

ASEAN Morning Bytes

General market tone: Wait and see.

Investors will tread lightly to close out 1Q19 amid lingering US-China trade tensions and softer US activity data.



EM Space: US growth revised lower with investors looking to trade talks for direction

- **General Asia:** Market players are waiting for more developments on the US-China trade front as economic data continues to validate softer global growth and the change in the Fed dot plots. The upcoming data on US sentiment indicators tonight and retail sales on Monday will shed more light on the slowdown trend.
- **Thailand:** Yet another BoT official, Senior Director Don Nakornthab, was on tape yesterday downplaying the inflation headwind to policy rate hikes this year. He described low inflation as a structural issue that's not an obstacle to a rate hike, adding that a rate cut was unlikely absent a key negative shock to the economy. We consider the BoT's 3.9% GDP growth forecast for this year subject to more downside than upside risk, and with that, the prospects of an unchanged BoT policy rate, or maybe a rate cut, remains more dominant than that of a hike.
- **Malaysia:** The BNM has downgraded its GDP growth forecast for 2019 to a range of 4.3-4.8% from 4.9% announced in the federal budget in November last year. According to Governor

Shamsiah Yunus, intensified downside risk from trade tensions and global growth could drive Malaysia's GDP growth to the lower end of the new forecast range. Growth forecast downgrade underpins our forecast of a 25bp BNM policy rate cut to 3.0% at the next meeting in May ([read more here](#)).

- **Indonesia:** Bank Indonesia looked to calm jittery nerves, indicating that they see no spillover effects from the recent developments with select EM currencies struggling due to concerns over global growth. The central bank indicated its constant presence in both the bond and spot currency markets to help cap downside in the IDR. Governor Warjiyo ascribed the recent weakness to “profit taking by investors concerned by slowing growth” but he also noted Indonesia's “good economic resilience”.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) may be considering easing its monetary policy stance in the near term as one of its most hawkish officials, Deputy Governor Guinigundo, has indicated that declining inflation would “provide some flexibility for easing”. Furthermore, Guinigundo indicated that the “Philippine economy continues to be resilient with growth proceeding above trend”.

What to look out for: US China trade talks in Beijing

- Thailand trade (29 March)
- US core PCE and consumer sentiment (29 March)
- China PMI (31 March)

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