

ASEAN Morning Bytes

Trump continues to urge US states to reopen while investors remain cautious as Fed points to likely steep economic downturn.



EM Space: Asian markets are expected move cautiously again on Wednesday

- **General Asia:** Investor sentiment will remain fragile with investors weighing plans to accelerate the pace of the US reopening with concerns about a possible second wave of the virus in the fall. US President Trump urged US governors to reopen the economy with reports that the White House would soon wind down the Covid-19 task force. Meanwhile, Fed officials continued to signal the probable contraction in economic output starting in 2Q. Investors may also gain direction from US ADP jobs data later on Wednesday and China's Caixin services data out on Thursday.
- **Thailand:** The steepest April CPI fall (by -3% YoY) in more than a decade and potentially entrenched negative price trends drove us to cut our 2020 inflation view even further to -2.3% from -0.8%. Soft activity indicators, the manufacturing PMI and the Business Sentiment Index, dropped to new record lows in April and were consistent with our view of more than an 8% GDP fall in 2Q20. All this makes us more confident than ever of our call for a 50 basis point BoT rate cut at the next meeting on 20 May ([read more here](#)).
- **Malaysia:** BNM cut the policy rate by 50bp, as expected and also announced MYR 16 billion (about 1% of GDP) of additional liquidity-boosting measures. The [policy statement](#)

concluded, “The Bank will utilize its policy levers as appropriate to create enabling conditions for a sustained economic recovery”, which we read as suggesting that policy is going to be data-dependent. Data is going to be much worse in the months and quarters to come before it gets any better. Negative inflation strengthens the argument for additional policy measures, though earlier the BNM uses them the better it will be for the economy. We expect another 50bp rate cut at the next meeting in early July.

- **Indonesia:** Indonesia's 1Q GDP dipped to 3.0% well-below market expectations for a 4.0% expansion on subdued export performance and slowing manufacturing activity. We expect the 2Q GDP to weaken further with PMI manufacturing for the month of April dropping to 27.5 and inflation slowing to 2.7% on depressed domestic demand. Indonesia continues to push back on stringent lockdown measures but with Covid-19 cases rapidly rising (12,071), we foresee President Jokowi being forced to finally impose stricter guidelines. Despite the slowdown, we don't expect Bank Indonesia to cut policy rates just yet with Governor Warjiyo looking for more stability from IDR before cutting rates further.
- **Philippines:** Philippine trade data is out today with market analysts expecting the early onset of Covid-19 surfacing for both exports and imports. Median estimates point to exports falling 5.0% and imports contracting 10% as global trade fades on Covid-19 disruption. The Philippines implemented a hard lockdown on 15 March which shuttered manufacturing and disrupted supply chains which would undoubtedly manifest in the March trade numbers. Weaker import demand has helped prop PHP throughout the lockdown phase with trading volumes averaging a third of the average and we expect renewed pressure on PHP once the lockdown is lifted and corporate demand resumes.

What to look out for: Covid-19 developments

- Philippines remittances (6 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)