

ASEAN Morning Bytes

General market tone: Wait and see.

Disappointing data from both Germany and Korea are likely to keep investors defensive ahead of the US GDP figures on Friday.



6.00%

Bank Indonesia's policy rate

No change expected today.

EM Space: Wall Street pulled back overnight while German data points to slowing growth

- **General Asia:** Stocks in the US eased of highs after investors booked gains and looked to possible weaker sales due to the US-China trade spat. Disappointing data out from both Germany and Korea are seen to keep investors defensive ahead of the US GDP numbers on Friday.
- **Malaysia:** CPI inflation was back in positive territory in March after two consecutive months of negatives. We don't see inflation becoming a problem anytime soon, at least not until the removal of the Goods and Services Tax in June 2018 moves out of the base of comparison.

Our annual inflation forecast for 2019 remains at 1%. Meanwhile, persistently low inflation has brought central bank (BNM) monetary easing back on the table for the next policy meeting on 7 May, when we expect a 25 basis point cut in the overnight policy rate to 3.00%.

- **Thailand:** A senior central bank officer signaled GDP growth slipping below 3.2% in 1H 2019, which is consistent with our view of 3.1% growth for the period. And two separate headlines in the Bangkok Post suggested further downside growth risk. First, “Uncertainty hurts GDP view”, points to political uncertainty leading to delayed investments. Second, “Thailand’s economy is headed for new recession” narrates structural issues of high leverage (up to 80% debt-to-GDP ratio) weighing down domestic demand and thus economy’s increased reliance on exports for growth. While both stories argue for more BoT policy accommodation, they also highlight the policy dilemma. For now, we maintain our view of an “on-hold” BoT policy throughout 2019.
- **Indonesia:** Bank Indonesia (BI), the central bank, unveils its policy decision today with the market pricing in an “on-hold” policy. With Jokowi likely staying in for a second term, some investors are now banking on a possible reversal from the rate hike cycle in the near term as inflation remains subdued and Jokowi hints at pro-growth policies.
- **Philippines:** Several institutions continue to whittle down growth projections for the Philippines with the World Bank (WB) and Fitch trimming their respective forecasts. The WB shaved 0.3 percentage points from its October review to 6.4%, and Fitch sees growth slowing to 6.2% (from 6.6%) due to the BSP aggressive rate hike cycle last year, the budget delay this year, and the ongoing US-China trade tensions.

What to look out for: US GDP

- US durable goods (25 April)
- Bank of Japan (25 April)
- Bank Indonesia meeting (25 April)
- Singapore industrial production (26 April)
- US GDP and core PCE (26 April)