

ASEAN Morning Bytes

General market tone: Risk-off.

The mixed rhetoric on trade adds to the prevailing uncertainty about the Trump-Xi meeting at G20



EM Space: Mixed rhetoric on trade ahead of G20

- **General Asia:** The investors continue to tread a cautious path as the US's mixed rhetoric on trade – yesterday's talk about suspension of tariff on \$300bn of Chinese goods followed by the threat of more tariffs – adds to the prevailing uncertainty about the Trump-Xi meeting at G20.
- **Malaysia:** CPI inflation was steady at 0.2% YoY in May as higher food, beverages, and entertainment prices – all resulting from a seasonal surge in demand during the Ramadan month – offset lower housing and transport costs. While the period of low inflation is over we don't see significant inflation pressure ahead even as the low base effect from the elimination of GST a year ago will cause a significant inflation spike in June. We don't rule out more BNM easing this year if it's required to support growth.
- **Philippines:** The Bureau of the Treasury (BTr) plans lower borrowing of PHP 230bn in 3Q than PHP 315bn programmed for 2Q. Awash with cash given an improved collection and weaker government spending, the government opted to hold T-bill auctions bi-weekly instead of weekly, while bond auctions were scheduled in the longer end of the curve. Lower borrowing may reinvigorate the rally in local bonds even as market players look to the inflation forecast from the BSP later in the week.

- **Thailand:** The Bank of Thailand policy committee unanimously left the policy rate at 1.75%. Even so, the statement was largely dovish, acknowledging downside growth risks from weak exports and tourism inflows. The BoT also cut its growth forecast for 2019 to 3.3% from 3.8% but retained inflation forecast at 1.0%. We don't see them defying the easing pressure for too long. Absent any scope of fiscal stimulus the monetary policy will have to do all the heavy-lifting. Three months since the 24 March election and the government is still in the formation stage. It won't be in place until late July. This bodes ill for routine government spending, leave alone the prospects of any fiscal stimulus. We retain our forecast of a 25bp rate cut this year, sometime in 3Q.

What to look out for: G20 meeting

- China industrial profits (27 June)
- US 1Q GDP – final estimate (27 June)
- Eurozone CPI (28 June)
- **G20 Summit in Osaka (28 June)**
- Japan labor report and manufacturing (28 June)
- Korea industrial production (28 June)
- Thailand balance of payments (28 June)
- US Core PCE deflator (28 June)
- US Michigan sentiment (28 June)

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