

ASEAN Morning Bytes

The US continues to point fingers at China for the Covid-19 spread while the Fed warns of a drawn out economic recovery



EM Space: Fed expectation for protracted recovery could keep investors cautious

- **General Asia:** Caution could dominate Asian markets on Monday with investors reacting to Powell's hints of a prolonged economic recovery for the US. US officials continued to blame China for the pandemic while US states continue to reopen with Trump pressing for sporting events to resume with stadiums "loaded with people". For the week, regional central banks will meet to discuss policy (Thailand and Indonesia) while minutes from the latest FOMC meeting will be released.
- **Singapore:** The global outbreak of the Covid-19 pandemic has yet to break the resilience of Singapore's export-dependent economy observed so far this year. Just released, non-oil domestic exports (NODX) posted strong growth in April, up 9.7% YoY on top of the 17.6% rise in March. The consensus was for a 5% fall. The global pandemic has lifted pharmaceuticals to be the star-performer with a 174% bounce. Everything else was weak. By destination, there were lumpy increases in shipments to the US (124%), Europe (107%), and Japan (81%), while those to China contracted (-31%). The strength comes despite the start of the Covid-19 circuit-breaker in early April and similar restrictions in force in the main trade partner countries. This data heralds a good start to the economy in 2Q and upside risk

to our view of a 6.8% YoY GDP fall in this quarter.

- **Malaysia:** Politics is back in the limelight as parliament convenes today for the first time since the Muhyiddin administration came to power in March. Former Prime Minister, Mahathir Mohamad, has sent in a no-confidence motion against the ruling administration, though that won't be considered in the one-day session which is limited to the King's speech. The political crisis looks far from over, while the economy is reeling under the fallout of the global pandemic.
- **Thailand:** 1Q20 GDP is due today. The consensus expectation is for a sharp negative swing to -3.8% YoY from +1.6% in 4Q19, which would be the worst performance since the severe floods in 2011. The risk to the consensus is skewed to the downside. If it materializes, our -5.1% forecast would be the worst GDP figure since the 1998 Asian financial crisis. This is a strong reason why the Bank of Thailand could do more than a conventional 25bp rate cut at its meeting this week (Wednesday, 20 May).
- **Philippines:** The Philippine Congress is proposing a Php568 bn rescue bill (2.0% of GDP) on Monday to help cushion the impact of the Covid-19 induced lockdown on the economy. This is in stark contrast to the Php180 bn fiscal stimulus plan (0.9% of GDP) sponsored by the government with PHL GDP on course to drop to -5.9% for 2Q as the capital has been under quarantine since March. Should the Php568 bn rescue bill be passed, expect the Bureau of the Treasury to resort to longer-dated bond issuances in 3Q given projected weaker revenue streams, which will likely push the yield curve to steepen in the coming weeks.
- **Indonesia:** Indonesia will be implementing stricter quarantine guidelines in Jakarta on Monday, limiting movement in the capital to business and work for 11 "essential" sectors. Government officials beefed up guidelines as Indonesia continues to grapple with the spread of Covid-19 and we expect these stricter guidelines to be implemented in other regions in the near term. We continue to expect growth momentum to slow further in the coming months which could prompt additional stimulus from both the fiscal and monetary authorities with Bank Indonesia schedule for a policy meeting this week.

What to look out for: Regional central bank meetings and Covid-19 developments

- Thailand GDP (18 May)
- Singapore non-oil domestic exports (18 May)
- Philippines remittances (18 May)
- Bank Indonesia meeting (19 May)
- Hong Kong unemployment (19 May)
- US housing starts (19 May)
- Singapore GDP (19 May)
- Fed Powell testimony (19 May)
- Malaysia inflation (20 May)
- Bank of Thailand meeting (20 May)
- Taiwan export orders (20 May)
- Fed's Bostic, Williams and Bullard speak (21 May)
- Fed minutes (21 May)
- US initial jobless claims and existing home sales (21 May)
- Thailand trade (21 May)
- Malaysia, Thailand, Philippines GIR (22 May)
- Fed's Clarida and Powell speak (22 May)

