

ASEAN Morning Bytes

General market tone: Risk-on.

Market players will likely come out of the woodwork to take on some risk following positive US data overnight.



EM Space: Strong US data and trade hopes to boost risk taking

- **General Asia:** Positive reports on initial jobless claims and producer prices from the US boosted risk taking overnight with Asian markets also hopeful of a positive outcome of the ongoing US-China trade talks. Meanwhile, the Fed continues to remain neutral with Vice Chair Clarida signaling that the FOMC is in the right place in terms of rates.
- **Malaysia:** The government is due to sign a new agreement with China for the East Coast Rail Link project. A 688-kilometer railway project was suspended by the Mahathir government after it came to power last year as it aimed to cut down the construction cost from MYR 66 billion agreed by the previous government. Resumption of ECRL should come as a boost to investment growth, which has been a missing link in Malaysia's GDP growth. Meanwhile, latest data supports our view that GDP slowed coming into 2019 ([read more here](#)).
- **Singapore:** As expected, the Monetary Authority of Singapore, the central bank, left the monetary policy on hold today as GDP growth continued to grind lower in the first quarter of the year. Manufacturing with a sharp negative swing in growth dented the headline GDP

growth to 1.3% YoY in 1Q19 from 1.9% in 4Q18. The [MAS statement](#) pointed to downside risk to growth and inflation. The MAS expects 2019 growth to be in the lower half of the 1.5-3.5% forecast range and has also downgraded its inflation taking headline to 0.5-1.5% (prior 1-2%) and core to 1-2% (prior 1.5-2.5%). Our baseline is stable MAS policy throughout 2019.

- **Indonesia:** Bank Indonesia (BI) has pledged to maintain its presence in both the spot and bond markets if it sees excessive outflows during bouts of risk-off. Executive director Nanang Hendarsah pointed the central bank's objective to provide financial market stability via a stable currency.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno indicated that the central bank would have a policy rate cut on the table when they meet in May, indicating that "it's not a question of whether we cut, it is when". Diokno, previously perceived to be a policy dove, held rates steady at his first meeting in March. He will have a couple more data points to consider before the next meeting in May.
- **Philippines:** The trade deficit narrowed to \$2.8 billion in February from \$3.8bn in the previous month. Exports continued to contract with the heavyweight electronics subsector only growing by 0.8% while import growth was tepid at 2.6% with both raw materials and consumer goods in the red in February. Trade deficits will continue to exert a depreciation bias on the PHP, though with the slowdown in capital goods and raw material imports it may not be as pronounced and current account gaps will likely improve in the coming months.

What to look out for: China trade data

- Singapore GDP (12 April)
- China trade (12 April)
- US consumer sentiment (12 April)