ASEAN Morning Bytes

Asian markets will open with a tinge of optimism after positive data out from China but the phase one deal remains elusive.

EM Space: Better China PMI lifts sentiment

- **General Asia:** China reported better than expected PMI manufacturing and services data, lifting hopes for a similar performance from regional PMI indicators reported throughout the week. The data calendar is also quite substantial with two Asian central banks deciding monetary policy. But all eyes remain on the US-China phase one deal, which remains elusive.
- **Thailand:** Expectations of a slight pick-up in consumer price inflation in November (consensus 0.3% YoY vs. 0.1% in October) comes off the low base effect rather than underlying price recovery. With continued low inflation and sluggish GDP growth, the argument of more Bank of Thailand easing remains strong. But, having cut rates by 25bp in November, the likelihood of another cut at the December is low.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) sees November inflation between 0.9-1.7%, up from 0.8% in October, as base effects from last year's inflation spike continue to fade (consensus 1.2%). Still, it's within the BSP's target band, giving BSP Governor Diokno ample scope to cut rates further in 1Q to support the objective of 6.5-7.5%. Peso expected to benefit from this development in the short term, all the more with seasonal remittance flows trickling in ahead of the holidays.

- **Indonesia:** We expect the November inflation rate at 3.1%, in line with consensus. Well-within Bank Indonesia's policy target, inflation allows room for further easing ahead, while Governor Warjiyo has signalled continued accommodative policy. Last Friday he hinted at “a mix” of policies to help safeguard growth which suggests he could continue cutting policy rates and reducing reserve requirements should growth numbers continue to underwhelm. We pencil in further rate cuts from BI as early as 1Q.

What to look out for: RBA and RBI policy meetings

- Taiwan manufacturing PMI (2 December)
- Indonesia inflation and manufacturing PMI (2 December)
- China Caixin manufacturing PMI (2 December)
- Thailand inflation (2 December)
- US ISM manufacturing PMI (2 December)
- Australia RBA policy meeting (3 December)
- Singapore PMI (3 December)
- China Caxin services PMI (4 December)
- Malaysia trade (4 December)
- US ADP and services ISM PMI (4 December)
- India RBI policy meeting (5 December)
- Philippines inflation (5 December)
- US factory orders (5 December)
- Regional GIR (6 December)
- US non-farm payrolls (6 December)

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