

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)