

ASEAN Morning Bytes

The US-China trade war remains the key driver for markets. With President Trump threatening a fresh round of tariffs if there is no trade deal, Asian markets trading today is likely to be more cautious.



EM Space: More tariffs if no trade deal

- **General Asia:** The US-China trade war remains the key driver for markets with President Trump now threatening a fresh round of tariffs if there is no trade deal. Outside trade noise, investors will be looking to the FOMC minutes for direction on the Fed policy as the latest data points to a soft-landing in the US economy. There is little going on in Asia aside from trade figures from Japan and Taiwan, while Malaysian inflation continuing to be a non-event.
- **Malaysia:** October CPI data is due. We agree with the consensus of a dip in inflation to 1.0% YoY from 1.1% in September. As inflation continues to be subdued, growth has now started to weaken with fading export support. Thanks to low inflation, Malaysia's enjoys relatively high real interest rates and a most resilient currency (MYR) in the region. We think all these factors offer scope for the central bank (BNM) to ease monetary policy further to support growth. Hence our forecast of an additional 50bp BNM rate cut in this easing cycle, most likely coming in the first quarter of 2020.
- **Philippines:** Overall balance of payments surplus widened to \$163 million in October from \$38 million in the previous month as financial inflows offset the current account deficit. The

year-to-date BoP surplus of \$5.7 billion is a sharp positive swing from the deficit of \$5.6 bn during the same period in 2018 and this forms the key driver of the currency's (PHP) outperformance among its Asian peers this year.

- **Indonesia:** Finance Ministry sees a wider fiscal deficit between 2.0-2.2% of GDP this year as through October it already hit the 1.8% full-year budget target. With the government aiming to insulate the economy from the ill effects of the slowing global economy, we can expect further deficit widening into 2020.

What to look out for: FOMC minutes

- Malaysia inflation (20 November)
- Taiwan export orders (20 November)
- US MBA mortgage applications (20 November)
- Fed FOMC minutes (21 November)
- Singapore GDP (21 November)
- Thailand trade (21 November)
- Hong Kong inflation* (21 November)
- US existing home sales (21 November)
- Bank Indonesia (21 November)
- Thailand GIR (22 November)
- Malaysia GIR (22 November)
- US consumer sentiment (22 November)