

ASEAN Morning Bytes

Investors await US non-farm payroll data for additional direction



EM Space: US non-farm payroll in focus

- **General Asia:** Asian markets will likely be in a holding pattern on Friday with investors looking to US jobs data later in the session for further direction. Market participants will also take stock of the additional stimulus efforts by the ECB and monitor developments on the energy front as OPEC leaders failed to convene as scheduled. In terms of data on Friday, regional players will report inflation for the month of May (Philippines, Thailand and Taiwan) and retail sales in Singapore although most investors will be trained on the US jobs figures against the backdrop of escalating US-China trade tension.
- **Singapore:** April retail sales data today will reveal the impact of the Covid-19 circuit-breaker (started on 7 April) on consumer spending. We are looking for a 36.6% YoY fall, steeper than the 13.3% fall in March. Supermarket sales should continue to outperform non-essential consumer spending of all sorts. Motor vehicles sales remained the weakest spot judging from the 84% plunge in new registrations in April.
- **Thailand:** As expected, the streak of negative inflation in Thailand gained further traction in May, while confidence indicators continued to signal a record GDP contraction in this quarter ([read more here](#)). But the Bank of Thailand's rate policy has almost reached its limits, which together with the divide among BoT policymakers over the last 25 basis point rate cut in May, signals the end of the easing cycle. We don't think unconventional easing is on the table, not in the near-term.

- **Malaysia:** Prime Minister Muhyiddin Yassin is going to announce today a post-Covid-19 Economic Recovery Plan (ERP) aimed at empowering the people, propelling businesses and stimulating the economy. Yesterday's April trade report was much weaker than expected; 23.8% YoY slump in exports sent the trade balance to the highest-ever deficit of MYR 3.5 billion ([read more here](#)). This bodes ill for the MYR, supporting our view that the USD/MYR will trade above 4.40 over the next three months.
- **Indonesia:** Large scale social restrictions in Jakarta and surrounding regions will be gradually relaxed beginning 8 June as government officials move to reopen and salvage some economic activity to limit the impact of partial lockdowns on GDP. Mass transport and retail shopping outlets will be allowed to operate at 50% capacity with authorities indicating that the removal of restrictions will be in phases so as to prevent a possible spike in infections. A potential second wave of the virus could force government officials to reinstate lockdown measures which would likely push back the economic recovery into 2021.
- **Philippines:** The Philippines reports inflation for May with ING expecting headline inflation to rise slightly to 2.4% as utility prices were adjusted. Headline inflation will likely stay well-behaved and at the lower end of the Bangko Sentral ng Pilipinas' (BSP) inflation target of 2-4% for 2020, providing the central bank scope to ease further should GDP continue to edge lower. We expect the still benign inflation to leave the door open for BSP governor Diokno to cut policy rates at the June policy meeting but this will likely be his last policy move for the year.

What to look out for: US jobs data and Covid-19 developments

- Philippines inflation (5 June)
- Thailand inflation (5 June)
- Singapore retail sales (5 June)
- Taiwan inflation (5 June)
- US non-farm payrolls (5 June)
- Regional GIR (5 June)