

ASEAN Morning Bytes

General market tone: Wait and see.

Market players will likely stay sidelined ahead of the much-anticipated meeting between Trump and Xi over the weekend.



EM Space: All eyes on Trump-Xi meeting alongside G20

- **General Asia:** Market is clearly focused on the upcoming meeting between Xi and Trump although reports from both camps have clouded the outlook. Larry Kudlow reported that Trump would enter the meeting with no preconditions but he also noted that tariffs from the US could still be enacted after the G20. And China was reported to be bringing a list of conditions to be met before talks could proceed. Investors will likely be sidelined on Friday, awaiting more clarity on where the trade war heading.
- **Malaysia:** Finance Minister Lim Guan Eng is aiming to narrow the government budget deficit below 3% of GDP by 2021, in line with the government's earlier target of 2.8% by then. He said, "Malaysia places a premium on economic growth and the consolidation is proceeding without sacrificing the well-being of the people". The government expects close to 5% GDP growth this year supported by rising investment spending. While the fiscal policy continues to support growth, we believe the prevailing low inflation and high real interest rates allow for more BNM easing this year, if needed.
- **Philippines:** May data on money supply and lending will likely show subdued growth given still tight liquidity and monetary conditions. The Bangko Sentral ng Pilipinas adjusted

monetary policy in mid-May and we may see a possible rebound in subsequent months in money supply growth and bank lending. Meanwhile, market players will be awaiting the BSP's inflation forecast for the month of June for guidance.

- **Singapore:** MAS Managing Director, Ravi Menon, has said the central bank is reviewing their outlook for growth this year citing trade and technology war as a headwind. The official growth outlook is now a little below the midpoint of a 1.5% to 2.5% range, which would put it a bit below 2.0%. Our ING house forecast is right on this guidance at 1.9% for 2019, though we would characterize that forecast as already having considerably more downside than upside risk. With core and headline inflation roughly within the MAS forecast range for 2019 of 1-2% and 0.5-1.0% respectively, there does not appear to us to be an urgent need for remedial monetary policy action. However, a trimming of the pace of the SGD effective exchange rate appreciation at the MAS' October meeting could be viewed as an "insurance" easing that ought to be relatively uncontentious for the US Treasury now having Singapore on the monitoring list for currency manipulation.
- **Thailand:** May balance of payments data is due today. A positive swing in the customs-basis trade balance to surplus in May from a deficit in April points to a wide goods surplus, though seasonal outflows on the services account could swing the current account balance to deficit to the tune of \$1bn from \$1.8bn surplus over the same months. This won't be good news for the THB enjoying strong appreciation pressure lately. We maintain our view of a 25bp BoT policy rate cut this year. The consensus is starting to shift to this view as well, slowly but surely.

What to look out for: G20 meeting

- Eurozone CPI (28 June)
- **G20 Summit in Osaka (28 June)**
- Japan labor report and manufacturing (28 June)
- Korea industrial production (28 June)
- Philippines money supply and lending (28 June)
- Singapore money supply (28 June)
- Thailand balance of payments (28 June)
- US Core PCE deflator (28 June)
- US Michigan sentiment (28 June)

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