ASEAN Morning Bytes

General market tone: Risk-off. Trump gave the go-ahead signal to implement tariffs on Chinese imports worth up to $200 billion even after both the US and China appeared amenable to high-level talks in the near term to smooth out differences. China has threatened to walk away from the negotiating table should the US push through with the tariff salvo.

International theme: Trump lowers the boom, China threatens to walk away from negotiations

- August US retail sales clocked in below market expectations but investors opted to focus on the upward revision in July, pushing 10-year US Treasury yields past the 3% level with market pushing up the probability for a follow-through rate hike in December even after the Fed hikes in September.
- China responded to reports that Donald Trump was giving the go signal to implement tariffs on $200 billion worth of goods even as both sides appear amenable to renewed trade talks.

EM Space: Asian markets likely to head for cover with the US and China embroiled in renewed trade spat

- **General Asia:** Asian markets will likely take their cue from the reports that China would walk away from the negotiating table should Trump push through with tariffs on $200 billion worth of goods, indicating that it would be "negotiating with a weapon to their heads".
- **Singapore:** August NODX growth, 5.0% YoY and 0.4% MoM SA, was better than consensus. Electronics remained a drag on NODX growth, though a smaller drag than in July. Data shows no trade war impact just, keeping the MAS on track to maintain the "modest and gradual" SG$-NEER appreciation stance at the October policy review.
- **Indonesia:** Deputy Governor Dody Waluyo of the Bank of Indonesia projects the August trade deficit to remain in deficit although the gap will likely be less than the level seen in July. Deputy Governor Waluyo also indicated that the monetary authorities would continue to "guard the exchange rate" despite the IDR's appreciation in recent sessions.
- **Thailand:** The Thai government has announced plans to raise THB 1,164bn (7.5% of 2017 GDP) to finance the budget deficit, lending to state enterprises, and for debt restructuring in FY2019 (starting on 1 October 2018). It also plans to introduce new tenor of 20-year bonds. The fiscal pump-priming is needed to sustain the 4%-plus growth, as investment remains a missing link in the economy. Separately, the Board of Investment approved four investment projects worth THB 168bn (or about 1% of 2015 GDP) worth of investment projects in energy and other sectors. Investment remains a weak line in the economy even as GDP growth
- **Philippines:** The Philippines reported a current account deficit of $3.1billion for the first half of the year, which incidentally was the initial BSP's full-year forecast. The protracted trade deficit is seen to be the main reason the current account will stay in the red for the rest of the year. The Peso looks for some reprieve in overseas Filipino remittance data due on Monday with the market expecting flows to revert to growth.

What to look out for: Indonesia and the Philippines look for some good news on trade and remittances

- Philippine Remittances 9/17/2018
- Singapore non-oil exports 9/17/2018
- Indonesian Trade Balance 9/17/2018
- Japan BoJ meeting 9/19/2018
- Thailand BoT meeting 9/19/2018
- Euro zone consumer confidence 9/20/2018
- US existing home sales 9/20/2018
- US-China trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)

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