

ASEAN Morning Bytes

Asian markets could see muted gains as caution caps enthusiasm on lingering concerns about Covid-19



EM Space: Covid-19 infections on the rise in select US states

- **General Asia:** Focus is slowly shifting back to Covid-19 with new daily infections on the rise for states in the US that had moved quickly to remove lockdown restrictions. The recent acceleration in infections has rekindled concern that governments will be forced to shut down their economies once again, squandering the chance for the much-hoped-for economic bounce back. The concerning trends on the virus front may overshadow improving PMI reports from major markets with market sentiment possibly driven by Covid-19 developments on Wednesday.
- **Singapore:** Prime Minister Lee Hsien Loong yesterday called a snap election to be held on 10 July, 10 months ahead of schedule. He expects the polls to clear the decks and provide the government with a fresh five-year mandate to focus on the national agenda and the difficult decisions it will have to take and implement. The government achieved 69.9% of the popular vote in the 2015 election.
- **Malaysia:** May CPI inflation data is due. Behind the consensus view of a slight improvement in inflation to -2.8% YoY from -2.9% in April lies the Ramadan-related pick-up in demand, while easing of Covid-19 movement restrictions from early May should have released some pent-up spending. But housing and transport prices continued to be a big drag on headline

inflation. Negative inflation has opened the door for more Bank Negara Malaysia policy rate cuts. We continue to expect an additional 100bp of rate cuts over the coming quarter.

- **Thailand:** It's decision day for the Bank of Thailand. It's most likely to pass as a non-event though, with a solid consensus of no change to the policy rate, currently at an all-time low of 0.50%. Also due today are trade figures for May, which should underscore a weak state of the economy. The case for further monetary easing remains strong but there is not much easing space left for the Bank of Thailand, which is why I consider the BoT's current easing cycle to be over ([read more here](#)).
- **Indonesia:** Finance minister Indrawati has reported that government officials are discussing expanding the role of Bank Indonesia (BI) in "sharing the burden" in terms of financing the Covid-19 recovery efforts. Previously, the central bank was granted authority to purchase government bonds in the primary market to help stabilize the bond market. Indrawati indicated discussions are in the early stages and that officials are determining what capacity and which instruments may be used to allow BI to help finance the widening deficit.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reported another record high for gross international reserves, hitting \$93.3 bn for May. The rise in dollar reserves was likely driven by financial account inflows related to government borrowings from multilateral institutions to help combat Covid-19. Meanwhile, import compression helped offset slowing overseas Filipino remittance flows with the current account also likely swinging back into surplus resulting in a balance of payments surplus. Financial account inflows have helped support the resilient peso despite several rate cuts by the BSP although we expect a reversal for the PHP in the coming months as import demand returns at a time when remittances are set to contract with the pandemic hitting job prospects for millions of Filipinos based abroad.

What to look out for: Covid-19 developments

- Thailand trade (24 June)
- Bank of Thailand meeting (24 June)
- Bangko Sentral ng Pilipinas meeting (25 June)
- US durable goods orders, initial jobless claims, 1Q GDP (25 June)
- Singapore industrial production (26 June)
- US personal spending and consumer sentiment (26 June)