

ASEAN Morning Bytes

General market tone: Wait and see.

Market players will likely adopt a holding pattern for the time being on concerns about the US-China trade negotiations.



EM Space: Trump's admission that the negotiations would take a bit longer than expected seen to sap risk sentiment

- **General Asia:** Trump and Mnuchin downplayed earlier speculation of a summit and a deal in place by March, indicating that a deal was likely to be struck sometime in April or in 3-4 weeks' time. With the Fed lined up in the next few days, investors will likely opt to wait for any news on the FOMC's call on the reduction in its balance sheet for direction.
- **Malaysia:** January industrial production growth of 3.2% YoY was better than expected, but it was still slowdown consistent with slower export growth. Data supports our forecast of a further slowdown in GDP growth to 4.2% in the current quarter from 4.7% in 4Q18. We have revised our view of the central bank (BNM) policy from one of no change this year to one 25bp policy rate cut as early as next quarter. There are no forceful arguments for easing just yet, but a pre-emptive easing to support future growth won't hurt when there is room for such a policy change now.
- **Indonesia:** Indonesia will report trade data for the month of February with market players expecting a contraction in exports given the on-going US-China trade war. Imports will also

likely be subdued given the government's efforts to curb unnecessary imports and narrow the current account deficit. All in all the trade balance is forecasted to remain in the negative, albeit at a narrower gap, which should lend some support for the IDR.

- **Philippines:** The Philippines will be reporting overseas Filipino remittance flows with median estimates pegging growth to settle at 4% for the month of January. Remittances continue to provide a steady stream of foreign currency but have yet to break out of the 3-5% growth range they have been stuck in recent years. Weaker remittance growth may not bode well for the PHP, which is suddenly pressured in March after registering a strong performance in February.

What to look out for: US-China trade negotiations

- Indonesia trade (15 March)
- Thailand GIR (15 March)
- India trade (15 March)
- Philippines remittances (15 March)
- US JOLTS and consumer sentiment (15 March)