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# ASEAN morning bytes

## General market tone: Wait and watch.

Market players will likely move sideways with some profit taking sparked by comments from Fed Governor Powell.


## International theme: Fed sticks to script..mostly

- Fed Chair Powell is waiting for more data before deciding their next course of action although he did mention that the Fed would continue to downsize its balance sheet, indicating that the Fed was still in a tightening mode.

## EM Space: Investors likely to await fresh leads

- **General Asia:** Poor data out from China on Thursday hurt risk sentiment as inflation slowed more than expected. Investors will likely move sideways on Friday and look to Chinese and US trade data out in the coming week for direction.
- **Thailand:** Just as they hiked the policy rate in December, the Bank of Thailand's governor Santiprabhob Veerathai said they are prepared to act in the event of an economic slowdown. Gaining a small policy space with a 25bp rate hike in the last month, allows a little leeway to act. Like most other Asian central banks, an on-hold BoT policy is our baseline for 2019.
- **Malaysia:** Industrial production for November is due. A sharp slowdown in export growth

underlines our view of the slowdown in IP growth to 2.1% YoY in November from 4.2% in the previous month. Electronics has been the main driver of Malaysia's exports and manufacturing, though the Financial Times report yesterday titled as 'Malaysian electronics firms face hit from China' bodes ill for sector's prospects this year. Meanwhile, today's IP data will inform on GDP growth in 4Q18. Our view of a slight pick in GDP growth to 4.6% YoY from 4.4% in 3Q is on track.

- **Indonesia:** Indonesia is looking for up to IDR 80tr worth of borrowing from 10 retail securities in 2019 in order to reduce reliance on foreign debt. This year's target is roughly 74% more than the issuance seen in 2018 with the country looking to reduce its vulnerability to foreign fund outflows during periods of distress. The government is planning to issue up to IDR 825.7tr of debt in 2019 to fund a budget deficit targeted at 1.84 % of GDP.
- **Philippines:** Exports returned to contraction (-0.3%) while imports grew by 6.8% in November, producing a trade deficit of $3.9 bn. Imports, exports, and the trade gap were all off from market expectations. Weak consumer goods imports, especially 28% fall in passenger car imports stood out. Exports, on the other hand, were weighed down by the struggles in the mainstay electronics sector with the first decline in two years. Despite moderate import growth, the Philippines will likely continue to see substantial trade deficits in the coming months. Economic Secretary Pernia noted that export growth "is unlikely to pick up the pace in the near term".

## What to look out for: trade numbers and Fed speakers

- Malaysia industrial production (11 January)
- Singapore retail sales (11 January)
- China trade data (14 January)
- US trade data (14 January)
- Indonesia trade (15 January)
- Philippines OCW remittances (15 January)
- US retail sales (16 January)
- Fed Kashkari, Kaplan and George speak (16 January)
- Bank Indonesia policy meeting (17 January)
- Fed Quarles speaks (17 January)
- Thailand reserves (18 January)
- US consumer sentiment and industrial production (18 January)
- Fed Williams speaks (18 January)

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