

ASEAN Morning Bytes

General market tone: Risk-on.

The US Fed Chairman Powell's hint of an insurance rate cut drives some risk-on tone, though with gains likely be capped ahead of the inflation data.



EM Space: Dovish FOMC minutes and Powell's testimony confirm Fed cut

- **General Asia:** Chairman Powell hinted at an insurance rate cut given the prevailing headwinds, while the markets are all but pricing in a rate cut in July. Minutes from the last FOMC meeting also sounded a dovish policy tone. The Dollar will likely pull back on falling Treasury yields while investors look to US inflation data for cues on the magnitude of the Fed rate reduction.
- **Thailand:** The Royal Gazette unveiling 36-member cabinet under Prime Minister Prayuth Chan-Ocha. The key ministers include Deputy Prime Minister Somkid Jatusripitak, who previously served as commerce and finance minister in the Thaksin administration; Commerce Minister Jurin Laksanawisit, who had been education and public health minister in the Abhisit administration; and Finance Minister Uttama Savanayana, the industry minister in military government after the 2014 coup. However, as we have noted earlier, doubts remain about the Prayuth's fragile coalition surviving its entire term. But for now, the end of the political stalemate is positive news for the local markets even as the economy

continues to struggle.

- **Philippines:** Exports surprisingly grew for the second straight month in May by 1.0% YoY, while import growth continued to be negative at -5.4%. This narrowed the trade deficit to \$3.28 billion from \$3.47 billion in April and also from \$3.88 billion in May 2018. Still, we expect the trade gap to remain wide. While the data is positive for the Peso, for now, we don't rule out renewed import growth momentum weighing on the currency in the second half of the year.

What to look out for: US inflation data

- US inflation (11 July)
- Singapore GDP and retail sales (12 July)
- Malaysia industrial production (12 July)
- Japan industrial production (12 July)
- India inflation (12 July)
- US PPI (12 July)
- China trade (12 July)