ASEAN Morning Bytes

The US may deliver on its threat of higher tariffs on Chinese products and China may reciprocate. The markets may be priced in all this, but a knee-jerk selling looks inevitable.

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- EM Space: The trade war takes toll on EM currencies
- What to look out for: Developments on US-China trade war

25% New rate of US tariffs on $200bn of Chinese goods
Up from 10% effective today, 12.01 am ET

EM Space: The trade war takes toll on EM currencies
- **General Asia:** The US may deliver on its threat of higher tariffs on Chinese products and China may reciprocate. The markets may be priced in all this, but a knee-jerk selling will still inevitable.
- **Indonesia:** The balance of payments data for the first quarter of 2019 is due today. The Bloomberg consensus of $6.2bn deficit on the current account implies about $1bn widening on the year. A wide current deficit exposes Indonesia to emerging market contagion more than many other Asian economies. This is underscored by the latest weakening of the currency (IDR) to a 4-month low against the USD amid intensified trade war risk.
- **Malaysia:** March industrial production data will help us to fine-tune our GDP growth forecast for 1Q19, currently 4.2% YoY. The risk remains on the downside, validating the central bank’s (BNM) decision this week to cut the policy rate by 25bp. The USD/MYR continues to grind higher in line with emerging market counterpart.
- **Philippines:** The BSP joined other Asian counterparts in easing monetary policy yesterday as GDP growth slipped to a 4-year low of 5.6% in the first quarter of 2019. Although this is unlikely to be an entrenched easing cycle, we anticipate one more policy rate cut later in the year. The earlier the better (read more here).
- **Thailand:** The junta-backed Palang Pracharath party of incumbent Prime Minister Prayuth Chan-Ocha looks set to form a coalition government with 256 of 500 seats of the lower house based on the official results.

What to look out for: Developments on US-China trade war
- Reserve Bank of Australia Policy statement
- China 1Q19 current account balance
- India March industrial production
• Indonesia 1Q19 current account balance
• Malaysia March industrial production
• UK 1Q19 GDP
• US CPI

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