

ASEAN Morning Bytes

General market tone: Risk-off.

Escalation of President Trump's trade war beyond China sustains the global risk-aversion



EM Space: The threat of global trade war sustains risk-off tone

- **General Asia:** Last Friday Trump threatened a 5% tariff on all Mexican shipments into the US from next week should Mexico not take measures to stem illegal migration. The US also removed “developing nation” privileges from India, effectively slapping a tariff on Indian shipments and opening up a fourth front in the trade war. With the trade war spreading across the globe, risk off tone will likely dominate.
- **Malaysia:** April trade figures due today are expected to signal a weak start to the economy in the second quarter. We consider consensus of about 2% YoY fall in exports subject to asymmetric downside risk. The finance ministry reported that the government debt fell to 75.4% of GDP in 2018 from 79.3% in the previous year as they cut back spending on investment projects by the previous government.
- **Indonesia:** S&P raised the nation's foreign currency rating to BBB on the back of positive growth prospects and given the relative stability on the political front. Incumbent President Jokowi won a fresh term after the recent election which would help him push forward with his reform agenda which could, in turn, attract fresh capital flows.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno “promised” to cut both the policy rate and reserve requirement ratios (RRR) in the coming months as inflation

decelerates. The dovish Governor did, however, indicate that the timing of such moves would be data-dependent.

What to look out for: Trade war developments, Fed speakers, US NFP

- Taiwan PMI manufacturing (3 June)
- China Caixin PMI manufacturing (3 June)
- Malaysia trade (3 June)
- US ISM PMI manufacturing (3 June)
- Fed Daly and Quarles speak (3 June)
- South Korea GDP and inflation (4 June)
- Thailand inflation (4 June)
- Euro zone inflation (4 June)
- US factory orders (4 June)
- Fed Williams speaks (4 June)
- Philippine inflation (5 June)
- Australia GDP (5 June)
- China Caixin PMI services (5 June)
- Taiwan inflation (5 June)
- US ADP employment (5 June)
- Fed Clarida, Bowman, Bostic (5 June)
- Euro zone GDP and ECB meeting (6 June)
- US initial jobless (6 June)
- US NFP (7 June)

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