

## ASEAN morning bytes

General market tone: Wait and see.

Markets begin 2019 on a cautious tone with traders looking for fresh leads amid a slew of economic data releases out from the US later in the week.



### International theme: Caution seen to dominate

- Global markets will look to any developments on the US government shutdown and US-China trade relations for leads while inflation data dominates the Asian economic calendar.

### EM Space: Geopolitics and economic data to guide markets to a caution start in 2019

- **General Asia:** The first trading day for the year will be marked with caution with geopolitical developments seen to dominate while inflation data is scheduled for select Asian economies.
- **Singapore:** Advance GDP estimate for 4Q18 released this morning puts growth at 2.2% YoY (1.6% QoQ ann.). This was slower than 2.5% (3.6%) consensus estimate for the quarter, which imparts downside risk to the 3.3% full-year 2018 growth signaled by PM Lee in his New Year's address. As growth is poised to slow further in 2019 and the US Fed scales back

its tightening pace, the case for the MAS to leave the policy on hold this year is strong.

- **Indonesia:** Indonesia will report inflation data for the month of December with Bloomberg estimates showing a median forecast of 3.01%, a deceleration from the November print of 3.03%. Core inflation is expected to pick-up slightly but still remain well within the target range for Bank Indonesia. The central bank will likely focus more on the IDR's stability in determining policy in 2019 with the currency strengthening to close 2018 with BI likely in the market.
- **Thailand:** December CPI is due today with the anticipation of little-changed headline inflation rate from November's 0.9% and core from 0.7%. We are also watching the Nikkei manufacturing PMI release for December. The index dipped below the 50 threshold level in the previous two months, indicating contraction in manufacturing activity which could depress Thailand's GDP growth in the final quarter of 2018. Data reinforces that the BoT's 25bp policy rate hike in December, the first policy move since 2011, was premature for the economy that's still struggling to grow, while inflation continues to undershoot the 1-4% policy target range. We aren't anticipating the BoT to change the policy in 2019.

## What to look out for: Inflation data

- Indonesia inflation (2 January)
- Thailand inflation (2 January)
- Hong Kong retail sales (3 January)
- US ADP employment and ISM manufacturing PMI (3 January)
- Philippines inflation (4 January)
- US NFP (4 January)

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