ASEAN Morning Bytes

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EM Space: Some breather from risk-off

- **General Asia:** Some breather from the Brexit noise and thawing of US-China trade relations support risk appetite ahead of the key central bank policy meetings - the ECB tomorrow and the Fed next week. There is little going on in Asia today aside of Malaysian manufacturing data shaping expectation of BNM policy outcome tomorrow.
- **Malaysia:** July industrial production data due today will provide a glimpse of where GDP growth is headed in the current quarter. The consensus forecast of a slowdown in IP growth to 3.1% YoY from 3.9% June appears to be at risk of upside surprise based on surprising swing in exports to 1.7% growth from 3.4% fall over the same months. The central bank (BNM) begins its two-day policy meeting today. We believe more pre-emptive easing to counter potential downside growth risks will be a strong consideration at this meeting (read more here).
- **Philippines:** Exports grew for the fourth consecutive month in July on the back of firmer electronics exports and improved shipments to the US. But imports continued to struggle with weak fuel and raw materials imports while aggressive BSP rate hikes last year and the government budget delay this year continued to depress demand for capital goods. Despite

these trends, the trade deficit widened further to $3.39 bn from $2.47 bn in June, which could exert some depreciation pressure on the Peso.

- **Indonesia:** The World Bank sees Indonesia's GDP growth slipping below the 5% threshold to 4.9% in 2020 due to global risks such as the trade war and potential “severe” capital flight that may ensue due to slowing global growth. This would be the worst showing in almost four years and below the government’s own projection for 5.2% growth next year. President Jokowi is scrambling his cabinet to jumpstart the economy via investments. We expect more stimulus efforts to sustain growth above 5%.

What to look out for: ECB meeting

- Malaysia industrial production (11 September)
- US PPI and wholesale inventories (11 September)
- Singapore retail sales (12 September)
- India inflation and trade (12 September)
- ECB meeting (12 September)
- Malaysia central bank meeting (12 September)
- Thailand GIR (13 September)