

ASEAN Morning Bytes

No news is good news for now but Thursday's rally could be tempered by the economic outlook



EM Space: Fed speakers on deck as investors monitor Covid-19 developments

- **General Asia:** Asian markets may bounce back with the focus shifting to how economies are slowly reopening after lockdowns although gains may be limited given the dour outlook on the economic front. Minutes from the most recent Fed meeting coupled with recent testimonies by FOMC officials point to a possibly drawn-out economic downturn which could be amplified should a second wave hit. Investors will continue to take their cue from developments on the virus front with authorities watching out for signs of a second wave after lockdown measures have been lifted in respective states and countries.
- **Malaysia:** April CPI inflation posted its steepest decline since the GFC falling to -2.9% YoY. Lower food, housing and transport prices were responsible. The weak data prompted a further cut to our full-year 2020 inflation forecast to -2.5% from -1.0%. We have also added another 50bp of easing to our forecast of central bank (BNM) policy rates this year, taking rates to an all-time low of 1.00% ([read more here](#)).
- **Thailand:** A 25bp Bank of Thailand rate cut yesterday takes the policy rate to a record low of 0.50%. With the economy already in a recession that's going to be deeper and more prolonged than any in recent history, we won't rule out further BoT rate cuts in this cycle.

And, as the easing option via this conventional route is about to be exhausted, talk of unconventional easing may well gain some momentum.

- **Indonesia:** Indonesia recorded a current account deficit to GDP ratio of 1.4% for 1Q 2020 with the trade in goods balance staying in surplus. Import compression on the back of slowing economic activity was the main reason for the improvement from the -2.8% balance in 4Q 2019 and we expect this trend to continue. Bank Indonesia's (BI) estimates the current account to GDP ratio slipping below -2.0% for the year. Despite the improvement in the current account, IDR has been vulnerable to depreciation, highlighted by the swoon to 16,500 in March with IDR's fate influenced more by financial account flows in 2020. The DR has steadied since its March weakness as investor sentiment has improved as BI monitors the stability of the currency for policy cues.

What to look out for: Fed speakers and Covid-19 developments

- Fed's Bostic, Williams and Bullard speak (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)