Good MornING Asia - 26 June 2020

Asian markets expected to tread water while looking for trading cues on Friday

In this bundle

Asia Morning Bites

ASEAN Morning Bytes

Asian markets expected to tread water while looking for trading cues on Friday

Asia week ahead

Asia week ahead: End of the worst quarter in years

With second Covid-19 waves spreading in some countries and first-wave outbreaks not yet over in others, the economic slump in Asia has a long way to go

Philippines

Philippine central bank surprises as policy rate is slashed

The central bank of The Philippines unexpectedly surprised with a hefty policy rate cut to provide another round of stimulus as the economy braces itself...

ASEAN Morning Bytes

Asian markets expected to tread water while looking for trading cues on Friday

EM Space: Covid-19 infections and mixed economic data may affect sentiment on Friday

- **General Asia:** Surging new daily Covid-19 infections in select US states and mostly gloomy economic data provide the backdrop for trading on Friday with investors struggling for direction. Covid-19 new daily infections in southern US states are accelerating enough to force the governor of Texas to reinstate measures that were previously relaxed in May as the state runs out of hospital space. US-China tensions may also add some more colour to Friday with the US Senate passing legislation that would allow the government to impose sanctions on banks that deal with select Chinese officials.
- **Singapore:** May industrial production data is due. Non-oil domestic exports and manufacturing disproportionately benefited from a surge in pharmaceutical demand in the global pandemic. But the export surge ended in May with a 4.5% YoY NODX fall, and so did the manufacturing surge, providing some downside risk to the consensus of still strong IP growth of 7.7% YoY. We are looking for a 6.3% fall instead.
- **Thailand:** The government is considering extending its state of emergency to end-July. The Cabinet will take a call on this next week. The emergency has been in force since end-March, though the government has lifted most of the lockdown as the Covid-19 spread has been under control with only 3,158 total cases so far and 96% of these recovered.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) surprised market players with a hefty 50 bps rate cut at yesterday's meeting. BSP governor Diokno kept the door open to further easing, indicating he would need to retain the accommodative stance to ensure ample credit and ease the cost of borrowing as the economy enters its recovery stage. We expect Diokno to refrain from additional cuts to the policy rate with the BSP likely turning to possible reductions to the reserve requirement should it need to ease monetary policy further. The PHP should lose some of its appreciation momentum on Friday after the surprise move.

What to look out for: Covid-19 developments

- Singapore industrial production (26 June)
- US personal spending and consumer sentiment (26 June)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Asia week ahead: End of the worst quarter in years

With second Covid-19 waves spreading in some countries and first-wave outbreaks not yet over in others, the economic slump in Asia has a long way to go

Source: Shutterstock

Damage assessment continues

The end of lockdowns in most of Asia has markets weighing the activity data for the wreckage left behind by the pandemic. And there's lots of data to wade through next week.

Purchasing manager indexes (PMIs) data will take prominence as they usually do at the start of the month. China’s PMIs remains the most market-sensitive of all - and the expectation of it staying above the 50 threshold implies improving business conditions which are at risk from renewed Covid-19 spread in Beijing and neighbouring provinces.

In most other Asian economies, manufacturing should have continued to slow albeit at a reduced pace than in May. India and Indonesia are likely to remain at the low end of the Asian spectrum, given worsening Covid-19 situations in these countries.

PMIs are soft indicators, prone to respondents' sentiment at the time of the survey. The hard data on exports, manufacturing output, retail sales, and inflation -- all should paint a real picture. The calendar is packed with such indicators from around Asia.

Korea's exports for June will be the first from the region to reveal the state of global demand this month. Easing of lockdowns in key markets should result in a smaller year-on-year fall. And, with weak exports and domestic spending, manufacturing growth is likely to remain negative as well.

May retail sales figures from Hong Kong and Singapore should reflect the extent of the hit to domestic demand in these economies. We expect the worse, around 50% YoY contraction in sales in both economies, as rising job losses depress spending. Weak consumer spending should keep CPI inflation under downward pressure in most reporting countries next week (Korea, Indonesia, and Thailand), with Thailand's continuing to lead the way down.

The end of the worst quarter for Asian and global economies may be here. But, with second Covid-19 waves spreading in some countries and first-wave outbreaks not yet over in others, the economic slump has a long way to go.

