

ASEAN Morning Bytes

Optimism over the potential economic recovery may return on Monday as investors react to last Friday's US jobs report.



EM Space: Surprise US NFP report may rekindle risk rally on Monday

- **General Asia:** Better-than-expected jobs figures out from the US last Friday may rekindle the risk rally on Monday with investor sentiment fueled by hopes for the economic recovery. Trade data out from China could help set the tone trading on Monday while the data calendar for the week features regional trade data (Taiwan and Philippines) inflation reports out from major markets and the FOMC meeting. For Monday, sentiment will continue to be driven by hope for a quick recovery with risks such as a potential US-China trade war, still lingering in the background.
- **Malaysia:** On Friday, Prime Minister Muhyiddin Yassin announced a fourth stimulus package worth MYR 35 billion, including MYR 10 billion of direct fiscal thrust via wage subsidies and skills development programmes, and the rest in the form of tax exemptions. While this brings the total stimulus so far up to 20% of GDP, we estimate a real thrust (excluding easy credit, loan moratoriums, bank guarantees, etc. form the total package) of only 5.6%. This is poised to boost the fiscal deficit to a record high level, though the official view of the deficit doubling to 6% of GDP this year appears to be optimistic. Our deficit forecast before the latest package was 6.3% of GDP (3.4% in 2019). Local markets are on holiday today for the

King's birthday.

- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo believes that IDR is undervalued as he expects the currency to strengthen further on stalling CPI inflation and a tightening of the country's current account deficit. IDR has staged a comeback after touching the 16,500 level in March, appreciating sharply as foreign investors returned after sentiment improved considerably. IDR will have limited room to appreciate as we expect BI to cut policy rates at the near term to help support sagging economic growth now that IDR has found its footing.

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

- Taiwan trade (8 June)
- US wholesale inventories (9 June)
- Philippines trade (10 June)
- China inflation (10 June)
- US inflation (10 June)
- FOMC meeting (11 June)
- US PPI and initial jobless claims (11 June)
- Hong Kong industrial production (12 June)
- US consumer sentiment (12 June)