

ASEAN morning bytes

General market tone: Risk-on.

Risk on sentiment may still dominate Friday although gains will be capped ahead of the US jobs report.



EM Space: Risk appetite will still be intact with positive undertones from US-China trade talks

- **General Asia:** Emerging markets will likely push higher although the rally will not have the same conviction seen in the previous session with investors awaiting further details on the US-China trade talks. Meanwhile, traders will also be looking to the US jobs report after initial jobless claims rose sharply in the previous week.
- **Thailand:** January CPI inflation is expected to ease further to 0.3% YoY in January from 0.4% in the previous month. The strong currency is keeping inflation subdued. The current account surplus bounced above \$5bn in December from \$1.6bn in the previous month, putting the full-year 2018 surplus at \$34bn or about 7% of GDP by our estimate. The large current surplus has been a source of THB outperformance, though the authorities have now more reasons to be wary about the ongoing currency strength as exports are poised to falter. That said, we are reviewing our USD/THB forecast for a re-test of the 33-level following a change in Fed policy.
- **Indonesia:** Bank Indonesia (BI) will likely allow the IDR to strengthen as Governor Warjiyo

believes that the currency is currently undervalued. BI will also look to maintain investor confidence in the IDR according to executive director for monetary management Nanang Hendarsah. Year to date the Rupiah is up 3.7%, second best performing currency in ASEAN as foreign flows return to Indonesia given the dovish outlook on the Fed.

- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) expects inflation for the month of January slipped further with the latest forecast for last month's price gains pegged at 4.3-5.1% as food prices and energy prices normalize. BSP had previously indicated that inflation would settle back within target as early as the end of 1Q as supply side bottlenecks had been addressed and with the aggressive 175 bps rate hike cycle working its way to slow the economy.

What to look out for: US-China trade talks and US NFP

- India FY2020 budget (1 February)
- Thailand inflation (1 February)
- China Caixin PMI manufacturing (1 February)
- US NFP (1 February)