

ASEAN Morning Bytes

Risk sentiment may take a hit with concerns about Covid-19 rising



EM Space: US struggles with surge in new daily cases

- **General Asia:** Optimism over the reopening of economies faded quickly with surging cases in the United States reminding investors that Covid-19 trends are moving in the wrong direction. New daily infections have hit record highs in select US states that were quick to reopen, heightening uncertainty of a quick US turnaround much hoped for by President Trump. PMI numbers from regional players and US labour market data will be reported this week which should give some additional direction to trading as investors monitor Covid-19 developments.
- **Thailand:** May's manufacturing index is due. We expect output to fall by 21% YoY, a steeper fall than the 17.2% decline in April (consensus -19.9%). This follows from a 22.5% YoY exports fall in May. As well as exports, domestic demand has also been depressing output. The combined April-May manufacturing growth will provide a sense of 2Q20 GDP growth. Our forecast of an 8.2% YoY GDP fall this quarter would be the steepest since the 1998 Asian crisis.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) governor predicts that the economy has sunk into recession with 2Q GDP forecast to contract between 5.7-6.7% with hard lockdowns shuttering economic activity for more than 2 months. BSP has been busy providing monetary stimulus, enacting a flurry of rate cuts and flooding the market with liquidity but a slower than anticipated and relatively modest fiscal spending plan could mean that the

Philippines could post 3 straight quarters of contraction. Despite last week's hefty 50 bps rate cut, PHP managed to remain steady but this trend may reverse on Monday with investors focusing on the acceleration in Covid-19 cases both in the Philippines and abroad.

- **Indonesia:** President Jokowi approved the government's revised budget, bloated by the Covid-19 response with the new spending plan hitting IDR 2,739 trillion (IDR 2,613 trillion previously). Revenue collections are projected to fall as economic activity drops off while spending accelerates to help offset the fallout from the virus. The new budget deficit-to-GDP ratio will likely settle at 6.3% (previous estimate 2.8%) with the deficit widening and GDP expected to fall. Finance Minister Indrawati lowered GDP projections with 2Q GDP expected to contract by 3.8%.

What to look out for: regional PMI and Covid-19 developments

- Hong Kong trade (29 June)
- US pending home sales (29 June)
- China manufacturing and non-manufacturing PMI (30 June)
- Thailand trade (30 June)
- US consumer confidence (30 June)
- Fed's Powell testimony before congress (30 June)
- regional manufacturing PMI (1 July)
- Indonesia inflation (1 July)
- US ADP employment, ISM manufacturing PMI (1 July)
- US trade, non-farm payrolls, factory orders, durable goods orders (2 July)
- China Caixin PMI (3 July)
- Thailand inflation (3 July)
- Malaysia trade (3 July)
- Singapore retail sales (3 July)