

ASEAN Morning Bytes

General market tone: Wait and watch.

Caution will likely dominate trading in Asia with all eyes on the Fed.



EM Space: All eyes on the Fed's dot plot

- **General Asia:** With scant data releases and no significant developments on the trade front, the mood in Asia will likely remain cautious with investors awaiting the FOMC meeting and possible adjustments to the dot plots before taking on substantial bets.
- **Thailand:** Motor vehicle sales growth slowed sharply in May to a 3-year low of 3.7% YoY from 8.7% in April. It's a sign of continued weak domestic economic activity depressing Thailand's GDP growth in the current quarter. If the Bank of Thailand is indeed data-dependent in setting the policy, as what a BoT policy committee member Somchai Jitsuchon has just signaled, a 4-year low 1Q19 GDP growth of 2.8% suggests that now is the time for the BoT to cut rates before it's too late. We expect a 25bp BoT rate cut at the 26 June meeting.
- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo appears to swing dovish now, indicating that "there's room to lower interest rate". Warjiyo, however, did not give clues to the timing as he pointed to uncertainties in the global financial markets citing the trade war and Brexit issue likely leading to a reversal of capital flows. We expect BI to remain sidelined at the 20 June meeting but they may leave the door open for cuts in the future depending on global market conditions.

- **Philippines:** Overseas Filipinos sent home \$2.41 bn in April, up 4.0% from the same month a year ago and bringing the year-to-date haul to \$9.74 bn. However, this was below market expectations of a 4.6% increase. Remittances from the Middle East were still in contraction for a 16th straight month. The weaker than expected remittance flows could mean that the current account remains stays in substantial deficit in 2Q. The BSP forecasts a current account hitting a 2.8% GDP deficit this year, up from 2.4% in 2018.

What to look out for: Central bank super Thursday

- Germany ZEW expectations (18 June)
- Hong Kong composite interest rates (19 June)
- FOMC policy decision (19 June)
- BoJ policy decision (20 June)
- Bank Indonesia policy decision (20 June)
- Taiwan central bank policy decision (20 June)
- Bangko Sentral Pilipinas policy decision (20 June)
- BoE policy decision (20 June)

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