

ASEAN Morning Bytes

US-China tension heats up on Hong Kong issue



EM Space: Recent optimism may fade quickly as US-China tension heats up

- **General Asia:** Optimism stemming from the recent reopening of economies may fade on Wednesday with focus shifting back to simmering US-China tension with Trump indicating possible action against China. Market players will monitor developments related to US and China relations for direction, while also watching for any possible signs for a second wave of Covid-19 infections as economies continue to reopen after months under lockdown measures.
- **Singapore:** The government announced [a fourth stimulus package](#) to help the economy turn the Covid-19 tide. The SGD 33 billion additional spending focuses on preserving jobs. This brings the cumulative thrust to SGD 92.5 billion, about 19% of GDP, more than half of which is funded by drawdowns from past reserves. Even with a massive stimulus, a deeper GDP fall this quarter and negative growth for the rest of the year is still likely for the heavily export-dependent economy. That said, manufacturing continued to be strong in April (up 13% YoY) on surging pharmaceutical demand.
- **Thailand:** The government extended the state of emergency to end-June, the second extension in a bid to avert a second wave of Covid-19 disease. Against increasing calls by the opposition for ending restrictions, this is deemed to be a political move by the ruling

administration to curb the anti-government drive. April manufacturing data due today, which will show how restrictions are affecting the economy. Expect the worst; the consensus is a 20% YoY manufacturing fall and we favour a steeper 23.5% fall.

- **Indonesia:** President Jokowi deployed hundreds of thousands of soldiers around the country to strictly enforce his partial lockdown measures in a bid to flatten the Covid-19 infection curve. Pressure is mounting on the President to begin easing restrictions to support the economy. However, daily new Covid-19 cases have yet to show a clear sign of deceleration. We expect Indonesia to continue to struggle to contain the virus, even after the deployment of the army, which will hamper the ability of Jokowi to fully reopen the economy.
- **Philippines:** Congress passed on first reading a Php1.3 tr fiscal stimulus plan dubbed PESA (Philippine Economic Stimulus Act) to offset the economic downturn caused by the pandemic. Of the bill, roughly Php598 bn is fresh spending for wage subsidies, capital infusion, loan guarantees, support to essential sectors and healthcare. The proposed bill will translate to nearly 2.3% of GDP and will bolster economic activity in the second half of the year but will likely not be in time to stave off a recession by the second quarter.

What to look out for: Covid-19 developments

- Philippines remittances (27 May)
- Taiwan GDP (28 May)
- US GDP, initial jobless claims, durable goods orders (28 May)
- Thailand trade (29 May)
- US core PCE, consumer sentiment and whole sale inventories (29 May)
- Philippines bank lending (29 May)
- Fed Powell speech (29 May)