Good MornING Asia - 23 October 2020

Investors remain focused on planned US fiscal stimulus and the final US presidential debate

In this bundle

ASEAN Morning Bytes

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EM Space: All eyes on the US presidential debate and fate of fiscal stimulus

- **General Asia:** Negotiations for the much-anticipated US fiscal stimulus are ongoing, although Democrat Speaker Pelosi indicated that a deal was close at hand. Investors have been waiting on additional fiscal stimulus for the past few weeks, with the market slowly accepting that additional funding may come after the upcoming US election. Meanwhile, investors will also be focused on the last US presidential debate scheduled for Friday morning in Asia with challenger Biden seemingly ahead of the incumbent according to polls. Market players will take their cue from US political developments as well as the sustained acceleration in Covid-19 cases around the globe as the fall ushers in a new wave of infections as predicted by experts.
- **Singapore:** September CPI inflation data is due today. We are looking for the headline of -0.3%, a tick up from -0.4% in August, and unchanged core inflation of -0.3%. Inflation has been negative across all but food and communication components of the CPI basket. The sub-potential growth and weak consumer spending owing to rising unemployment suggest we might not see headline inflation turning positive anytime soon.
- **Thailand:** Yesterday the Thai government lifted the state of emergency it enforced a week ago to curb anti-government protests in Bangkok. The move aimed at appeasing protesters

was greeted by markets to start with, but at the end of the day, the markets came to terms with the fact that this could further strengthen the resolve of protestors demanding the resignation of Prime Minister Prayuth Chan-Ocha before the weekend. We think the present political crisis in Thailand is far from over, and this will continue to overshadow the economy until it ends. Meanwhile, yesterday's trade data, which continued to show negative export growth and a narrower trade surplus weren't any good for the THB either (read more here).
- **Indonesia:** Bank Indonesia's (BI) Governor expects inflation to slide below their 2-4% inflation target in 2020, owing largely to subdued domestic demand traced to the ongoing Covid-19 pandemic. Warjiyo however believes that inflation should rebound and return to target by 2021 as the economy is forecast to bounce back, supported by fiscal spending and efforts to limit the spread of the virus. Even as inflation dips below target, we expect BI to refrain from cutting policy rates over the rest of 2020 to ensure IDR stability. We push back our call for a possible next rate cut to 1Q 2021.

What to look out for: US election and Covid-19 developments

- Singapore inflation (23 October)
- US Markit PMI manufacturing (23 October)

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Asia week ahead: 3Q GDP numbers due from northeast Asian countries

Hong Kong, Korea, and Taiwan report 3Q GDP numbers next week, and we expect export strength to have outweighed domestic demand weakness, but that...

Source: Shutterstock

Hong Kong, Korea, and Taiwan report 3Q GDP

Hong Kong, Korea, and Taiwan are the next in line to report their GDP figures for 3Q20 over the next week.

The Covid-19 lockdowns sharply dented GDP in the second quarter but as economies re-opened, they clawed back some lost ground last quarter. However, the risk to this stems from the second wave further suppressing domestic demand. All three northeast Asian countries releasing GDP data suffered from the second wave over the last quarter.

On the flip side, accelerated export recovery should bode well for the GDP numbers. We expect export strength to outweigh domestic demand weakness producing a strong GDP bounce over 2Q. However, that won't be enough to pull the year-on-year growth back into positive territory just yet.

What else?

China's industrial profits growth is on a steady upward trend in September, signalling steady investment and GDP growth in the period ahead. Likewise, forward-looking indicators in Korea including consumer and business confidence data should guide us on the recovery in the final quarter of the year.

Lots of Japanese activity releases will come as fresh inputs for the Bank of Japan policymakers deciding the policy next week (29 October), though none of these are likely to change the current policy stance.

Moving to the south, manufacturing releases from Singapore and Thailand for September and trade figures from Malaysia will help us fine-tune 3Q GDP estimates for these countries.

