ASEAN Morning Bytes

General market tone: Risk-on.

Risk sentiment will be boosted as trade talks moved to Washington and Trump signaling a deal was close.

EM Space: Emerging markets to see some gains on trade hopes

- **General Asia:** Risk sentiment will likely be intact on Tuesday with optimism over the trade talks seen to push markets higher. Trump shared that both sides were closer than ever to "having a real trade deal" with Beijing.
- **Malaysia:** Former central bank governor Dr. Zeti Akhtar Aziz expects the Malaysian economy to remain on a sturdy growth path, which she describes to be between 4-6% GDP growth, despite challenging environment. In our baseline scenario, the growth hovers in the lower half of Dr. Zeti's sturdy range and the BNM leaves the monetary policy on hold into the medium term.
- **Singapore:** FY2019 budget delivered a fiscal boost of 1.1% of GDP for 2019, assuming that all of the change from the 0.4% surplus for 2018 to the 0.7% deficit projected for 2019 is policy, not cyclically driven. Even allowing for some small tailing off in government revenues due to the economic slowdown, the budget provides a decent offset to an external environment that is clearly providing headwinds for this very open economy. We won't be amending our 2.5% GDP forecast for 2019 just yet. This always felt like a somewhat generous forecast to us, so there is some slack already built into it for things such as this.

Indeed, we may yet have to trim the figures.

- **Thailand:** 4Q18 GDP growth came in at 3.7% YoY, beating consensus of 3.6% and up from 3Q's 3.2% rate. While manufacturing was the industry-side source of acceleration in GDP growth, the real spending-side drivers were missing as inventory-restocking continued to be a big contributor to GDP growth. An ongoing overhang of global trade restrictions on exports and elevated political uncertainty domestically weigh on GDP growth in 2019. We maintain our view of no more policy moves by the BoT this year.
- **Indonesia:** Seeking to narrow its trade deficit, Indonesia has moved to increase tax rates for imports but exempting from it inbound shipments of materials used in export production. The move is seen to limit import growth while at the same time boost Indonesia's export sector by keeping input costs manageable. Director-general for customs and excise Heru Pembudi indicated that non-export related imports fell 7.1% since the start of the year as import rates were raised beginning 2019. The IDR is seen to strengthen along improvements in Indonesia's external sector.
- **Philippines:** The Philippines is looking to offer retail treasury bonds within the quarter, according to Deputy Treasurer Sta. Ana with an announcement on the tenor of the issuance expected within the week. Market players remain on their toes for the possible issuance, which was expected to be timed close to 19 February after roughly PHP 70bn worth of bonds mature.

What to look out for: US-China trade talks and Fed minutes

- Germany ZEW confidence (19 February)
- Japan trade (20 February)
- US durable goods (21 February)
- Indonesia policy meeting (21 February)
- Fed minutes (21 February)

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