

ASEAN Morning Bytes

General market tone: Wait and watch.

All eyes are on the outcome of European elections though US-China trade tension remains the key driving theme for markets



EM Space: With Trump in the far east, dealers await cues on trade war

- **General Asia:** Trump continued to give hopes for a resolution on trade with China while he visits another major trading partner in Japan over the weekend. Poor US data prods dealers to bet further on a rate cut while looking to the second estimate for US growth for direction.
- **Thailand:** Politics overshadows the economy in Thailand with all eyes on who will form the new government. The pro-junta alliance led by Prayuth Chan-Ocha's Palang Pracharat party holds 134 out of 500 lower house seats in the new parliament and with the backing of 250-member (all military) Senate, stands in a strong position to form the government with Prayuth as Prime Minister. However, the anti-junta coalition led by Pheu Thai holds 245 seats and could be strong resistance for Prayuth. Palang Pracharath will reportedly invite two swing parties – the Democrat and Bhum Jai Thai, together holding about 100 seats – in the coalition to help them form a government.
- **Indonesia:** Bank Indonesia made its presence felt in the market over the past week with the

Governor pledging to continue to do so until the IDR stabilizes. The IDR wobbled mid-week as violence broke out after the proclamation of Jokowi but has seen less volatility as protests died down. For the coming week, the central bank sees inflation still-within target at 3.1% for the month of May.

- **Philippines:** The Philippine economic cluster convened in an emergency meeting to discuss growth and spending targets in the wake of the budget delay which saw the budget balance hit the largest surplus to date in April of PHP 86.9bn mainly due to a 15% drop in expenditure. Data suggests delayed government spending continues to weigh on GDP growth in the current quarter. The Treasury, however, indicated that the borrowing program will be kept for the time being as the administration scrambles to spend the 2019 budget.

What to look out for: US and China activity data

- Hong Kong trade (27 May)
- US consumer confidence (28 May)
- US GDP (30 May)
- China PMI manufacturing and services (31 May)
- Thailand GIR and trade (31 May)
- Bank of Korea meeting (31 May)
- Indonesia money supply (31 May)
- Philippines money supply (31 May)
- South Korea trade (1 June)

PHP 86.9bn Philippines budget surplus in April

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