

ASEAN Morning Bytes

Caution likely to dominate trading ahead of key manufacturing data on Wednesday



FOMC minutes and US manufacturing to give additional direction to trading

- **General Asia:** Covid-19 infections continue to accelerate in the US with some states reversing key lockdown measures, dousing hopes for a quick economic recovery as the virus spreads. Consumer confidence out from the US bested market expectation but the pickup in new daily infections may complicate the reopening of businesses. Regional PMI manufacturing reports showed a bounce in most of ASEAN mirroring the improvement in China's numbers a day earlier. Later on Wednesday, the US ADP jobs numbers and FOMC minutes will be released to give additional colour to trading.
- **Thailand:** The government extended its state of emergency to end-July, the third extension since the decree came into force in late March. The Bank of Thailand's monthly report for May portrayed a continuing weak state of the economy. Weak domestic demand, reflected by steadily falling private consumption and investment indices outweighed export and tourism weakness and the current account reversed to a surplus of \$64 million in May from the \$654 million deficit in April. The THB ended June at the top of the EM performance table with 2.9% appreciation, sustaining worries that the strong currency could hinder exports and any tourism recovery.

- **Philippines:** President Duterte extended partial lockdown measures in the capital region for another 15 days with the Philippines experiencing a recent pickup in new daily infections. More worrisome would be the increase in new infections in provinces with infected workers returning home after strict hard lockdown measures were relaxed on 1 June. Despite the pickup in cases, department of finance secretary Dominguez and the rest of the virus task force continue to push for the removal of partial lockdown measures to get the economy back on track as the growth outlook dims. With the virus spreading across the country, we expect localized lockdowns to be implemented in hotspots which would derail the government's reopening plans and delay the economic recovery.
- **Indonesia:** Indonesia reports inflation for June with analysts expecting it to slip below 2% given subdued energy prices and depressed demand. Bank Indonesia (BI) expects inflation to remain benign for the balance of the year as the central bank focuses on maintaining IDR stability while also providing support to the national government to help spur the economy. We expect BI to trim policy rates in 3Q20 to help stimulate growth with the central bank timing such a move when IDR is relatively stable.

What to look out for: regional PMI and Covid-19 developments

- regional manufacturing PMI (1 July)
- Indonesia inflation (1 July)
- US ADP employment, ISM manufacturing PMI (1 July)
- US trade, non-farm payrolls, factory orders, durable goods orders (2 July)
- China Caixin PMI (3 July)
- Thailand inflation (3 July)
- Malaysia trade (3 July)
- Singapore retail sales (3 July)