, including Bangkok, starting from next month. This comes as the Covid-19 outbreak in Thailand continues to subside. If these plans do materialise, they could speed up the economic recovery over the rest of the year. Released yesterday, inflation slipped into negative territory in August (-0.02% YoY vs. +0.5% in July). With persistently weak domestic demand, we expect inflation to remain absent and GDP growth to remain below potential. The widening current account deficit will continue to weigh on the THB. Our end-2021 USD/THB forecast is 33.80 (spot 32.48).
- **Philippines:** August CPI inflation will be released on Tuesday with price pressures expected to have picked up due to higher crude oil prices and more expensive food items. Headline inflation could settle past the target at 4.5%. The central bank expects August inflation to settle between 4.1-4.9%. Despite the renewed topside breach of the Bangko Sentral ng Pilipinas (BSP) 2-4% target, we expect the central bank to look past the pickup in prices, given the supply-side nature of the breach. BSP Governor Diokno has indicated that he would keep policy rates accommodative for as long as the economy is in recovery mode and we expect the BSP to be on hold for the balance of the year. On the Covid front, the authorities are shifting to more granular lockdowns as opposed to sweeping mobility restrictions in a bid to jumpstart economic activity despite daily infections hitting a new high of more than 22,000 new infections.

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

- Philippines CPI inflation (7 September)
- Taiwan CPI inflation and trade balance (7 September)
- China trade balance (7 September)
- US JOLTS jobs data (8 September)
- Philippines trade balance (9 September)
- China CPI inflation (9 September)
- ECB policy meeting (9 September)
- US PPI inflation (10 September)