

ASEAN Morning Bytes

General market tone: Risk-off.

President Trump's trade threat weighs on risk-taking while investors also are likely to tread a cautious path ahead of the Fed policy decision tonight.



EM Space: Fed warns China on trade while FOMC meets

- **General Asia:** Donald Trump warned China not to delay negotiations until the end of his term and blamed China for not following through on their promised purchase of US agricultural products. This latest outburst limits the chances for a trade deal in the near term all the while the Fed meet to plot out their direction after the expected rate cut later in the session.
- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo has kept his foot on the easing pedal at least in terms of rhetoric with his latest statement indicating “there is room for accommodative monetary policy in the future”. The BI Governor also shared that macroprudential measures remain accommodative to push loan disbursement and economic growth as a whole as Warjiyo looks to do his part in Jokowi's bid to boost sagging growth momentum. We expect further easing from the BI all the more with the Fed turning dovish although timing for such moves will depend on IDR's stability.
- **Thailand:** We have cut our 2019 growth forecast to 2.8% from 3.1% ([read more here](#)). Today's balance of payments data for June will reinforce a lopsided economy plagued by weak domestic demand even as exports are weakening. We see the current account

posting about \$5 billion surplus in June. The persistently large current surplus is frustrating the central bank's (BoT) efforts to curb the currency appreciation. A policy rate cut may help in the process and we do expect the BoT to move on that path next week.

- **Philippines:** The Philippines launched its final foreign-denominated bond offering, targeting roughly \$750 mn worth of yen-denominated debt with allowance to sell up to \$1 bn depending on demand. The "samurai" bond issuance will likely hold a 7-year tenor with the government skewing their borrowing program to 73% domestic and 27% foreign.

What to look out for: Trade talks, China data and Fed

- Korea industrial production (31 July)
- China PMI non-manufacturing and manufacturing (31 July)
- Australian inflation (31 July)
- Thailand trade (31 July)
- Taiwan GDP (31 July)
- Hong Kong GDP (31 July)
- Fed meeting (31-July 1 August)
- Korea inflation (1 August)
- Korea trade (1 August)
- Taiwan PMI manufacturing (1 August)
- China Caixin PMI manufacturing (1 August)
- Thailand inflation (1 August)
- Hong Kong retail sales (1 August)
- Indonesia inflation (1 August)
- Malaysia trade (2 August)