

ASEAN Morning Bytes

General market tone: Risk-off.

The relief rally from President Trump pushing back next round of tariffs on Chinese goods to December was short-lived as disappointing data from China and Germany and fears of the US economy facing a recession pushed investors for risk-aversion again.



EM Space: Global recession fears to knock down risk sentiment on Thursday

- **General Asia:** Emerging markets look set to pullback today as global recession fears mount following dismal China's industrial production and Germany's GDP data, while the risk of the US slipping into recession becomes more prominent with latest Treasury yield curve inversion.
- **Malaysia:** In yet another downside surprise, CPI inflation slowed to 1.4% YoY in July from 1.5% in the previous month on lower utility and transport components. At only 0.3% year-to-July we don't see inflation becoming an issue for the economy anytime soon. We have cut our full-year inflation forecast to 0.8% from 1.0%. With persistently subdued inflation we don't think the central bank (BNM) will be left behind in its easing cycle as a global headwind to the economy continues to be on the upswing. We now anticipate two more 25bp BNM rate cuts taking the overnight policy rate down to 2.50% by end-2019.
- **Thailand:** A Bloomberg story quoted Labor Minister Chatumongol Sonakul warning against

the adverse impact of the US-China trade tensions on the Thai economy and the hurdle this poses for another planned hike in minimum wages, currently about THB 330 (US\$ 10.7). Indeed, the economy needs more stimulus and a wage hike could have been a part of it. The uncertainty about fiscal stimulus means the central bank (BoT) will have to do all the heavy-lifting to boost growth. The BoT started its easing cycle with a 25bp policy rate cut earlier this month. We expect one more rate cut before the yearend.

- **Philippines:** Car sales perked up in July with a surprisingly strong performance in the passenger car segment where sales jumped by 34.7% YoY and commercial vehicle sales chugged along with a 6.4% increase. However, favorable base effects may have had a lot to do with the strong year-on-year gains. We expect easier economic policies, especially continued downward grind in the BSP policy rate to sustain the strength further.

What to look out for: US retail sales

- Indonesia trade (15 August)
- Philippines remittances (15 August)
- US retail sales (15 August)
- Singapore trade (16 August)
- Malaysia GDP (16 August)
- Hong Kong GDP (16 August)
- US consumer sentiment (16 August)