

ASEAN Morning Bytes

General market tone: Slight risk-on.

Markets remain on edge as Fed sticks to the dovish script while regional central banks meeting on Thursday.



EM Space: With the Fed dot plots shifting, markets await Asian central banks's response

- **General Asia:** Asian central banks get busy with four of them (in Japan, Taiwan, Indonesia, and the Philippines) meeting today and are likely following the US Fed with dovish policy guidance if not outright policy rate cuts. As such, the overnight risk-on sentiment in the US market is expected to be carried over in the Asian session today.
- **Malaysia:** Bank Negara Malaysia's Governor Nor Shamsiah Mohd Yunus is hopeful of possible trade diversion offsetting impact of weak exports on country's GDP growth. She sees net positive impact boosting GDP growth by 10bp this year, putting it above the BNM's current forecast range of 4.3-4.8%. However, she is also mindful of prevailing uncertainty to that end. Malaysia is positioning itself as a key destination for manufacturers to relocate factories as the US-China trade tensions heat up.
- **Indonesia:** Re-elected President Jokowi called on other leaders in the ASEAN to step up efforts to maintain stability in the face of the protracted trade war and its detrimental impact on economic growth. Jokowi had previously pushed government officials to pursue

pro-growth strategies and with the Bank Indonesia on deck, we do expect the central bank to at least lean dovish at its policy meeting but still keep rates unchanged to ensure continued currency stability.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reported the balance of payments surplus of \$5.2 bn in the month of May, likely from inflows related to the financial account as the current account remains in the red. The BSP is also on deck on Thursday with the consensus split on whether the BSP will cut rates. We think it will enact a dovish pause by keeping rates steady but hinting at a cut in the near term.

What to look out for: Central bank super Thursday

BoJ meeting (20 June)

- Bank Indonesia meeting (20 June)
- Taiwan central bank meeting (20 June)
- Bangko Sentral Pilipinas meeting (20 June)
- BoE meeting (20 June)