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
		Sunday 28 June			
China	0230	May Industrial profits (YTD, YoY%)	-5.0	-	-4.3
		Monday 29 June			
Hong Kong	0930	May Exports (YoY%)	-3.5	-	-3.7
	0930	May Imports (YoY%)	-7.0	-	-6.7
	0930	May Trade balance (HK$ bn)	-20.3	-	-23.3
Thailand	0430	May Manufacturing index (YoY%)	-21.0	-	-17.2
South Korea	2200	Jul BOK Business Survey Index, mfg	-	-	49
	2200	Jul BOK Business Survey Index, non-mfg	-	-	56
		Tuesday 30 June			
China	0200	Jun Manufacturing PMI	50.6	50.3	50.6
	0200	Jun Non-manufacturing PMI	53.3	-	53.6
India	-	May Fiscal deficit (INR crore)	-	-	-100850.0
Hong Kong	0930	May Retail sales value (MoM/YoY%)	-45.6/-49.2	-	-36.1/-37.5
South Korea	0000	May Industrial production (MoM/YoY%)	-/-	-/-	-6/-4.5
Thailand	0830	May Current account balance (US$mn)	-1400.0	-	-654
		Wednesday 1 July			
China	0245	Jun Caixin Manufacturing PMI	50.7	-	50.7
India	0600	Jun Nikkei Manufacturing PMI	-	-	30.8
Indonesia	0500	Jun CPI core (YoY%)	-	-	2.7
Indonesia	0500	Jun CPI (YoY%)	1.85	-	2.2
Philippines	0130	Jun Nikkei Manufacturing PMI	45.8	-	40.1
Taiwan	0130	Jun Nikkei Manufacturing PMI	42.1	-	41.9
South Korea	0100	Jun Imports (YoY%)	-	-	-21.0
	0100	Jun Exports (YoY%)	-	-	-23.6
	0100	Jun Trade balance (US$mn)	-	-	446.0
	0130	Jun Nikkei Manufacturing PMI	-	-	41.3
		Thursday 2 July			
South Korea	0000	Jun CPI (MoM/YoY%)	-/-	-/-	-0.2/-0.3
		Friday 3 July			
India	0600	Jun Nikkei Services PMI	-	-	12.6
Malaysia	0500	May Exports (YoY%)	-27.0	-	-23.8
	0500	May Imports (YoY%)	-23.0	-	-8.0
Malaysia	0500	May Trade balance (RM bn)	3.6	-	-3.5
Singapore	0600	May Retail sales value (MoM/YoY%)	-20.0/-52.0	-/-	-31.7/-40.5
	1400	Jun Purchasing Managers Index	-	-	46.8
Thailand	0430	Jun CPI (YoY%)	-3.3	-	-3.4
	0430	Jun Core-CPI (YoY%)	0.00	-	0.01

Source: ING, Bloomberg, *GMT

Author

Amrita Naik Nimbalkar
Junior Economist, Global Macro
amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz
Senior Economist, Poland
mateusz.sutowicz@ing.pl

Alissa Lefebre
Economist
alissa.lefebre@ing.com

Deepali Bhargava
Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

Ruben Dewitte
Economist
+32495364780
ruben.dewitte@ing.com

Kinga Havasi
Economic research trainee
kinga.havasi@ing.com

Marten van Garderen
Consumer Economist, Netherlands
marten.van.garderen@ing.com

David Havrlant
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

Sander Burgers
Senior Economist, Dutch Housing
sander.burgers@ing.com

Lynn Song
Chief Economist, Greater China
lynn.song@asia.ing.com

Michiel Tukker
Senior European Rates Strategist
michiel.tukker@ing.com

Michal Rubaszek
Senior Economist, Poland
michal.rubaszek@ing.pl

This is a test author

Stefan Posea
Economist, Romania
tiberiu-stefan.posea@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Jesse Norcross
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

Teise Stellema
Research Assistant, Energy Transition
teise.stellema@ing.com

Diederik Stadig
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

Diogo Gouveia
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux
Sector Strategist, Financials
marine.leleux2@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

ING Analysts

James Wilson
EM Sovereign Strategist
James.wilson@ing.com

Sophie Smith
Digital Editor
sophie.smith@ing.com

Frantisek Taborsky
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

Adam Antoniak
Senior Economist, Poland
adam.antoniak@ing.pl

Min Joo Kang
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

Coco Zhang
ESG Research
coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

Katinka Jongkind
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole
FX Strategist
francesco.pesole@ing.com

Rico Luman
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

Jurjen Witteveen
Sector Economist
jurjen.witteveen@ing.com

Dmitry Dolgin
Chief Economist, CIS
dmitry.dolgin@ing.de

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Egor Fedorov
Senior Credit Analyst
egor.fedorov@ing.com

