

ASEAN Morning Bytes

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EM Space: Further delay in trade deal

- **General Asia:** A Reuters story that any phase-one trade deal may not now be signed until next year has set markets off again. Bond yields are lower, though they had been falling anyway, Asian stock futures are mainly in the red following on from declines in US and European equity markets overnight. USDCNY looks steady for now, but this would normally push CNY weaker.
- **Thailand:** October trade figures due today are likely to show a narrower trade surplus (consensus \$419 million vs. \$1.3 billion in September). This is because October typically is a strong month for imports, while exports continue on a weak growth path. We don't see this report carrying much market impact, especially that on the Thai baht (THB). The Bank of Thailand (BoT) policy minutes yesterday expressed worries about strong THB hurting exports and the overall economy. The currency has clawed back all of the loss it suffered in the aftermath of the BoT policy rate cut and more measures to curb the THB strength announced earlier this month. There is little more the BoT could do about large current account surplus sustaining THB as a refuge for investors during heightened global uncertainty.
- **Singapore:** The Ministry of Trade and Industry confirmed 3Q19 GDP growth at 0.5% YoY

(2.1% QoQ SAAR), an upward revision from 0.1% (0.6%) advance estimate. Manufacturing was the main source of the upward revision. However, the outlook continues to be clouded by weak external demand. In yet another downgrade, the official NODX growth forecast for this year is now revised to a deeper contraction by 9.5-10% than 8-9% contraction earlier, with the negative trend likely to continue through 2020 with at least 2% fall.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno indicated that the central bank was in no rush to reduce reserve requirements (RRR) in the near term after a total 400 bps of cuts so far this year. Funds released by the recent RRR reductions have not fed into bank lending. Governor would like to see the liquidity infusion find its way to bank lending before easing further. We expect BSP to remain on hold, both on policy rates as well as RRR reductions until the first quarter of 2020.
- **Indonesia:** Bank Indonesia (BI) is widely expected to leave the policy on hold today after cutting the policy rates four straight times this year. Given that the Fed has taken a neutral stance of late, BI would wait to gauge the impact of its recent easing cycle. A patient pause will afford BI scope to ease further in 2020 should global headwinds to growth pick up, while inflation is likely to stay within target.

What to look out for: Trade tensions

- 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)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com