Asia Economic Calendar

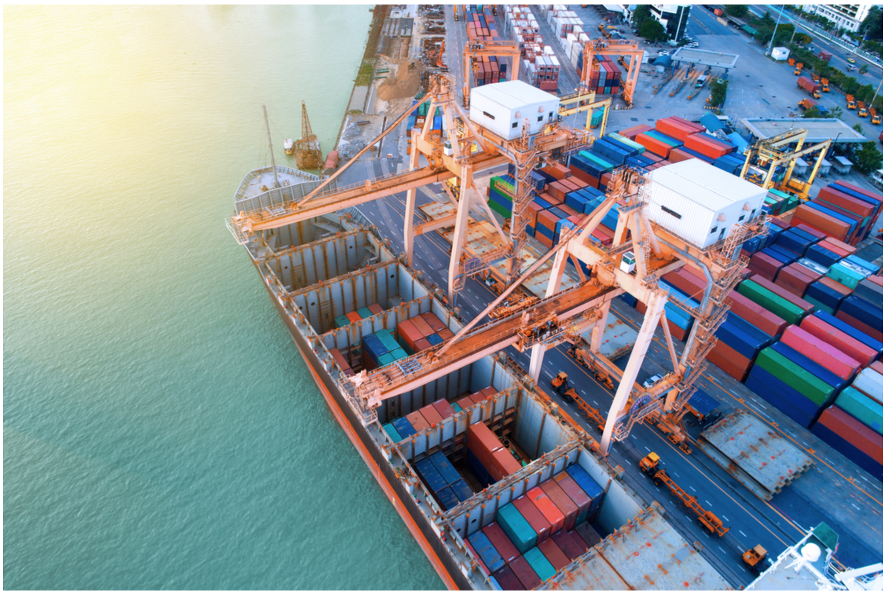
Country	Time	Data/event	ING	Survey	Prev.
		Sunday 25 October			
Thailand	-	Sep Manufacturing index (YoY%)	-8.0	-5.5	-9.3
		Monday 26 October			
Singapore	0500	Sep Industrial production (MoM/YoY%)	-/-	-/-	13.9/13.7
South Korea	2300	3Q P GDP (QoQ/YoY%)	1.3/-1.9	-	-3.2/-2.7
		Tuesday 27 October			
China	0130	Sep Industrial profits (YTD, YoY%)	22.0	-	19.1
Hong Kong	0830	Sep Exports (YoY%)	-19.5	-	-2.3
	0830	Sep Imports (YoY%)	-4.0	-	-5.7
	0830	Sep Trade balance (HK$ bn)	-9.7	-	-14.6
South Korea	2100	Oct BOK Consumer Sentiment Index	-	-	79.4
		Wednesday 28 October			
Malaysia	0400	Sep Exports (YoY%)	7.0	-	-2.9
	0400	Sep Imports (YoY%)	-5.0	-	-6.5
	0400	Sep Trade balance (RM bn)	17.8	-	13.2
South Korea	2100	Nov BOK Business Survey Index, mfg	-	-	68.0
	2100	Nov BOK Business Survey Index, non-mfg	-	-	62.0
		Thursday 29 October			
India	-	Sep Fiscal deficit (INR crore)	-	-	48998
Singapore	-	3Q Jobless rate (Q) (%, SA)	-	-	2.9
South Korea	2300	Sep Industrial production (MoM/YoY%)	-/-	-/-	-0.7/-3.0
		Friday 30 October			
Hong Kong	0830	3Q A GDP (YoY%)	-10.0	-	-9.0
Taiwan	0800	3Q P GDP (YoY%)	-1.00	-	-0.58
Thailand	-	Sep Current acc balance (US$bn)	1.1	-	3.0

Source: ING, Bloomberg, *GMT

Article | 22 October 2020 Thailand

Thailand: No end to negative export trend

A negative economic backdrop and ongoing political noise continue to bode ill for Thai financial assets



Source: Shutterstock

-3.9% September export growth

Year-on-year

As expected

Still weak exports

Year-on-year export growth in the majority of Asian economies has crept back into positive territory in September. But not yet in Thailand, according to the September trade data today.

Total exports contracted by 2.9% month-on-month and 3.9% year-on-year in September, which was in line with our forecast. This would have been far worse without a strong month-on-month bounce in the main export drivers, automobiles and electronics. Electronics exports jumped 14% MoM and 12% YoY. Automobiles were up 22% MoM, but still down 15% YoY.

Despite the continued negative headline of -9.1% YoY, imports were far better than our -18% forecast for the month. This comes after fourth consecutive months of growth, led by fuel and raw material imports. Reflecting still weak domestic demand was the continued fall in consumer goods imports.

Resilient currency

The result of weak exports and firmer imports was a sharp narrowing of the trade surplus. It fell to $2.2 billion in September from $4.3 billion in August, which was the second-highest ever. Even so, the cumulative surplus of $20.6 billion in the first nine months was still $12.5 billion higher than a year ago.

The wider trade surplus is the only positive for the Thai baht (THB) this year in the face of weak tourism and elevated political uncertainty currently. The currency has been pretty resilient to the latest escalation of political turmoil in the country with the USD/THB firm around the 31.20 level.

Political uncertainty

The government today announced the lifting of the state of emergency in the capital city Bangkok. The decree was enforced a week ago to curb anti-government protests. Indeed, local markets breathed a sigh of relief on this news. However, this could further strengthen the resolve of protestors demanding the resignation of Prime Minister Prayuth Chan-Ocha.

We consider the present political crisis in Thailand to be far from over and this will continue to weigh on the prospects of economic recovery ahead. We continue to see the THB weakening up to 32.30 against the USD by year-end.