Sebastian Franke
Consumer Economist
sebastian.franke@ing.de

Gerben Hieminga
Senior Sector Economist, Energy
gerben.hieminga@ing.com

Nadège Tillier
Head of Corporates Sector Strategy
nadege.tillier@ing.com

Charlotte de Montpellier
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

Laura Straeter
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

James Smith
Developed Markets Economist, UK
james.smith@ing.com

Suvi Platerink Kosonen
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

Thijs Geijer
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

Maurice van Sante
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

Marcel Klok
Senior Economist, Netherlands
marcel.klok@ing.com

Piotr Poplawski
Senior Economist, Poland
piotr.poplawski@ing.pl

Paolo Pizzoli
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

Marieke Blom
Chief Economist and Global Head of Research
marieke.blom@ing.com

Raoul Leering
Senior Macro Economist
raoul.leering@ing.com

Maarten Leen
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

Maureen Schuller
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Rafal Benecki
Chief Economist, Poland
rafal.benecki@ing.pl

Philippe Ledent
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

Inga Fechner
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

Dimitry Fleming
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

Muhammet Mercan
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

Iris Pang
Chief Economist, Greater China
iris.pang@asia.ing.com

Sophie Freeman
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA
Regional Head of Research, Americas
padhraic.garvey@ing.com

James Knightley
Chief International Economist, US

james.knightley@ing.com

Tim Condon
Asia Chief Economist
+65 6232-6020

Martin van Vliet
Senior Interest Rate Strategist
+31 20 563 8801
martin.van.vliet@ing.com

Karol Pogorzelski
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

Carsten Brzeski
Global Head of Macro
carsten.brzeski@ing.de

Viraj Patel
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

Owen Thomas
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

Bert Colijn
Chief Economist, Netherlands
bert.colijn@ing.com

Peter Vanden Houte
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

Benjamin Schroeder
Senior Rates Strategist
benjamin.schroder@ing.com

Chris Turner
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

Gustavo Rangel
Chief Economist, LATAM
+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com

Snap | 25 June 2020 Philippines

Philippine central bank surprises as policy rate is slashed

The central bank of The Philippines unexpectedly surprised with a hefty policy rate cut to provide another round of stimulus as the economy braces itself for a recession

2.25% BSP policy rate

Lower than expected

Impending recession and benign inflation gave BSP impetus for rate cut

The Philippines has emerged from a two and half month lockdown in June with economic activity all but grounded from 16 March to 31 May as the government implemented strict quarantine measures to combat Covid-19. The quarantine measures may have helped slow the spread of the virus but it battered GDP output with roughly 72% of the economy shut during the lockdown period. With the economy struggling, the government was forced to relax several mobility restrictions to get the economy back on its feet, hoping to salvage some economic growth before the end of the year.

The Philippines is likely to enter a recession in 2Q with ING expecting growth to contract by 5.8% after 1Q GDP fell by 0.2%

As a result, the central bank opted to provide additional monetary stimulus as the Philippines braces itself for a recession while inflation remains benign. The central bank's own inflation forecast points to limited price pressures with 2020 headline inflation expected to average 2.3% for the year.

The policy rate was cut by 50 basis points to 2.25% today, bringing year-to-date easing to 175bp. The central bank has been quite active in terms of stimulus measures in 2020, unveiling a PHP300bn repurchase agreement with the national government and reducing reserve requirements by 200bp, on top of the rate cuts.

Official projections for growth point to a worst-case scenario of -3.4% for 2020 while several multilateral agencies recently downgraded forecasts too with the International Monetary Fund and Asian Development Bank expecting growth to contract by 3.6% and 3.8%, respectively.

The Philippines is likely to enter a recession in 2Q with ING expecting growth to contract by 5.8% after 1Q GDP fell by 0.2%.

Diokno likely to hang up the shears for now

After the flurry of rate cuts and infusion of liquidity, today's move may be the last from the central bank in 2020 with Governor Diokno likely to favour approximating positive real policy rates. Meanwhile, the Governor is also likely to hold back on reducing reserve requirements in the near term given that the financial system is floooded with liquidity with excess funds parked at the central bank's deposit facilities hitting roughly PHP1.3 trillion in June.

The surprise rate cut by the central bank will likely sap some appreciation pressure for the peso in the near term, which has enjoyed relative strength in recent weeks buoyed by financial account inflows tied to the government's foreign borrowings. Meanwhile, the local bond market may benefit from the easing, offsetting some concerns about additional bond supply in the near term after the government posted another substantial budget deficit for the month of May.

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com