

ASEAN morning bytes

General market tone: Wait and watch.

Despite a dovish Fed and strong US earnings, investors will likely stay sidelined with most Asian markets shuttered for a holiday.



EM Space: Lackluster Chinese PMI numbers to dampen mood even as Fed sounds dovish

- **General Asia:** The positive vibe from the dovish undertones of select FOMC members will likely be countered by concerns about a slowing Chinese economy with the government moving quickly to stimulate the economy through tax cuts. With China and select other Asian markets shuttered, those trading will likely adopt a wait and see approach.
- **Malaysia:** Finance Minister Lim Guan Eng expects inflation to accelerate to 1.6-2.0% this year (from 1.0% in 2018) on rising global uncertainty. We think most of the increase will likely to come in the second half of the year when the GST elimination moves out of the base. However, the US Fed policy pause together with the trade war risk will likely be associated with a softer USD and strong Asian FX including the MYR, which could dampen the inflationary pressure. Our 2019 average inflation forecast is 1.6%. We expect change to the BNM policy this year.
- **Thailand:** Concerns about strengthening THB hurting growth are on the rise as strong currency doesn't align with economic fundamentals as local research, Teerana

Bhongmakapat, former dean of economics at Chulalongkorn University, pointed out. We expect the BoT policy statement this week to shed light on this issue. We expect no policy change, though we are reviewing our USD/THB forecast for a re-test of the 33-level following a change in Fed policy.

- **Indonesia:** Inflation continues to be benign in Indonesia, with the January reading for price gains slipping to 2.82% with food and clothing being the main reasons for the slight gain in prices. The January reading was lower than market expectations for a 3.0% increase, pushing investors to soak up bonds on expectations that the central bank will likely refrain from further rate hikes in the near term. With the IDR posting the second-best performance for the year among most Asian currencies, Governor Warjiyo may have the leeway to keep rates untouched for now.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) deputy governor Guinigundo dampened hopes for an early policy reversal from the BSP as the central bank looks to allow recent aggressive tightening measures to take hold. Market consensus had been building for a cut to the reserve requirement ratio and even the BSP's policy rate given tight liquidity conditions and slowing growth. The BSP meets on the 7th with the market expecting no adjustment to the policy at their first meeting for 2019.

What to look out for: US data dump, ASEAN central bank meetings

- US GDP and core PCE (4 February)
- Philippine inflation (5-6 February)
- Australia policy meeting (5 February)
- US ISM non-manufacturing PMI and retail sales (5 February)
- Thailand policy meeting (6 February)
- US Trade balance (6 February)
- Indonesia 4Q 2018 GDP (6 February)
- Philippines policy meeting (7 February)
- India policy meeting (7 February)
- Bank of England meeting (7 February)

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