

ASEAN morning bytes

General market tone: Risk-on.

Investors may come out on Thursday with bargain hunting as positive earnings reports in the US lift the overall mood, while the US government shutdown and Brexit uncertainty remain as drags on sentiments



International theme: May government survives, oil continues to grind higher

- UK Prime Minister May lives to fight another Brexit day while the US government remains in a partial shutdown but market players focused on decent earnings. Meanwhile, oil prices continue to inch higher while the Fed flags a tightening labor market and faster wages.

EM Space: Bargain hunting may be the theme on Thursday

- **General Asia:** Investors may snatch up beaten down shares as positive sentiment emanates from decent earnings seen on Wall Street. Investors, however, will likely keep their eyes on the protracted US shutdown and developments on Brexit now that May has survived another day.
- **Malaysia:** New vehicle sales eked out a 3.8% annual growth in 2018 after a contraction in the previous two years as the scraping of the GST lifted demand in the second half of the

year. The Malaysian Automotive Association has warned about flat growth in 2019 citing economic uncertainties and government policies.

- **Singapore:** In a dismal performance, non-oil domestic exports plunged by 8.5% YoY and 5.7% MoM SA in December. As elsewhere, electronics were a drag though all other main export sectors also posted contraction. Falling NODX signal the same for the manufacturing for which December data is due next week, which will be associated with a downgrade of the 2.2% advance GDP growth estimate. With growth poised to slow this year, the MAS will leave the policy on hold.
- **Thailand:** USD/THB dipped to the lowest level since May as the softer dollar combined with strong demand at the government bond sell buoyed the local currency. We continue to see the political risks surrounding the timing of the general election to weigh on the THB's performance this year.
- **Indonesia:** Bank Indonesia (BI) began a two-day meeting on Wednesday with the market expecting the central bank to keep policy rates unchanged on Thursday. BI Governor Warjiyo indicated that the "key rate was already near its peak" but he also emphasized that the central bank would remain pre-emptive and ahead of the curve to safeguard stability. He expects the currency to remain stable this year and pledged to intervene in the market if needed.
- **Philippines:** Senate bill 1998 or the proposed law that would liberalize rice imports into the Philippines has moved to the President and can be passed within the next 30 days. The new law would slash up to 0.9 percentage points to inflation and is a key determinant in the central bank's new inflation forecasts. The government has expressed the desire to allow the free flow of imports for sugar with budget secretary Diokno indicating that they target to pass this law in 2019.

What to look out for: Fed speakers

- Fed Quarles speaks (17 January)
- Bank Indonesia policy meeting (17-18 January)
- Thailand reserves (18 January)
- US consumer sentiment, industrial production, trade and retail sales (14-18 January pending shutdown)
- Fed Williams speaks (18 January)