

ASEAN Morning Bytes

General market tone: Risk-off.

Investors to move sideways with a downward bias, digesting trade war concerns and the Fed beige book



EM Space: More Asian central banks joining in the global easing wave

- **General Asia:** Asian markets will likely move sideways with persistent downward bias from trading in the US market. The central banks in Korea and Indonesia are meeting to review their monetary policies today. We see both cutting the policy rates by 25bp.
- **Thailand:** As we argued last week's move by the Bank of Thailand to [tighten rules on capital inflows](#) in its bid to rein in THB appreciation aren't enough. Indeed, the central bank is considering more curbs. At his quarterly briefing yesterday Governor Veerathai Santiprabhob pointed to the reduction of bond supply among tools they could use for the purpose. Separately, Deputy Governor Mathee Supapongse hinted at easing rules on capital outflows. Any efforts to curb THB appreciation pressure are countered by the USD weakness as the Fed policy rate cuts loom, though a BoT policy rate cut may help to some extent.
- **Indonesia:** Bank Indonesia's (BI) policy decision is expected by 2 pm local time today. We are part of the solid consensus in the Bloomberg survey forecasting BI to slash policy rates by 25bp. The IDR has been performing better this year, while BI's aggressive tightening in

2018 has created room for more easier policy ahead to support growth as inflation continues to be well-behaved.

- **Philippines:** The government is looking to make adjustments to its recently implemented rice tariff law as the agricultural lobby groups decry the falling farmgate prices for the staple. The new law which allows unimpeded rice imports to help stabilize supply has forced rice prices lower, which in turn has helped push headline CPI inflation within the BSP's policy target. The government intends to study implementing a suggested retail price for imported rice, which could stall the recent precipitous drop in rice prices and temper headline inflation's deceleration.

What to look out for: regional central bank meetings

- Hong Kong policy meeting (18 July)
- South Korea policy meeting (18 July)
- Fed Bostic speech (18 July)
- Bank Indonesia policy meeting (18 July)
- Japan inflation (19 July)
- Fed Williams and Bullard speeches (19 July)