

## ASEAN Morning Bytes

General market tone: Wait and see. China hits back with tariffs on up to \$60bn of US goods and called on a WTO intervention in the trade dispute.



### International theme: Whatever you can tariff, I can tariff faster

- China struck back quickly, unleashing a less severe but still substantial tariff on goods from the US in immediate response to the US move. The WTO has been called into play once again as mainland China added the latest \$200bn worth of tariffs recently implemented by the US in the complaint.
- Canadian foreign minister Freeland heads down south to Washington DC to reopen trade negotiations with pressure mounting on Prime Minister Trudeau to get a deal done.

### EM Space: Asian markets recover slightly as China and the US trade tariffs

- **General Asia:** Asian markets managed to post marginal gains as investors initially viewed the tariff spat to have been less severe than anticipated. Investors will still likely await developments on this front while Canada returns to the negotiating table with the US.
- **Thailand:** The Bank of Thailand policy committee meets today. Governor Veerathai has

recently downplayed need of a policy move, leading to a solid consensus, 21 out of 24 analysts in Bloomberg survey, forecasting no policy change. We aren't the BoT to move the policy anytime soon, as inflation is likely to grind below the medium-term target of 1-4% in coming months and growth is poised to slow further amid worsening trade environment. Nonetheless, we see nothing on the horizon threatening the THB's status as Asia's outperforming currency.

- **Malaysia:** August CPI inflation data is due. We expect a slowdown in inflation to 0.5% YoY from 0.9% in July on lingering impact of GST removal and with high base-year effect. Just as Thai central bank, we don't forecast any change to Bank Negara policy in the near term.
- **Indonesia:** Indonesia has required commodity exporters to retain half of the earnings while also converting and US Dollar receipts into the local currency onshore in a bid to help stem the weakness of the IDR
- **Philippines:** Economic managers met with investors on Tuesday, pledging swift non-monetary measures to curb inflation. Inflation has peaked and will likely decelerate towards year-end according to the Bangko Sentral ng Pilipinas although Governor Espenilla continues to telegraph a 50 basis point rate hike on 27 September.

## What to look out for: Central bank meetings in Asia

- Developments on the tariff tit-for-tat after China unleashed its own salvo of taxes
- 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)

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)