

ASEAN Morning Bytes

Trump set to announce “new policies on China” later on Friday



EM Space: US-China tension escalating after Hong Kong legislation

- **General Asia:** Donald Trump is set to announce possible sanctions against China later on Friday which could translate to a revival of the trade war. Trump was also busy announcing possible modifications to legislation that protects social media platforms such as Twitter and Facebook. Fed Chairman Powell is set to speak later on Friday but trading direction will likely be driven more by the announcement by Trump or possible retaliation from China.
- **Thailand:** Balance of payments data for April are expected to show a sharp swing taking the current account to a deficit of about \$750 million from a \$697 million surplus in March. This swing stems from net outflows on the services side, while the trade balance continued to post a strong surplus in April (\$2.5 billion on customs basis). Despite all this, the THB has been performing strongly since April and is already back to being Asia’s top currency this month. Covid-19 is under control currently in Thailand, but the hit to the current account from weak exports and tourism remains a headwind for THB appreciation ahead.
- **Indonesia:** President Jokowi continues to ready the economy for reopening as he instructed government officials to draft guidelines to operate the tourism sector under the new normal. The tourism industry will be one of the hardest hit by the pandemic with foreign travel restricted with Jokowi indicating that tourism should focus on local consumers in the

meantime.

- **Philippines:** President Duterte will relax lockdown restrictions on 1 June in a bid to jumpstart the economy after an almost three-month lockdown. The announcement to remove restrictions comes a day after the country recorded its highest new daily infection count to date (539 new cases) with health officials citing cluster infections among migrant workers as the main reason for the recent spike. The move will help restore some economic activity but leaves the door open for a possible second wave of the virus and a potential second lockdown as well.

What to look out for: Covid-19 developments

- 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)