

ASEAN Morning Bytes

Asian markets may see a brief rally on Thursday as energy prices tiptoe higher but rising Covid-19 cases in the region will likely cap any rally.



EM Space: Oil bounce and earnings could provide direction for trading

- **General Asia:** Asian markets may take their cue from the bounce in oil prices and the earnings season while South Korea reported 1Q GDP numbers that were slightly better than expected. Data out in the region features Taiwan's industrial production as well as inflation from Singapore although traders will still likely be influenced by the number of new infections and the response of respective governments to contain Covid-19.
- **Singapore:** March consumer price data is due. We share the consensus view that the headline CPI inflation followed the core measure into negative territory. The sharp demand slump due to the Covid-19 pandemic has weighed down prices since the start of the year. The worst is yet to be seen with an accelerated spell recently potentially causing a deeper slump in both growth and prices. Alongside a downgrade of our 2020 growth outlook yesterday, we have also cut our inflation view for the year to -1.1% from -0.5%.
- **Thailand:** Tourist arrivals plunged by 76.4% YoY and receipts by 77.6% in March. There were large declines in arrivals from all main origins but a 94% fall in visitors from China was a

standout. Chinese visitors account for more than one-fourth of annual tourism receipts. A virtually stalled tourism sector explains the Thai baht's plight with close to 8% year-to-date depreciation. We don't think we have reached the bottom just yet.

- **Philippines:** President Duterte will decide on the fate of the current lockdown later on Thursday with government officials espousing a modified version of the existing quarantine measures. Much of the country has been on lockdown for 6 weeks now and daily new cases are trending lower, reaching only 140 yesterday, down from the 31 March peak of 538. This decline in new daily cases comes despite a marginal improvement in testing capability. An extension or modification of the lockdown period will drop 2Q GDP even further into contraction, all the more so because the fiscal response has been unchanged despite the recent 2-week extension.
- **Indonesia:** President Jokowi extended the partial lockdown in effect over Jakarta until May 22 as Covid-19 cases continue to rise. Indonesia continues to pushback on a hard-lockdown, instead opting to strongly encourage social distancing while allowing most businesses to remain open. Meanwhile, Bank Indonesia (BI) purchased bonds in the primary market on Wednesday to limit the recent rise in bond yields after several bouts of heavy selling by foreign investors which in turn weighed on the IDR. Until we see a meaningful turnaround on the Covid-19 front, we expect both the IDR and bond market to remain pressured as sentiment remains fragile.

What to look out for: Covid-19 developments

- Philippines remittances and GIR (23 April)
- Singapore inflation (23 April)
- Taiwan industrial production (23 April)
- US initial jobless claims and new home sales (23 April)
- Singapore unemployment and industrial production (24 April)
- US durable goods orders University of Michigan sentiment (24 April)

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