

ASEAN morning bytes

General market tone: Risk-on.

A dovish Fed will likely push risk-taking behavior on Thursday with the US and China now in fresh trade talks.



EM Space: A “patient” Fed sparks risk-on tone

- **General Asia:** Powell stuck to script and then some as he also made changes to his balance sheet reduction strategy, all in all pointing to a more dovish Fed in the coming months as data will either be delayed or tainted by the government shutdown. Meanwhile, the high-level US-China trade talks enter into the second day on Thursday with investors also keen on PMI data out from China in the morning session.
- **Malaysia:** Exports surprised on the upside in December with 4.8% YoY growth, which with a slowdown in imports boosted the monthly trade surplus to over MYR10bn. Wider surplus means improved net trade contribution to GDP in the 4Q18, supporting our view of a pick-up in GDP growth to 4.6% from 4.4% in the previous quarter. If sustained, the renewed uptrend in global oil prices will be positive for the Malaysian economy and the currency this year.
- **Singapore:** 4Q18 labor report is due. The weaker activity subjects the consensus of the unchanged unemployment rate at 3Q's 2.1% to upside risk. We expect 2.2%.
- **Thailand:** December balance of payments data due today is expected to show a rebound in the current account surplus, as what happened to the customs-based trade surplus in the last month. We estimate a current surplus of \$3.9bn, larger than \$3.5bn consensus and up

from \$1.6bn in November. But the annual current surplus narrowed in 2018 to about 7% of GDP from 11% in the previous two years. This is still large enough to support the THB's outperformance, though the appreciation is likely to be capped by rising political risk in the run-up to general elections in March.

- **Indonesia:** Bank Indonesia Governor Warjiyo expects that the nation's 4Q current account deficit remained substantial at \$8bn or roughly 3% of GDP as import growth outstripped exports for the year. Warjiyo also expressed government's desire to curb import the growth further to reign in the current account deficit and that the central bank remained cautious and looked to maintain stability. Meanwhile, the national government expects growth to hit 5.3% in 2019 driven by both consumption, investment and a narrowing of the trade gap.
- **Philippines:** Philippine budget secretary Diokno indicated that 2018's deficit to GDP ratio may have exceeded the target of 3% with government spending heavily in the 4th quarter to buttress growth momentum. The secretary allayed concerns about the breach, pointing to investments in infrastructure as the main reason for moving past target.

What to look out for: US-China trade talks and China PMI data

- China PMI manufacturing and non-manufacturing (31 January)
- Thailand trade (31 January)
- India 2018 GDP (31 January)
- India FY2020 budget (1 February)
- South Korea inflation (1 February)
- Thailand inflation (1 February)
- China Caixin PMI manufacturing (1 February)
- US NFP (1 February)