

ASEAN Morning Bytes

General market tone: Risk-on.

Markets may tiptoe higher ahead of Jackson Hole as investors continue to price in a Fed rate cut.



EM Space: Trump keeps pressure on Fed to cut with bargain hunting seen to lift Asia

- **General Asia:** Minutes of the most recent meeting pointed to a divided FOMC on communication with one camp favoring cutting as insurance as opposed to a long series of rate reductions. President Trump has kept on the rhetoric for rate cuts and markets appear to price in a rate cut in September despite robust data and some hawkish Fed speakers. Investors will likely push the market higher ahead of Jackson Hole on Friday but gains will likely be capped until we get more clarity from Fed Chair Powell.
- **Thailand:** Released alongside a surprisingly strong July trade growth signaling a [good start for the economy in 2H19](#), the BoT policy minutes noted that “more accommodative monetary policy would foster the continuation of economic growth and the return of headline inflation to target in the context of heightened uncertainties mainly from external factors”. While we expect the BoT to cut rates again this year, at least by 25bp, if not more, hopes also remain pinned on fiscal stimulus. The Thai cabinet has just cleared a \$10 billion stimulus package, likely lifting growth by 0.5-0.6%. Still, it seems a tough ask for the economy to outperform the 3% “new-normal” growth rate of recent years.

- **Indonesia:** Bank Indonesia (BI) meets today to discuss policy. The consensus forecast is no change to the BI policy. However, given a dovish undertone from finance minister Indrawati and previous hints by Governor Warjiyo for further rate cuts a growing minority expects BI to ease policy soon. We are in the majority forecasting no rate cut today, but we expect the central bank to telegraph a rate cut further until such time that the IDR exhibits more stability.
- **Malaysia:** Bank Negara Malaysia increased the income threshold for first time home buyers tapping the central bank's MYR 1 billion fund for affordable homes for financing their home purchases. The income ceiling is nearly doubled to MYR 4,360 from MYR 2,300 for a maximum property price of MYR 300k, also doubled from MYR 150k earlier. Macroeconomic policies in Malaysia continue to be consumer-friendly.

What to look out for: Jackson hole on Friday

- Malaysia GIR (22 August)
- Taiwan unemployment (22 August)
- US Markit PMI manufacturing (22 August)
- Bank Indonesia (22 August)
- Japan inflation (23 August)
- Singapore inflation (23 August)
- Taiwan industrial production (23 August)
- Fed Powell speaks at Jackson hole (23 August)

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