

ASEAN Morning Bytes

General market tone: Wait and watch.

The markets remain in a 'wait and watch' mode as Trump weighs on trade and Fed.



4% Malaysia April industrial production growth

Higher than expected

EM Space: Trump weighs on trade and Fed

- **General Asia:** The US President Trump himself is reported to be holding up a trade deal with China, while he continued to criticize the Fed for not cutting interest rates. Amid ongoing trade tussle, there is nothing significant on today's economic calendar to whet risk appetite.
- **Malaysia:** April industrial production growth of 4% YoY was yet another upside surprise (consensus of 2.5%) following an unexpected growth of exports in the same month. Firmer activity and low base effect support our view that GDP growth will accelerate and that the BNM will remain on hold for the rest of the year. The BNM data yesterday showed a 2.3% MoM fall in the foreign holding of local bonds to its lowest level since December 2011, a sign

that the appreciation pressure the MYR has been enjoying in the current month could be just transitory.

- **Thailand:** King Maha Vajiralongkorn endorsed the pro-junta leader Prayuth Chan-Ocha as prime minister for the second term after his election for the post last week by newly established parliament.
- **Indonesia:** Indonesia's finance minister Sri Mulyani Indrawati expects investments in Indonesia to pick up in the second half of the year due to the increased likelihood for rate cuts by central banks amid slowing global growth. Indrawati indicated that the economy must continue to highlight its positive prospects to attract investors while also seeking alternative markets for its exports given the potentially long drawn trade war.
- **Philippines:** April trade data showed a narrower than expected trade deficit of \$3.5bn (consensus \$3.9bn), though it's still a widening from \$3.1bn deficit in the previous month. Exports eked out a 0.4% gain on a 3.0% rise in electronics exports, which account for 45% of total exports. But imports contracted by 1.9% on weak raw material and capital goods imports. Given the still substantial trade gap, we expect the PHP to remain under weakening pressure, although potential portfolio flows following a dovish turn in the Fed policy are likely to provide some support for the currency.

What to look out for: US retail sales

- China CPI inflation (12 June)
- India CPI and industrial production (12 June)
- Singapore retail sales (12 June)
- US CPI inflation (12 June)
- Australia labor report (13 June)
- US jobless claims (13 June)
- Indonesia GIR (13 June)
- China industrial production (14 June)
- US retail sales, consumer sentiment (14 June)

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