

ASEAN Morning Bytes

General market tone: Risk-on.

The trade tensions will continue to decide the course for markets this week as they also look for policy hints at Jackson Hole symposium on Friday.



EM Space: More fiscal stimulus is coming

- **General Asia:** The governments are stepping up their stimulus efforts to counter the slowdown as global recession fears rise. The trade tensions will continue to decide the course for markets this week as they also look for policy hints at Jackson Hole symposium on Friday.
- **Malaysia:** 2Q19 GDP surprised on the upside with 4.9% YoY growth as steady strong domestic demand shielded the economy from the global trade war wrath while external trade growth was relatively firm. 2Q current account surplus of MYR 14.3 billion was also far better than expected and this contributed to near-doubling of the year-to-date surplus from a year ago to MYR 30.7 billion. We maintain our full-year growth forecast at 4.7% and are revising our current account surplus forecast for the year to an equivalent of 2.8% of GDP from 2.0% earlier. The Bank Negara Malaysia has announced further liberalization of the FX regulation to provide market players more flexibility and efficiency in managing their risks.
- **Thailand:** 2Q19 GDP is due today with consensus centered on a further slowdown in growth to 2.3% YoY from 2.8% in the first quarter. While the Bank of Thailand has already started easing with a 25bp policy rate cut earlier this month, the government is reportedly pushing

for THB 370 billion (about \$12 billion or 2.4% of 2018 GDP) fiscal stimulus to keeping the (annual) GDP growth from slowing below 3%. It needs to be seen how quickly the stimulus gets off the ground to kick-start the economy in the remainder of the year. Our full-year 2018 growth forecast remains at 2.8%.

- **Indonesia:** President Jokowi unveiled his fiscal plan for 2020, vowing to lower the budget deficit to 1.76% of GDP even if he looks to invest his way to faster growth. Jokowi does look to focus on infrastructure investment as well as human capital development while banking on foreign investment to help bridge the shortfall. Meanwhile, finance minister Indrawati flagged downside risks to growth. Although she expects policy rates to fall further, she indicated a gradual reduction to take off the pressure on the IDR after recent struggles.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) Governor predicts 2019 growth to crest the 6% handle with a strong finish in the second half of the year as government spending goes into “catch up” mode. 2H growth is expected to hit 6.5% which will get full-year growth to 6.1% to sustain the recent string of above 6.0% growth. Slowing inflation allows greater scope for a growth-friendly monetary policy.

What to look out for: Thailand GDP, Jackson hole

- Thailand GDP (19 August)
- Euro zone inflation (19 August)
- Taiwan trade (20 August)
- Hong Kong inflation (20 August)
- US existing home sales (21 August)
- Thailand trade (21 August)
- Fed Quarles speaks (21 August)
- Malaysia GIR (22 August)
- Taiwan unemployment (22 August)
- US Markit PMI manufacturing (22 August)
- Bank Indonesia (22 August)
- Japan inflation (23 August)
- Singapore inflation (23 August)
- Taiwan industrial production (23 August)
- Fed Powell speaks at Jackson hole (23 August)