

ASEAN morning bytes

General market tone: Risk-off.

Fears of a slowing global economy sapped risk appetite overnight with the malaise seen to be carried over to Thursday.



International theme: Poor PMI numbers and trade anxiety dent risk taking

- Investors saw a volatile trading session with traders caught between stalling manufacturing momentum in China and Europe sparking concerns about global growth. Meanwhile, energy prices rebounded sharply overnight on slowing production even ahead of supply cuts from Russia. Investors will refrain from going headlong in either direction, awaiting clarity on the US-China trade situation and global growth.

EM Space: PMIs signal continued GDP slowdown through end-4Q18

- **General Asia:** Despite equity markets taking a hit on Wednesday, bargain hunters will likely remain sidelined on Thursday with uncertainty clouding the outlook. The rebound in global oil prices overnight is seen to muddle the growth picture further with investors looking to Friday's US job report and trade talks for direction.

- **Malaysia:** Nikkei manufacturing PMI slumped to an all-time low of 46.8 in December from 48.2 in the previous month. Weak sales and overseas orders were the main drags. The PMI index was in the sub-50 contractionary territory in all of 4Q18, which heralds continued manufacturing-led GDP slowdown through end-2018. Slowing GDP growth and lack of inflation raise the scope for the BNM policy easing, though we don't think the central bank will rush in that direction just yet.
- **Thailand:** The Bank of Thailand releases minutes of the December policy meeting today (9 am local time). December CPI inflation surprised on the downside at 0.4% YoY, the lowest in 16 months, against the consensus of no change from November's 0.9%. Fall in the food and transport components was responsible. The full-year 2018 inflation of 1.1% was up from 0.2% in 2017. The high base raises the prospects of inflation remaining below the BoT's 1-4% policy target this year. We are reviewing our 1.3% 2019 forecast for a downgrade (consensus 1.4%).
- **Indonesia:** Indonesian Inflation settled at 3.13% in December, bringing the full year average to 3.20% -within Bank Indonesia's (BI's) 2.5-4.5% target. Food inflation was tagged as the main reason for the December print with egg and chicken prices boosting the overall print the most. BI has raised interest rates in six times in 2018 for a total of 175 basis points and seems to be looking to take on a more neutral stance even as they forecast the Fed to hike two more times in 2019.
- **Philippines:** The Department of Finance (DoF) has indicated they would prefer to tap the international market early on and often in 2019 with the Fed seen to hike rates further in the year. DoF officials sounded off their preference for bonds issued in Yen (samurai) and Chinese Yuan (panda) while also keeping the door open for doing "something in England" and even Sukuk bonds. The government expects to issue panda bonds as early as March while samurai bonds sometime after August. The Philippine government looks to issue a total PHP1.189tr worth of debt with 25% of the borrowing to be sourced via foreign-denominated debt.