

ASEAN Morning Bytes

General market tone: Wait and see.

Yet another exciting week for markets kicks off with China 2Q19 GDP report today and progresses with persistent Fed policy noise, some Asian central bank policy meetings, and lots of trade data from around the region.



EM Space: Markets digest rate cut hopes and await China growth numbers

- **General Asia:** Investors will likely take their cue from China's 2Q GDP and other economic data today. The rest of the week will see them digesting recent dovish signals from the Fed Chair, while several other Fed officials add their voice to the noise. A slew of trade figures from around the region will continue to display downside growth risks, prompting two Asian central banks to ease their policies.
- **Thailand:** On Friday, the Bank of Thailand unveiled measures to curb THB appreciation. It cut the limit on outstanding balances in non-resident THB accounts, including those for securities, to 200 million from 300 million. In enhanced reporting requirement for non-residents' holding of debt securities issued in Thailand, the BoT also made the disclosure of end beneficiaries of such holdings mandatory. With large current surplus continuing to support the THB, these measures may not achieve their desired goal, at least not much in a weak USD environment. A policy rate cut may help though.

- **Malaysia:** Contrary to the consensus of a slowdown, industrial production growth was steady in May at the 4% YoY rate of April. And manufacturing sales growth of 6.7% also was little changed over the same months. Activity data continues to support our view that GDP growth accelerated in 2Q19, allowing the central bank (BNM) to carry on with the stable policy rate of 3.0% through the rest of the year.
- **Indonesia:** President Jokowi pledged to implement a raft of reforms to help attract investments by slashing corporate taxes and relaxing both labor and foreign ownership laws. Jokowi is said to be looking to expand the list of industries open to foreign ownership as well as implement programs to improve worker skills. He is also looking to fast track infrastructure spending in a bid to boost growth, though such a move may limit the government's ability to contain the current account deficit. Overall, it may be a boost to growth but sustained demand for imports could offset potential foreign inflows and cap the probable gains of the IDR.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno affirmed that the central bank was looking to slash policy rates in the 3Q as inflation continued to slide well into the target. Governor also indicated the plan of cutting policy rates ahead of any reductions in the reserve requirement ratio (RRR). We expect a rate cut at the August meeting and further reductions of RRR in a phased manner in the wake of the September meeting.

What to look out for: China GDP data

- China industrial production and GDP (15 July)
- Indonesia trade (15 July)
- Philippines remittances (15 July)
- Fed Williams speech (15 July)
- US retail sales (16 July)
- Fed Bostic and Bowman (16 July)
- Singapore non-oil exports (17 July)
- Fed Powell and Evans speeches (17 July)
- Hong Kong policy meeting (18 July)
- South Korea policy meeting (18 July)
- Fed Bostic speech (18 July)
- Bank Indonesia policy meeting (18 July)
- Fed Williams and Bullard speeches (19 July)