

ASEAN Morning Bytes

General market tone: Risk-on.

Emerging markets set for modest gains as Powell continues to preach patience on rate hikes.



EM Space: Jay Powell remains dovish, supporting positive sentiment for risk markets

- **General Asia:** Fed Chair Powell's comments before the Congress continues to show that the Fed will likely remain on hold for at least a few more months as he describes the economy as "solid but slowing". On the political front, Donald Trump meets North Korea's Kim in Vietnam, while the US Congress voted to veto Trump's emergency declaration on the border wall.
- **Thailand:** January industrial production growth came in at 0.2% YoY, lower than the consensus estimate of 1.1% growth and down from 1.2% growth in December. Coming on the heels of falling exports data foreshadows a weak GDP growth in the current quarter. On our forecast GDP growth dips to 3.1% in 1Q19 from 3.7% in 4Q18. Besides weak exports, public investment has been a missing ingredient in GDP growth. Separate reports of Thai Cabinet approving the extension of two mass transit lines in Bangkok is a hopeful sign.
- **Indonesia:** Bank Indonesia will allow the currency to appreciate further as they believe that the current level is "undervalued", according to Executive director Nanang Hendarsah from the monetary management group. The Indonesia Rupiah has been one of the best-

performing Asian currencies for the year, surpassing the Thai Baht on Tuesday given strong foreign flows into the local bond and equity markets.

- **Philippines:** The Bureau of the Treasury (BTr) raised PHP 113.8bn worth of 5-year retail treasury bonds at the primary auction, the first issuance this year at a rate of 6.25%. The BTr indicated that demand for the 5-year bond was “strong” given that it was oversubscribed roughly four times the PHP 30bn issuance. The public offer for the bond will be from February 26 to March 8.

What to look out for: US data and trade developments

- Hong Kong GDP (27 February)
- US factory orders (27 February)
- US pending home sales (27 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)