

ASEAN Morning Bytes

Markets in Asia to tiptoe higher with economies slowly reopening but gains to be capped by US-China tension



EM Space: Upbeat mood on reopening held in check by simmering US-China tension

- **General Asia:** Economies continued to gradually ease restrictions with Japan lifting its state of emergency and with US states and select European countries allowing more sectors to reopen for business. Meanwhile, US-China tensions continued to simmer with China denouncing a recent move by the US to blacklist certain Chinese entities as tension between the two countries remain elevated. For the week, regional players (Singapore and Taiwan) report growth numbers while the US data calendar features GDP, initial jobless claims and consumer confidence.
- **Singapore:** Just released, the revised estimate for 1Q20 GDP put growth at -0.7% YoY, up from the -2.2% first estimate. As expected, manufacturing was a source of upward revision after a strong bounce in output in March, lifting quarterly growth to +6.6% from -0.5%.
- **Singapore:** April CPI inflation and industrial production data this afternoon will provide a glimpse into where GDP growth is headed in 2Q. The consensus is -0.5% YoY for inflation and -1.0% for IP. We expect worse readings than consensus. The government has just cut its full-year 2020 GDP view to as much as a 7% fall from the previous 4% fall and is set to unveil a fourth stimulus package later today.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno signalled another round of easing is in the works as he hinted at further rate cuts due to subdued inflation. Diokno ruled out the use of negative interest rates and further reductions to the reserve requirement for the time being. We are pencilling in a 25 bps policy rate cut at the June meeting with monetary authorities giving the economy a boost as the government slowly removes restrictions after almost 3 months of lockdown.

What to look out for: Covid-19 developments

- Philippines budget balance (26 May)
- Indonesia consumer confidence (26 May)
- Singapore GDP, inflation and industrial production (26 May)
- US new home sales and consumer confidence (26 May)
- Philippines remittances (27 May)
- Taiwan GDP (28 May)
- US GDP, initial jobless claims, durable goods orders (28 May)
- Thailand trade (29 May)
- US core PCE, consumer sentiment and whole sale inventories (29 May)
- Philippines bank lending (29 May)
- Fed Powell speech (29 May)