

ASEAN Morning Bytes

Regional inflation data could set the tone for Tuesday's trading



EM Space: Investors could focus on economic data while monitoring Covid-19 developments

- **General Asia:** Previous virus hotspots and select US states continue to gradually reopen their economies with investors cautiously monitoring new infection rates with concerns remaining on how quickly restrictions are being lifted. Several major Asian markets are shuttered for separate holidays while crude oil tiptoed higher on hopes that supply curbs could help stabilize the market as economies slowly reopen. Economic data will continue to trickle in over the next few days with investors likely taking their cue from expectedly poor data reflecting the economic impact of lockdown and Covid-19.
- **Singapore:** Today's retail sales data for March will shed light on the impact of Covid-19 on consumer spending. And this impact is going to be big; consensus is for a 16.8% YoY fall, almost double the February 8.6% fall. Motor vehicle sales remained a weak spot judging from the 30% plunge in new registrations in March. The manufacturing PMI slide down to 44.7 in April from 45.4 in March is consistent with our forecast of a 6.8% YoY GDP fall in 2Q. With policy stimulus maxed out, hopes are pinned on the pandemic ending for the stimulus to kick-start the economy.
- **Thailand:** April CPI data today should show a steeper fall in prices than the -0.5% fall in March. We are more bearish with our -2.0% estimate than the -1.2% consensus median and

are assuming an accelerated slowdown in the food and transport components. The Bank of Thailand has more reason to slash its policy rate further from the current 0.75% as growth is going to take the worst beating this year in more than two decades.

- **Malaysia:** It's BNM decision day (announcement at 3.00 pm local time) with a solid consensus forecast for a 50bp cut in the policy rate to 2%, matching the low last seen during the global financial crisis. A greater hit to growth in the current quarter and the ensuing deflation trend both warrant more easing, which is why we have added another 50bp cut to our BNM policy forecast ([read more here](#)).
- **Indonesia:** Indonesia reports 1Q GDP data later in the session with ING expecting a 4.0% (same as median forecast) expansion for the period due to weaker exports and slower manufacturing output. PMI manufacturing and export performance for the first 3 months of 2020 were generally downbeat and we expect a more pronounced slowdown in the coming quarters as the ill effects of Covid-19 become more apparent. Monday's inflation print showed inflation slipping below consensus to 2.7% owing to depressed demand on Covid-19 concerns. This leaves the door open for Bank Indonesia (BI) to cut policy rates to help support the economy with Governor Warjiyo waiting for more stability from IDR to pull the trigger on additional easing.
- **Philippines:** Inflation data for the month of April is due for release today with market analysts pointing to a 2.1% pickup in prices, a deceleration from the March reading of 2.5% as the Philippines was placed on lockdown. ING has forecast a 2.0% increase in prices as tanking oil prices and lower utility costs likely weighed on headline inflation while the government price freeze on select food items during the lockdown likely kept price pressures at a minimum. Slowing inflation should provide Bangko Sentral ng Pilipinas (BSP) scope to cut policy rates in the near term. But any further rate cuts will have only a marginal impact on growth with analysts looking to additional fiscal stimulus to complement already aggressive monetary easing (125 bps worth of rate cuts for the year).

What to look out for: Regional inflation and Covid-19 developments

- Philippines remittances (5 May)
- Thailand inflation (5 May)
- Philippines inflation (5 May)
- Indonesia GDP (5 May)
- Singapore retail sales (5 May)
- Malaysia BNM policy (5 May)
- Hong Kong retail sales (5 May)
- US trade (5 May)
- Hong Kong and Singapore PMI (6 May)
- Philippines trade (6 May)
- Taiwan inflation (6 May)
- US ADP employment (6 May)
- China Caixin PMI services (7 May)
- Philippines GDP (7 May)
- China trade (7 May)
- US initial jobless claims (7 May)
- Malaysia industrial production (8 May)
- Taiwan trade (8 May)

- US non-farm payrolls (8 May)