

ASEAN Morning Bytes

The trading week in Asia is likely to kick off with a significant risk-aversion as the US-China trade tensions move up a notch with both sides preparing for even higher import tariffs.



-5.8%

Consensus on Singapore July manufacturing growth

YoY

EM Space:: The US-China trade tensions moves up a notch

- **General Asia:** The US-China trade tensions moves up a notch with China announcing new tariffs on \$75 billion of US goods and the latter retaliating with a hike in the existing and proposed new tariff rates by 5%. The next event risk seems to be President Trump invoking emergency trade powers banning US companies from doing business in China. As such the trading week in Asia looks to kick off with a risk-off sentiment.
- **Indonesia:** Bank Indonesia (BI) Governor Perry Warjiyo told media that foreign investment inflows worth IDR 177.9 trillion in the local bonds and stocks so far this year underscored strong investor confidence in the economy amid escalating trade tensions. Meanwhile, the

IDR exchange rate was little affected from the central bank's decision to cut the policy interest rates by 25bp at the meeting last week, which undermines the argument of the IDR volatility being a hurdle for rate cuts. If so, we don't quite rule out more BI rate cuts to support growth in the rest of the year as the central bank may use a huge policy buffer created by aggressive tightening in 2018.

- **Malaysia:** Released last week, the latest Bloomberg survey of the Malaysian economy revealed a steady consensus growth forecast for the current year at 4.5%, though that for 2020 is ticked down to 4.3% from 4.4% and for 2021 to 4.5% from 4.6%. Based on the year-to-date track record we see scope for growth continuing to surpass expectations going forward (see "[How is Malaysia bucking the global slowdown?](#)").
- **Singapore:** July industrial production data today will provide a glimpse of direction GDP growth is heading in the current quarter. The consensus forecast is -5.8% YoY (-1.6% MoM SA) IP growth. Released on Friday, July CPI surprised on the downside with headline inflation of 0.4% YoY and core inflation of 0.8% as against consensus of 0.5% and 1.0% respectively (0.6% and 1.2% in June). The balance of economic risks remains tilted toward growth and this is expected to force the MAS for easier policy at the next semi-annual statement in October.
- **Philippines:** The government budget posted PHP 75.3 billion deficit in July, well under our PHP 115 billion deficit forecast. The PHP 117.9 billion deficit in the first seven months of the year was down from PHP 279.4 billion deficit in the same period of 2018 as the year-to-July revenue grew by 9.6% YoY while spending was little changed from year ago. We expect the authorities to use the increased fiscal leeway to revive GDP growth above 6% in the second half of the year. Local markets are close for the public holiday today.
- **Thailand:** The key economic ministers are due to meet this week (30 August) to discuss steps to attract foreign direct investment as the country positions itself for supply chain relocations opportunities arising out of the trade war. More than that, we also believe the economy needs a significant fiscal and monetary pump-priming to boost growth.

What to look out for: Lots of US activity data

- Hong Kong Foreign trade (26 August)
- Singapore Industrial production (26 August)
- US Durable goods orders (26 August)
- China Industrial profits (27 August)
- Korea Business Survey (29 August)
- Thailand manufacturing (29 August)
- US revised 2Q GDP (29 August)
- EU CPI (30 August)
- India 2Q19 GDP (30 August)
- Bank of Korea policy meeting (30 August)
- Thailand balance of payments (30 August)
- US Core PCE deflator (30 August)