

ASEAN morning bytes

General market tone: Risk on.

Risk markets will likely rally sharply on Monday with the month of December set to open on a good note as China and the US agree to defer a planned increase in tariffs for Chinese imports.



International theme: Trump and Xi meeting goes better than expected

- Global markets attention was on the G20 meeting with US-China trade relations the highlight and the two world leaders delivered what could be the start of a Christmas rally as Trump and China agreed to narrow the trade gap between the two countries. Furthermore, both sides agreed to suspend the scheduled increase in tariffs for \$200bn worth of imports as the two sides hammered out structural agreements over the next 3 months.

EM Space: Risk markets to likely open stronger for December as US-China trade spat takes a turn for the better

- **General Asia:** Emerging markets will likely enjoy a pre-Christmas rally with China and the US achieving a breakthrough in trade discussions with the US agreeing to defer the scheduled increase in tariffs for Chinese products. Attention will likely turn to the OPEC meeting on the 6th with Russia indicating willingness to cut output but the risk rally will

likely

- **Malaysia:** Nikkei manufacturing PMI for November came in at 48.2 in November, down from 49.2 in October. Two consecutive months of sub-50 prints signifying fall activity support expectations further slowdown in GDP growth in the current quarter.
- **Thailand:** November CPI data is due. We expect inflation to be unchanged at October's 1.2% YoY rate. The balance of economic risks remains tilted toward growth, not inflation, as the BoT too signaled risk to its 4.4% growth forecast as being tilted on the downside. As such, the expectations of the BoT tightening in December are misplaced.
- **Thailand:** The current account surplus narrowed to \$1.9bn in October from \$2.4bn in September. The overall balance of payments swung to \$900m deficit from over \$1bn surplus over the same months, which with steady foreign exchange reserves imply a significant capital outflow in October making it the worst month for the THB this year.
- **Indonesia:** Indonesia will be reporting data on November inflation with consensus forecast roughly flat from the previous month with the median estimate pointing to a 3.19% acceleration in prices. Bank of Indonesia has indicated they would retain their hawkish bias and will look more to IDR movements for cues to adjust monetary policy.
- **Philippines:** The BSP forecasts November inflation to range between 5.8-6.6% with oil and food prices sliding on favorable supply conditions. Market surveys also show that inflation expectations have come down with the government indicating they would scrap the earlier-announced plan to suspend a fuel retail tax hike in 2019. Slowing inflation will afford the BSP to pause at its last meeting for the year.

What to look out for: PMI figures, OPEC meeting and inflation

- Indonesia inflation (3 December)
- Thailand inflation (3 December)
- US ISM PMI manufacturing (3 December)
- Fed speakers (Clarida, Quarles, Williams, Brainard) (3 December)
- South Korea GDP and inflation (4 December)
- Fed Kaplan speech (4 December)
- Taiwan inflation (5 December)
- India RBI meeting (5 December)
- Philippines inflation (5 December)
- US ISM PMI non-manufacturing (5 December)
- Fed Powell speech (5 December)
- OPEC meeting (6 December)

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