

ASEAN Morning Bytes

New quarter, same bleak outlook to dampen sentiment on Wednesday



EM Space: Regional PMI reports could vary while Trump pledges even more support

- **General Asia:** Regional PMI reports will be the highlight in Asia with some investors looking to these numbers after China's PMI surprised a bit on the upside on Tuesday. Donald Trump kept up the fiscal drum beating session, touting a "big time" infrastructure building plan to provide employment once the virus epidemic ends but warned of possible rising cases in the next two weeks as the US approaches its peak in terms of infections. Sentiment likely to remain mixed and sensitive to coronavirus reports despite monetary and fiscal efforts to offset the fallout.
- **Singapore:** In further Covid-19 relief for consumers and small and mid-sized businesses, the Monetary Authority of Singapore (MAS, the central bank) has asked banks and finance companies to defer principal and interest payments on mortgage and secured term loans until the end of the year. It also offered deferment of insurance premiums for individuals and lowered the interest rate on unsecured credit card loans and on loans to SMEs. We think the relaxation of existing property cooling measures will also go in some way to supporting sentiment. A 23% QoQ SAAR plunge in construction output in the first quarter warrants this relaxation.

- **Indonesia:** President Jokowi stopped short of implementing a total lockdown but instead declared a “large-scale emergency status” which calls for even stricter social distancing and restricted mobility such as granting authority to implement martial law in some regions. Jokowi has also lifted a 2003 law that capped the budget ceiling at 3.0% of GDP, issuing a presidential decree to relax this until 2023. Indonesia whipped out a substantial \$16 bn response bill, bringing the total package to \$25 bn which will bloat the deficit to GDP ratio to 5.1% for 2020. Indonesia reports inflation for March with the market consensus pointing to a 3.0% reading although fuel costs could weigh down on the overall inflation number despite an increase in prices linked to new excise taxes.
- **Thailand:** The current account surplus widened to \$5.4 billion in February from \$3.4 billion in January as a bounce in the trade surplus more than offset a sharp narrowing in services balance. The cumulative current surplus in the first two months was \$1.6 billion higher than a year ago. We view the Thai baht's 8.6% depreciation in the first quarter as re-pricing for a sharp dent to the current surplus this year as trade and tourism take a big hit from Covid-19. We anticipate a near-halving of the current surplus this year from about 7% of GDP posted in 2019.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) forecasts March inflation to settle between 2.0-2.8% with headline inflation pushed lower by falling utility and transport costs given the drop in crude oil prices globally. BSP Governor Diokno reiterated his commitment to cut policy rates further if needed with the central bank doing more than its share to provide stimulus amidst the Covid-19 outbreak.

What to look out for: Regional PMI and Covid-19 developments

- Philippines bank lending (1 April)
- Japan Tankan survey (1 April)
- Regional PMI (1 April)
- US ADP employment and ISM PMI manufacturing (1 April)
- US trade and factory orders (2 April)
- Hong Kong PMI (3 April)
- China Caixin PMI services (3 April)
- Singapore retail sales (3 April)
- US non-farm payrolls (3 April)