

ASEAN Morning Bytes

Fears of “second wave” of Covid-19 to weigh on market sentiment



EM Space: Concerns of a second round of lockdowns to weigh on sentiment

- **General Asia:** Beijing imposed restrictions in some parts of the city as new clusters of infections surfaced over the weekend, fueling concern that a second wave of infections may strike. Covid-19 cases in the US tiptoed higher too, with some experts warning that the recent protest rallies that broke out two weeks ago could spark a renewed acceleration of infection. China reports retail sales and industrial production later on Monday which could give additional color to trading while investors continue to monitor the developing Covid-19 situation in China.
- **Thailand:** The authorities have announced the end of the remaining Covid-19 lockdown today even as a state of emergency continues until the end of June and national borders will remain closed for some more months. While this may reactivate the domestic economy somewhat, the main economic drivers of trade and tourism are unlikely to be back in play anytime soon.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reported overseas Filipino (OF) remittance flows for March with dollar remittances contracting by 4.7%, showing the early signs of Covid-19 on employment prospects for millions of Filipinos based overseas. We expect this trend to continue with up to 500,000 OFs applying for government aid after losing their jobs

due to the global pandemic and lockdowns in their host countries. Slowing remittance flows is one of the main reasons we expect current account woes to return to the Philippines, which should put added depreciation pressure on the PHP in the coming months and slow the economic recovery with remittance-fuelled consumption absent.

- **Indonesia:** Indonesia reports trade data for May with market players bracing for a substantial contraction in both imports and exports. Trade activity is expected to have cratered with the pandemic scuttling global trade while partial lockdown measures likely slowed the movement and demand of goods. Despite the pullback for both imports and exports, analysts expect the trade balance to remain in surplus, which should be a positive for the IDR in the near-term, bolstering the case for monetary easing from the central bank at this week's meeting.

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

- Indonesia trade (15 June)
- China industrial production and retail sales (15 June)
- Hong Kong unemployment (16 June)
- US retail sales (16 June)
- Bank of Japan meeting (16 June)
- Powell testimony to Senate (16 June)
- Singapore non-oil domestic exports (17 June)
- US housing starts and building permits (17 June)
- Bank Indonesia policy meeting (18 June)
- Taiwan central bank meeting (18 June)
- US initial jobless claims (18 June)
- Thailand GIR (19 June)
- Philippines BoP (19 June)