

press release

Standard Chartered expects ongoing economic uncertainty in 2H; foreign fund inflows detected

- Eyes on foreign fund inflows into the region for remainder of 2020
- Thai baht appreciation expected amid improving Covid-19 situation in Thailand – baht may strengthen below 31 later this year
- Continuity on fiscal policy, clearer direction on monetary policy crucial to Thailand's economic recovery and financial market stability

16 July 2020 – Standard Chartered Bank expects financial markets to remain pressured by uncertainty for the remainder of 2020, while foreign fund inflows are returning as the Covid-19 situation improves across the region.

“We have started to see foreign fund inflows returning to emerging markets, including Thailand. However, we need to monitor the continuity of this inflow,” said Dr. Tim Leelahaphan, Economist, Standard Chartered Bank (Thai).

Around THB130 billion worth of funds exited the Thai debt market during the first five months of this year, although there has been a net inflow of about THB50 billion since June.

“Although Asian markets seem to be recovering from Covid-19 somewhat better than in the West, the situation still needs to be monitored closely. If the fund inflow continues, the Thai baht is likely to strengthen against the US dollar. Also, if tourism in Thailand returns this will also be a positive cue for the baht,” added Dr. Tim. Standard Chartered Bank expects the USD/THB at 31 or lower at the end of 2020.

Financial market sentiment weighed down by politics, continuity of fiscal policy, direction of monetary policy

“So far fiscal policy and monetary policy have helped shore up the Thai economy. However, the market is taking a wait and see approach to see how the stimulus package will be shaped and the continuity of fiscal policy for the remainder of the year,” Dr. Tim said.

Standard Chartered Bank expects the Bank of Thailand's Monetary Policy Committee will cut its policy rate by another 25 bps at its August meeting.

“The policy rate is approaching the 0% level. Financial markets are waiting for clearer communication from the Thai central bank regarding its next move that will really benefit the business sector, apart from the impact it will have on financial markets,” said Dr. Tim. “There are questions that need to be answered. Will a negative policy rate be applied in Thailand? Will the central bank impose Quantitative Easing program or yield curve control? These are the questions that financial markets and the business sector are closely monitoring.”

Standard Chartered Bank has maintained its forecast for the Thai economy to contract by 5% this year. The economy is expected to shrink by 13% in the second quarter before bottoming out.

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