

ASEAN Morning Bytes

General market tone: Risk-on.

Emerging markets may bounce on Tuesday on bargain hunting as good US and China data allays growth concerns.



EM Space: Risk-on is back on better economic data from the US and China

- **General Asia:** Traders may track the gains on Wall Street with manufacturing numbers from the two largest economies surprised on the upside. US and China PMI numbers both bested market expectations although US retail sales slumped in reaction to the government shutdown and softer consumer confidence.
- **Thailand:** Food and transport prices, both with chunky monthly increases, pushed the CPI inflation to 1.2% YoY in March from 0.7% in the previous month, surpassing the consensus of 0.9%. But the core CPI inflation remained at 0.6%. We don't see inflation drifting far off the low end of the BoT's 1-4% policy target this year, which with anaemic growth allows the BoT to leave the policy interest rate at 1.75% current level. Meanwhile, persistently large current account surplus – February's \$6.5bn surplus was the third-largest ever – continues to support the THB appreciation pressure.
- **Malaysia:** In some relief to stretched public finances, a Bloomberg report noted that the government managed to save MYR 806m in spending through renegotiation of 121

infrastructure projects undertaken by the previous government. Weak investment demand has been a missing link in growth since last year, which with current CPI deflation supports our call of a BNM policy rate cut at the next meeting in early May.

- **Indonesia:** Inflation remains benign at 2.48% in March, drifting below the central bank's 2.5-4.5% target range from 2.57% in February. The main drivers were processed food, clothing and education costs ahead of Presidential elections this month. With inflation likely sticking to the low end of the target the central bank will be focusing on the IDR's performance in deciding the monetary policy.
- **Philippines:** The World Bank lowered its 2019 growth forecast for the Philippines to 6.4% from 6.5% citing the delay in the passage of the new spending bill, as well as weaker agricultural output stemming from the onset of the El Niño weather disturbance. The Bank also trimmed its 2020 outlook to 6.5% (from 6.6%). Growth will likely be supported by strong consumption demand amid slowing inflation, but government spending is seen to be “tempered” in the first half given the budget delay.

What to look out for: Market looks to US data for clues

- RBA meeting (2 April)
- US durable goods (2 April)
- US ADP employment, PMI services (3 April)
- India RBI meeting (4 April)
- Philippines inflation (5 April)
- US NFP (5 April)