

ASEAN Morning Bytes

General market tone: slight risk-on.

Asian markets sentiment is likely to be mixed as investors digest dovish central bank policy signals amid geopolitical and trade tensions.



EM Space: Geopolitical concerns will take center stage after Fed stays dovish

- **General Asia:** Asian markets will likely move sideways with investors digesting the round of dovish inaction from developed and emerging markets central banks amid rising geopolitical and trade tension.
- **Thailand:** May trade data due today is expected to show steeper declines in both exports and imports, but a return of the trade balance to surplus from a one-off deficit in April which is pretty much seasonal for these months. Backed by persistently large current account surplus, the Thai baht (THB) remains an emerging market outperformer this year. Nearly half of the 5.3% year-to-date appreciation against the USD has occurred in the current month despite high market uncertainty, prompting the central bank (BoT) for close monitoring of the market for speculative interest. Maybe a BoT rate cut next week, as justified by stressed real economic situation lately, helps to stem excessive currency appreciation.
- **Indonesia:** Bank Indonesia opted to keep rates unchanged as expected to ensure that the

recent bout of IDR stability holds. The central bank did, however, trim the reserve requirement ratio by 50 bps to help boost loan growth and overall economic activity. We expect BI to deliver a rate cut later in the year. Governor Warjiyo gauging the appropriate timing.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) kept policy rates unchanged and enacted a prudent pause, awaiting further confirmation from data that inflation would indeed head lower. The BSP has cut its forecasts inflation to 2.7% in 2019 and 3.0% in 2020 from 2.9% and 3.1%, respectively. We expect it to resume its easing cycle as soon as the August meeting but the decision will likely hinge on 2Q GDP numbers to be released on the same day as the policy meeting in August.

What to look out for: geopolitical developments

Thailand trade and GIR (21 June)

- Malaysia GIR (21 June)
- US PMI manufacturing (21 June)

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