

ASEAN Morning Bytes

Asian markets to tiptoe higher on hopes for growth



EM Space: Biden's aggressive fiscal blueprint to push growth narrative

- **General Asia:** Asian markets may tiptoe higher, nudged on by hopes for faster global growth as US President Biden unveils his ambitious fiscal blueprint later on Friday. Biden will propose a sizeable spending plan over the next few years which, although largely aspirational, could give a glimpse into directives to bolster growth for the US and in turn the global economy. Investors will await the release of the US fiscal plan while also looking to personal spending and sentiment reports for more direction.
- **Malaysia:** The April trade report is due today. The seasonal 20% MoM bounce in March pushed monthly exports above the Malaysian ringgit (MYR) 100 billion level for the first time ever. Keeping with the seasonal pattern some retracement is in order in April, though low base effects continued to flatter year-on-year growth (ING forecast 44% YoY vs. 31% in March). Electronics have been the leading export product as the upswing in the global demand is met by chip shortages. Meanwhile, pandemic-hit domestic demand has been depressing imports and widening the trade surplus this year. Our estimate of an MYR 17 billion surplus in April implies the year-to-date surplus would be MYR 41 billion above the level a year ago. This is positive for the MYR. However, the MYR has taken a beating in May from the unabating Covid-19 spread. Daily new virus cases scaled fresh records yesterday

hitting 7,857. A complete nationwide lockdown cannot be ruled out, with some state rulers urging the Federal government to do this.

- **Indonesia:** President Jokowi implemented partial lockdown measures across all 34 provinces in Indonesia as new Covid-19 infections spiked to 6,300 per day. Mobility restrictions will be in effect from 1 June until 14 June with the recent spike in cases tagged to a recent holiday and associated travel. Authorities had banned travel during the last Eid holiday period, however citizens were still able to head home despite these curbs. The partial lockdown measures (called PPKM in Indonesia) will likely weigh on the economic recovery with authorities aiming for GDP to expand between 7.1-8.3%, aided by base effects.
- **Philippines:** S&P ratings retained the Philippines' BBB+ credit rating with a stable outlook citing improving growth prospects and an improvement in the government's fiscal position once the pandemic is under control. The local stock market charged 5.1% higher on Thursday with foreign investors helping prop up the index, which in turn helped support PHP to a strong finish by Thursday's close. S&P based its decision on a GDP forecast of 7.9% for 2021 and mentioned that a rating downgrade was still possible should growth disappoint.

What to look out for: Covid-19 developments

- Malaysia trade balance (28 May)
- US personal spending and University of Michigan sentiment (28 May)