

ASEAN Morning Bytes

Market players to be in holding pattern as investors look to FOMC for direction



EM Space: Asian market players to look for direction from data and FOMC

- **General Asia:** Investors may move into a holding pattern on Wednesday with traders looking for fresh impetus and direction from the outcome of the FOMC meeting. Market players may also take their cue from inflation data out from both China and the US later on Wednesday with renewed geopolitical tension in Hong Kong also forcing investors to the sidelines for the time being.
- **Malaysia:** The next phase of relaxation of the Covid-19 Movement Control Order (MCO) in place since mid-March begins today. In the so-called “recovery phase” lasting until 31 August nearly all activities in social, educational, religious, economic, and business areas, as well as domestic travel except to the disease hot-spots, are allowed to reopen. International travel, pubs, nightclubs and theme parks still remain shut until end-August. The disease is under control, though the recent rise in infections among migrant workers has raised the odds of a second wave of outbreak.
- **Thailand:** The government is considering more measures to stimulate consumption and domestic tourism as part of its economic recovery plan for the second half of the year. The resumption of international travel by 4Q with countries recovered from Covid-19 pandemic

is also under consideration. Yet, with weak domestic demand, plunging exports and virtually no tourism, the steepest GDP fall since the 1998 Asian crisis remains the baseline for the year; our 2020 GDP growth forecast is -5.4%.

- **Philippines:** The Philippines will report trade data for April with market analysts expecting a substantial pullback for both imports and exports with the country under strict lockdown measures. Imports are forecast to drop by more than 30% as corporate demand for the dollar was absent during the quarantine period, which helped support PHP in that period. In the coming months, we expect import growth to return, driven in large part by the government's revamped infrastructure, which could add to PHP depreciation pressure now that inflows from remittances are expected to fade. Despite recent strength, we expect PHP to face weakening pressure in 2H with the Peso settling closer to the 52-level by the year-end.
- **Indonesia:** Government officials continue to relax quarantine restrictions in the country in a bid to restart the economy. Authorities are now allowing airlines to operate up to 70% of capacity (previously 50%) but will require passengers to undergo Covid-19 testing before flying. Relaxing airline travel restrictions is the latest move by the government to help reopen the economy quickly with officials hoping to eke-out growth for the year after the World Bank forecast GDP to be flat in 2020. However, with new daily Covid-19 cases accelerating to 1,043 on 9 June, we expect a possible spike in cases to force government officials to reinstate partial lockdown measures in the near term.

What to look out for: FOMC and Covid-19 developments

- 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)