

ASEAN morning bytes

General market tone: Wait and see.

Markets are seen to tread cautiously on Wednesday with investors awaiting key developments in the week, including Fed Chair Powell's guidance on policy tonight and the G20 meeting on Friday



International theme: Clarida offers little clarity

- Investors remain without clarity on the outlook as Fed Vice Chair Clarida gave relatively balanced comments overnight, indicating that the Fed should remain data dependent but that they were getting closer to the neutral rate. Investors have been cautiously optimistic of some form of headway with US-China trade talks with risk-taking activity likely muted until the end of the week.

EM Space: Market to be on their toes with Powell on deck and the G-20 set to start on Friday

- **General Asia:** Investors will likely remain in holding pattern until more clarity is derived on the Fed dot plots for 2019 and beyond as well as the US-China trade relations with the G20 meeting slated for the end of the week.
- **Malaysia:** Malaysian Institute of Economic Research (MIER), a think tank, sees an acceleration in Malaysia's GDP growth in 4Q18 to 4.7%-4.8% range from 4.4% in the last

quarter on firmer private consumption. This is more bullish than the latest Bloomberg consensus forecast of 4.5%. Our below-consensus 4.1% forecast rests on continued downside risks from slower investment and exports demand.

- **Thailand:** The noise about the BoT hiking rates in December has intensified lately. Yesterday's data showing a stronger than expected 4.1% industrial production growth in October may be supportive, though the broader case for tightening isn't that strong. We maintain our view of no BoT rate hike in the remainder of the year.
- **Indonesia:** Bank Indonesia will be "preemptive and ahead of the curve" according to Governor Warjiyo as he looks to safeguard the economy against global risks and with the Fed still projected to hike in 2019. Warjiyo has indicated in the past that his priority is to maintain financial stability, while a 175bps rate hike keeps the IDR steady. Look for the central bank to hike further in 2019 to match the 2 Fed rate hikes priced in for the next year.
- **Philippines:** The legislative houses failed to pass the 2019 budget, increasing the likelihood that the government would need to operate on a reenacted budget from 2018 until the general appropriations act is signed into law sometime next year. Budget secretary Diokno expressed concern about growth with government expenditures seen to slow, all the more with the 5-month election ban kicking-in before the May polls. Thus we could see 1H 2019 GDP take a hit as the economy will no longer enjoy the boost from national government spending until the second half of the year.

What to look out for: Fed speakers, G20

- US GDP (28 November)
- Fed Bostic speech (28 November)
- Philippines bank lending and money supply (29 November)
- Euro zone GDP (29 November)
- Fed Powell speech (27 November)
- Thailand current account (30 November)
- Thailand trade (30 November)
- Taiwan GDP (30 November)
- China non-manufacturing PMI (30 November)
- G20 meeting (30 November)
- OPEC meeting (6 December)

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