ASEAN Morning Bytes

Risk sentiment returns as Fed rolls out even more stimulus

EM Space: Additional stimulus from Fed to help support risk sentiment

- **General Asia:** The Fed unloaded additional stimulus measures on Monday after market sentiment had soured over the past week. The Fed's Main Street lending program and expanded bond purchase scheme should help support risk sentiment with Jerome Powell trooping to the Senate to give testimony later on Tuesday. The Bank of Japan's policy meeting and US retail sales will give added colour to trading but the main driver on Tuesday will be the additional stimulus from the Fed.
- **Singapore:** The Phase-2 relaxation of the Covid-19 circuit-breaker starts this Friday (19 June), putting almost the entire economy back in operation. The focus now shifts to assessing the damage of the virus. Nearly three months of significant inactivity means a big impact in the current quarter. Just released yesterday, the quarterly MAS Survey of Professional Forecasters pointed to a 5.8% GDP contraction in 2020. 2Q20 is projected to suffer as much as an 11.8% YoY GDP fall, followed by 6.3% and 3.2% declines in 3Q and 4Q respectively. The weakness is largely in construction, wholesale and retail trade, and accommodation and food services sectors. The non-oil domestic export (NODX) growth is seen to be flat this year, which appears to be optimistic given a likely sharp dip in global demand. Likewise, a -0.5% CPI inflation forecast, as rising job losses depress consumer

spending. Our 2020 GDP, inflation and NODX forecasts are -6.1%, -1.4% and -14.5%, respectively. Look out for NODX data for May tomorrow morning, 17 June (ING forecast -6.1% YoY, prior +9.7%).
- **Malaysia:** The unemployment rate rose to a 30-year high of 5% in April, led by job losses in manufacturing and services. The authorities expect a further rise to 6-7% in the coming months. This data foreshadows continued sluggish private consumption and falling CPI inflation in the rest of the year. Our view of an additional 100bp of central bank (BNM) policy rate cuts by end-3Q20 remains on track, taking the rate to an all-time low of 1%.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reported bank lending and domestic liquidity figures for April with loan growth slowing to 12.7% (13.6% previous) and liquidity growth rising to 16.2%(13.3% previous). With the country under lockdown and the BSP implementing liquidity enhancement measures, deposit growth accelerated with the central bank infusing roughly Php1.1 trillion in liquidity to help shore up business confidence. With the financial system flush with liquidity, the local bond market has been well-supported and we expect bond yields to remain depressed in the near term given dovish signals from the central bank.

What to look out for: Powell testimony and Covid-19 developments

- Hong Kong unemployment (16 June)
- US retail sales (16 June)
- Bank of Japan meeting (16 June)
- Powell testimony to Senate (16 June)
- Singapore non-oil domestic exports (17 June)
- US housing starts and building permits (17 June)
- Bank Indonesia policy meeting (18 June)
- Taiwan central bank meeting (18 June)
- US initial jobless claims (18 June)
- Thailand GIR (19 June)
- Philippines BoP (19 June)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com