

ASEAN Morning Bytes

General market tone: Risk-off.

Investors are likely to stay defensive as global growth concerns intensify.



EM Space: Intensifying growth concerns

- **General Asia:** Market players continue to worry about the state of the global economy with oil prices tumbling despite continued supply curbs. Meanwhile, the US announced possible tariffs on Vietnamese exports that had previously been manufactured out from South Korea and Taiwan, highlighting that the trade war could be a long drawn out episode.
- **Singapore:** Of the two manufacturing PMI releases today, the Markit measure has already been published, and shows a sharp fall to 50.6 from 52.1, only a little above contraction territory. The later release of the official measure, is likely to follow in the same direction (lower), though it is already in contraction territory, so may not fall quite as much. Further declines in that PMI could well spur thoughts of an intra-meeting adjustment of MAS's (Monetary Authority of Singapore) monetary policy. MAS Managing Director, Ravi Menon, hinted in comments yesterday that such an outcome couldn't be ruled out. Indeed, the trade war, tech war and global tech slump hanging over the entire region, we should think that waiting until the next policy-setting meeting in October to downscale the SGD appreciation path might be too long a wait for the MAS. Look out also for Singapore's electronics sector index due this evening which could throw more light on this.
- **Thailand:** The Bank of Thailand releases minutes of the June policy meeting when the

policymakers unanimously voted to leave the policy rate unchanged at 1.75%. The statement issued on the day of the meeting was pretty dovish and it was also accompanied by the downgrade of the central bank's GDP growth forecast for this year to 3.3% from 3.8%. While we see the minutes echoing the bearish tone, we do see the BoT delivering a 25bp rate cut at the next meeting in early August and another cut in the fourth quarter of the year.

- **Philippines:** The Bangko Sentral ng Pilipinas (BSP), the central bank, will be reporting money supply, bank lending, and international reserves data today. Judging from the Peso's recent strength, gross reserves likely edged higher in June from the previous month's \$85.4 bn.
- **Indonesia:** Finance Minister Indrawati sees the Indonesian economy growing by 5.2% for 2019, led by a post-election pick-up in growth in the second half of the year. The minister also forecasts 2Q growth between 5.02%-5.13% with a drag from government capital investment amid import curbs to narrow the trade deficit. She had previously hinted at central bank policy rate cuts in the near term to boost growth. We expect Bank Indonesia to consider slashing borrowing costs in the 3Q.

What to look out for: US data

- China Caixin PMI services (3 July)
- Singapore PMI (3 July)
- US ADP employment (3 July)
- US trade (3 July)
- US ISM services (3 July)
- Malaysia trade (4 July)
- Thailand consumer confidence (4 July)
- Philippines inflation (5 July)
- Taiwan inflation (5 July)
- US non-farm payroll (5 July)

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