

ASEAN Morning Bytes

General market tone: Wait and watch.

President Trump's comments on trade with China seen to keep markets on edge ahead of the G20 meeting.



EM Space: Trump threatens tariffs again on China if no meeting with Xi at G20

- **General Asia:** Market players will likely keep to the sidelines after Trump refocused on China, threatening higher tariffs on China if he did not get a meeting at the sidelines of the G20 meeting. Oil prices dipped with investors worried that OPEC supply cuts would not be extended after June.
- **Malaysia:** April industrial production today comes as an initial gauge of GDP growth in the second quarter of the year. A surprising export strength in April imparts upside risk to the consensus view of a moderate IP growth (2.5% YoY vs. 3.1% in March). GDP grew by 4.5% YoY in 1Q19, which we believe was low in the current cycle. If not underlying economic strength, favourable base year effect is likely to shore up GDP growth in the remainder of the year. We also think the BNM is done with its policy easing after a 25bp rate cut in May.
- **Indonesia:** May inflation accelerated faster than anticipated to 3.3% YoY from 2.8% in April (consensus 3.1%) on higher food prices and transport costs. Bank Indonesia (BI), however, had a muted reaction to the data, indicating that it would calibrate policy "to maintain

stability and push for economic growth". This may suggest that BI would be open to cutting rates for as long as IDR remains stable.

- **Philippines:** April trade data is due today with the market expecting a higher trade deficit of \$3.9bn than \$3.1bn in March on the back of falling exports and rising imports. Bangko Sentral ng Pilipinas (BSP) reported a 13.9% YoY drop in net foreign direct investment (FDI) in March. The so-called new investments reversed into outflows although reinvested earnings and debt instruments of existing companies remained positive. For the 1Q, FDI was down 15.1% from the same quarter in 2018 mainly due to the lack of new ventures setting up shop in the Philippines.

What to look out for: US retail sales

- Philippine trade (11 June)
- Malaysia industrial production (11 June)
- US PPI (11 June)
- China CPI inflation (12 June)
- Singapore retail sales (12 June)
- US CPI inflation (12 June)
- US jobless claims (13 June)
- Indonesia GIR (13 June)
- China industrial production (14 June)
- US retail sales, consumer sentiment (14 June)