

ASEAN Morning Bytes

Asian markets to remain in holding pattern ahead of the US jobs report on Friday



EM Space: US jobs report in focus on Friday

- **General Asia:** Asian markets will likely be in a holding pattern on Friday, cautiously monitoring the fallout from Biden's recent executive order on US investment in 59 Chinese companies which begins in August. More importantly, investors will await the US non-farm payrolls report out later tonight after both the ADP jobs numbers and the ISM services index beat market consensus. The regional data calendar features Philippine and Thai inflation, Taiwan GDP and Singapore's retail sales although the focus will clearly be on tonight US jobs numbers.
- **Singapore:** April retail sales figures today will shed light on consumer spending as the onset of the Covid-19 second wave started to hit demand. April is one of the weakest sales growth months in the year and likely to be more so this time due to the resurgent pandemic. Even so, the low base effect will boost year-on-year growth to levels not seen previously (ING forecast 41.7% YoY, prior 6.2%). Automobiles remain the key driver, though not by much judging from the 21% MoM fall in new vehicle registrations in April (yet up 276% YoY on low base effect). The reversion to the Phase-2 Covid-19 movement restrictions from mid-May has also seen shopping malls empty, suggesting a significant hit to sales in May-June. We have cut our forecast of 2Q GDP growth to 12% from 14% but maintained the full-year 2021

growth view of 4.9%, which is already bearish compared with the consensus.

- **Thailand:** The key question for the markets today will be whether Thailand's CPI inflation in May follows its Asian peers upward. But at 3.4% YoY in April, it was already the highest in almost a decade and we think it stayed there in May. This indeed looks to be a brief peak since base effects will reverse to push inflation lower from June. Growth continues to be the key policy focus as the latest Covid-19 surge has further dampened hopes of tourism and overall economic recovery ahead. We expect the Bank of Thailand to stay on hold (next meeting on 23 June) and the THB to persist as one of Asia's weakest currencies throughout the rest of this year.
- **Philippines:** May inflation will be reported in the morning session with market participants expecting CPI inflation to remain at 4.5%, the 5th month above the central bank's 2-4% inflation target. Higher retail gasoline prices and still elevated public transport fares exerted upward pressure on headline inflation which was offset by slowing food inflation on better harvest for fruits and vegetables while pork prices dipped slightly due to increased imports. We expect inflation to decelerate in the coming months with the BSP still on hold until at least mid-2022.

What to look out for: US non-farm payrolls and Covid-19 developments

- Philippines CPI inflation (4 June)
- Thailand CPI inflation (4 June)
- Singapore retail sales (4 June)
- Taiwan GDP (4 June)
- US non-farm payrolls and durable goods orders (4 June)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the

Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.