

ASEAN Morning Bytes

Asian markets likely turning defensive after Yellen comments



EM Space: Volatility may dominate even after Yellen clarifies inflation comments

- **General Asia:** Asian markets to stay defensive on Wednesday with volatility likely dominating after investors react to comments from Secretary Yellen although the former Fed Chair eventually clarified her initial statement later in the session. The tech sector took a hit also on Tuesday while economic data out from the US was a mixed bag with durable goods orders besting consensus but factory orders fell short of expectations. Investors will take their cue from Covid-19 developments, movements in the commodities market as well as ADP jobs numbers out later on Wednesday for more direction although several Asian markets will still be closed for holidays.
- **Singapore:** March retail sales figures are due today. Just as with everything else, the low base effect is lifting the year-on-year sales growth. We are looking for 9.8% YoY growth in March, up from 5.2% in February. Automobiles will be the key driver judging from a sharp positive swing in the growth of new vehicle registrations in March (+4.5% YoY vs. -18.4% in February). The tighter Covid-19 movement restrictions announced yesterday will begin to weigh on spending. The rising community cases associated with a cluster at a local hospital prompted the authorities to tighten restrictions from 8 to 30 May ([read more here](#)). For now, we see the strong export recovery imparting upside risk to our 2021 GDP growth forecast of

4.9%.

- **Thailand:** April CPI inflation data and the Bank of Thailand policy decision are today's highlights. As everywhere, the low base effects are at work to boost inflation (ING forecast 2.3% YoY vs. -0.1% in March). But underlying price pressure remains muted as evident from still negligible core inflation (ING forecast 0.2% YoY). There is nothing in inflation data to sway BoT policy, which should continue to focus on supporting growth as the third wave of Covid-19 further dampens hopes of tourism and overall economic recovery this year. We have cut our 2021 GDP growth forecast from 2.8% to 2.1%. Stable BoT policy remains the baseline for this year, leaving all the heavy-lifting for supporting growth to fiscal policy.
- **Indonesia:** Authorities pared down their initial growth projections for next year, trimming the GDP outlook to 5.2-5.8% (from 5.4-6.0%) with the budget deficit still expected to be wide at 4.9% of GDP in 2022. With revenue collections expected to be challenged, Finance Minister Indrawati shared that several structural reforms were lined up including possible expansion of value-added tax, expansion of digital tax and a possible levy on plastic use.
- **Philippines:** Philippine April inflation will be released on Wednesday with market consensus pegged at 4.7%, a slight pickup from the March reading of 4.5%. This will be the fourth month that inflation is above the central bank's 2-4% inflation target but we do not expect any adjustments in terms of policy from Bangko Sentral ng Pilipinas (BSP). Comments from BSP Governor Diokno suggest that he will retain policy support for as long as the economy is in recovery mode with the central bank looking past the supply-side nature of the inflation breach.

What to look out for: Covid-19 developments

- Thailand BoT meeting and CPI inflation (5 May)
- Singapore PMI and retail sales (5 May)
- Indonesia 1Q GDP (5 May)
- Philippines CPI inflation (5 May)
- US ADP employment and ISM non-manufacturing PMI (5 May)
- Malaysia industrial production (6 May)
- Thailand consumer confidence (6 May)
- Philippines trade balance (7 May)
- China Caixin PMI services (7 May)
- Taiwan trade balance (7 May)
- China trade balance (7 May)
- US non-farm payrolls (7 May)

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