

ASEAN morning bytes

General market tone: Risk-off.

Concerns about global growth continue to build on the back of weak manufacturing report from the US. The Asian markets are taking a cue from the overnight sell-off in the US.



International theme: Manufacturing in major economies sputter

- Investors are expected to remain defensive with Apple adding to expectations for weaker demand from China in the coming months. In addition, disappointing manufacturing data appears to have infected the US with traders looking to the trio of Fed chairs, past, and present who speak later on Friday.

EM Space: Risk aversion dominates in Asian emerging markets

- **General Asia:** With Apple slashing its earnings outlook on expectations of poor sales from China, Asian suppliers to the Apple supply chain will likely take a hit on Friday. General risk aversion will most possibly be the theme on Friday.
- **Malaysia:** November trade data is due. An outsized monthly jump in exports in October is expected to have retraced while falling commodity prices also weighed on growth. This has likely dented annual export growth to low single-digits in November from 18% recorded in the previous month. Yet about 15% year-to-date growth in the USD-denominated exports was an impressive performance among Asian countries. Weak global demand and lower oil

price cloud outlook for the economy and the Malaysian ringgit in 2018.

- **Singapore:** The overall manufacturing activity continued to expand in December though at a slower pace while electronics continued to be the weak link. The headline PMI index fell to 51.1 in the last month from 51.5 in November. The electronics sector PMI remained in the sub-50 contractionary territory for the second straight month.
- **Thailand:** Earlier this week we flagged our doubt about general elections scheduled on 24 February actually taking place on that date. And indeed Deputy Prime Minister Wissanue Krea-ngam said yesterday that the poll could be delayed to avoid the elections process from clashing with the royal coronation in early May. He also pointed to delay in the royal decree calling for an election from its scheduled publication this week. The political uncertainty will be one of the key driving themes for local markets this year.
- **Indonesia:** The central bank was active for a second straight day on Thursday with the IDR vulnerable to risk-off sentiment sparked by fears of slowing global economic growth. Bank Indonesia's executive director for monetary management indicated that monetary authorities were intervening to support the IDR in the local non-deliverable forward market. With inflation in Indonesia benign, BI's main focus will be on maintaining IDR stability in the coming months.
- **Philippines:** Data on December 2018 inflation will be reported later in the morning session with Bloomberg consensus estimates at 5.6% as food and energy prices trek lower. Falling crude oil prices have been quickly reflected in Philippine pump prices which convinced the government to walk back its previously announced transport fare adjustment. Should inflation continue to edge lower and return to target by 2Q, the BSP will likely reverse its previously hawkish stance by slashing borrowing costs as early as the May 9 meeting.

What to look out for: US NFP report

- Philippines inflation (4 January)
- China Caixin PMI services (4 January)
- Malaysia trade data (4 January)
- Thailand GIR (4 January)
- EZ inflation (4 January)
- US NFP (4 January)