

ASEAN Morning Bytes

General market tone: Risk-off.

Trade and recession worries continue to grip markets



EM Space: Trade and recession worries continue to grip the markets

- **General Asia:** Investors are likely to stay defensive today, taking a cue from the US markets overnight reacting to strong US retail sales and yet continued trade uncertainty and recession.
- **Singapore:** July non-oil domestic exports (NODX) were a bit better than expected with -11.2% YoY and 3.7% MoM SA growth (consensus -15.4% and 2.0%). Electronics exports were down 24% YoY, though a 23% MoM NSA bounce is a hopeful sign of bottoming out of the ongoing downturn in the sector. Nonetheless, data points to continued sluggish GDP growth in the third quarter of the year, validating downgrade this week of the official GDP growth forecast for 2019 to 0%-1% from 1.5%-2.5% earlier. As the MAS has ruled out an off-cycle easing, there may be something big in the pipeline in the October semi-annual statement.
- **Malaysia:** 2Q19 GDP and balance of payments data are due at noon today. We expect GDP growth picking up to 4.8% YoY from 4.5% in 1Q. This is coming off better export and manufacturing performance, while accommodative policy and low inflation sustained

domestic demand as the key GDP growth driver. 2Q current account surplus is likely to narrow sharply to MYR 5.3 billion from MYR 16.4 billion in 1Q, though that still leaves the total surplus in the first half of the year well above MYR 16.4 billion a year ago. Firmer growth, low inflation, and healthy external payments – all are coming together in support of the MYR in times of escalating global economic turmoil.

- **Thailand:** Reuters reports the Bank of Thailand unwinding some tightening of mortgage loan-to-value (LTV) guidelines introduced earlier this year. As per the revised guideline, a co-borrower who is not the registered owner of a property will no longer be considered as borrow of that property. While this goes to underpin our view of increasingly accommodative BoT monetary policy in the rest of the year, all eyes are on the imminent fiscal stimulus package. There is the talk of THB 170 billion (about 1% of 2018 GDP) stimulus package going for the cabinet approval on Monday and likely to include measures to support farmers, middle-income earners, and small businesses, as well as to boost tourism.
- **Indonesia:** The July trade growth was less negative than expected, though a sharp negative swing in the trade balance was negative for the IDR. Exports fell by 5.1% and imports by 15.2% (consensus -11.2% and -17.8% respectively), leaving a deficit of \$ 64 million, down from a surplus of \$196 billion in June. The government efforts to curb trade and current account deficit has yet to bear fruits, with a current deficit of roughly 2.8% of GDP this year the IDR susceptible to swings in financial markets.
- **Philippines:** Snapping a nine-month-long strong growth streak remittances from overseas Filipinos contracted by 2.9% YoY in June to \$2.3 billion. The inflows from the Middle East remained a key drag with 8.8% fall. The \$14.6 billion total inflow in the first six half of the year is still up 3.2% on the year, a key offset to persistently wide trade deficit.

What to look out for: US –China trade developments

- Singapore trade (16 August)
- Malaysia GDP (16 August)
- Hong Kong GDP (16 August)
- US consumer sentiment (16 August)