

ASEAN morning bytes

General market tone: Risk-on.

A dovish Fed and positive developments on the US-China trade front are seen to boost risk-taking on Monday.



International theme: US-China talks see breakthrough but US shutdown continues

- The US government remains in lockdown as Democrats rebuffed an offer from Trump for a compromise. Meanwhile, even the most hawkish of Fed officials espoused “patience” while China appears ready to make concessions, which are seen to boost risk appetite on Monday.

EM Space: Et Tu Williams? #Fedovish

- **General Asia:** Positive US-China trade developments will be viewed in light of China's GDP report for 4Q18 today,
- **Malaysia:** Direct tax revenue surged to a record annual collection of MYR 137bn in 2018 even as GDP growth eased in the last year. An 11% annual growth should offset some of the revenue losses from overhauling of the consumption tax and ease the deficit burden, which the government estimated to be equivalent to 3.7% of GDP in 2018, the widest in five years. Resumption of the upward march in the crude oil prices since December bodes well

for the economy and government revenue this year.

- **Thailand:** December trade data is due. The consensus is centered on continued contraction in exports but a sharp slowdown in import growth reducing the trade deficit. There was a sharp narrowing in trade surplus in 2018, to our estimated \$60m from over \$15.1bn in 2017. We estimate this to result in narrower current account surplus of about 7% of GDP than 11% in 2017. It's still large relative to other Asian economy and a sustained source of THB appreciation. However, underlying our view of the USD/THB weakening above 33 within the next 3-6 months is intensified political risks surrounding the timing of general elections.
- **Vietnam:** Vietnam is positioning itself as a safe haven for manufacturers affected by the US-China trade war. Prime Minister told Bloomberg that "We are ready to grab opportunity" and that "The government has been doing a lot to help foreign investors to grow businesses long-term in Vietnam".
- **Indonesia:** Finance minister Sri Mulyani Indrawati indicated that the government was willing to implement even more tariffs on imports in the coming months should the trade deficit continue to be wide. Struggling exports and still strong import growth forced the trade gap to widen substantially in 2018, prompting a run on the IDR. The latest trade numbers show a narrowing of the deficit but the government appears ready to do more to bring the trade back to balance.
- **Philippines:** The Bangko Sentral ng Pilipinas reported the balance of payments data for the month of December 2018, seeing a hefty inflow of \$2.44bn, the highest monthly inflow seen since 2012. Nonetheless, the full year deficit settled at -\$2.31bn and year-end gross international reserves dipped to \$79.19bn from \$81.57bn in 2017.

What to look out for: China GDP and central bank meetings

- China GDP, retail sales and industrial production (21 January)
- Taiwan trade (21 January)
- South Korea GDP (22 January)
- Malaysia GIR (22 January)
- US existing home sales (22 January)
- Malaysia inflation (23 January)
- Singapore inflation (23 January)
- Philippines GDP (24 January)
- Malaysia policy meeting (24 January)
- ECB policy meeting (24 January)
- South Korea policy meeting (24 January)

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