

ASEAN morning bytes

General market tone: Wait and watch.

Market players may bargain hunt on Friday although gains are likely to be capped with US-China trade and US government shutdown concerns lingering.



EM Space: Conflicting reports about the status of US-China negotiations add to anxiety

- **General Asia:** Investors will push markets gingerly higher to close the week but several headwinds will still likely keep optimism in check. Meanwhile, the US remains in partial government shutdown as two possible legislative measures to end the impasse have failed.
- **Malaysia:** The BNM policy statement yesterday noted that “On balance, the Malaysian economy is expected to remain on a steady growth path in 2019” and “Underlying inflation is expected to remain contained in the absence of strong demand pressure”. Inflation continued to surprise in December at 0.2% YoY, marking 2018 as the year of lowest annual inflation of 1% in almost a decade. We expect the BNM to leave monetary policy on hold all year.
- **Singapore:** December industrial production is due. The consensus of 4% YoY IP growth in the last month appears to be derived from the 5.5% YoY manufacturing growth in the advance GDP estimate for 4Q18. The risk is on the downside given an 8.5% YoY fall in NODX in

December, which will in turn subject the 4Q advance GDP growth estimate of 2.2% to a downward revision.

- **Thailand:** Lavaron Sangsnit, head of finance ministry's fiscal policy office ruled out any more central bank (BoT) rate hikes this year. Just as Korea and Malaysia, where central banks left policies on hold yesterday, stable policy is our the baseline for the BoT as downside growth risks are rising and inflation remains among the lowest in Asia (0.4% in December).
- **Indonesia:** Bank Indonesia Governor Warjiyo reiterated his stance that the policy rate was close to peak although he ruled out the chance for a full reversal in the central bank's policy stance in the near term. Warjiyo vowed to remain "sound, consistent and transparent" after he hiked aggressively in 2018 to stabilize the IDR. Finally, the governor also gave his view that based on his models the IDR was "undervalued" and he will likely base his policy decisions on the IDR's stability.
- **Philippines:** Philippine 4Q 2018 GDP slipped below market expectations to 6.1% as investment growth slowed sharply and household consumption remained subdued due to inflation. Government spending saved the day, growing by 11.9% as public construction sustained double-digit growth and overall expenditure was up 12.6%. Investment growth slowed with durable goods purchases decelerating due to a contraction in road vehicle purchases. Slowing growth momentum opens the door for BSP to reverse the course and ease policy as early as 2Q 2019.

What to look out for: Fed decision, US-China trade talks

- Singapore industrial production (25 January)
- Hong Kong trade data (28 January)
- US wholesale inventories (29 January)
- Hong Kong retail sales (30 January)
- US Fed meeting (31 January)