

ASEAN Morning Bytes

General market tone: Risk-on.

Risk sentiment to remain intact as Trump suggests that deal with China very close, signing possible at his summit with President Xi in March.



EM Space: China and US supposedly on verge of a trade deal

- **General Asia:** A day after Trump extended the deadline for raising tariffs on Chinese imports, the US President continued to fuel optimism on trade as he indicated that a trade deal between the US and China was very close. Meanwhile, developments in the UK may also spark some risk-taking behavior as May looks to extend her own Brexit deadline.
- **Thailand:** January industrial production data is due. The consensus estimate of a pick-up in IP growth (1.1% YoY vs. 0.8% in December) reflects more of a base effect rather than underlying strength. Besides weakening exports, there is plenty of slack in the economy as underscored by factories running at about two-thirds of their capacities. Elevated inventory-to-shipments ratio points to the same. With this backdrop we see no reasons for GDP growth to break out of the 3-4% range it's been in recent years while rising political risk weighs on economic sentiment.
- **Malaysia:** Finance Minister Lim Guan Eng downplayed January's CPI fall as signaling a repeat of the 2009 deflationary streak, noting that the latest fall wasn't related to recession or any kind of weak demand. We share the same view, though we don't see any significant build-up in price pressure for the rest of the year, nor do we expect the BNM to ease the

policy this year ([read more here](#)).

- **Singapore:** January industrial production is due. An accelerated decline in NODX in January likely have dented manufacturing. Meanwhile, yesterday's January CPI data surprised on the downside with headline inflation of 0.4% and core inflation of 1.7%. So far data supports our view of the MAS leaving the monetary policy on hold in April.
- **Indonesia:** Indonesia continues to ramp up reforms to speed up inflows of foreign currency to shore up the IDR. In the latest move, the authorities announced cut in minimum trading prices and trade lot sizes to boost retail trading in the equity market. Widening current account deficit is the main negative for the currency and the authorities want to see this trend reversed.
- **Philippines:** Bangko Sentral ng Pilipinas Governor Espenilla passed away over the weekend, leaving a vacuum at the top post of the central bank. He leaves a legacy of reform on the financial market front with Deputy Governor Tũaño Amador appointed officer-in-charge until the Philippine President appoints a new Governor.

What to look out for: US data and trade developments

- Taiwan industrial production (26 February)
- Hong Kong trade (26 February)
- US GDP (28 February)
- Bank of Korea (28 February)
- Thailand inflation (1 March)
- Indonesia inflation (1 March)
- US core PCE (1 March)
- US PMI (1 March)