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ASEAN morning bytes

General market tone: Risk-off.

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International theme: Risk sentiment evaporated on persistent uncertainty on US-China deal

- Global markets pulled back on Tuesday after the US Treasury yield curve flipped with the 3-year bond yield rising over longer-dated Treasuries on growth concerns.
- Fed Vice Chair Williams broke away from the script, signaling that the Fed would remain hawkish as the economy "was on a strong path" affording the Fed to hike rates "over the next year or so".
- Investors still await details of the US-China 90-day truce while the US enters a day of mourning.

EM Space: Emerging markets likely to track the sell-off

- **General Asia:** Investors will likely take their cue from the global anxiety on US Treasury yield curve inversion and on the lack of details from the US-China 90-day truce agreement. The markets now brace for possible slowing global growth with investors likely

staying defensive on Wednesday, awaiting more details on US-China trade, the OPEC meeting on the 6 December, and the US jobs numbers out on Friday.

- **Malaysia:** October trade data are due. A sharp fall in oil price since October imparts downside risks to the consensus export growth estimate of 5.8% YoY (ING estimate is 4.6%). We believe 2.7% fall in imports in September was a one-off and the expected swing to 3% growth in October will drag the trade surplus down from a decade high MYR15.3bn in September. While recent plunge in oil price is negative for the MYR, Malaysia's external payments position still continues to be currency-friendly.
- **Thailand:** Bloomberg quoted Pimchanok Vonkorpon, the director general of trade policy and strategy, as saying that about 1% inflation is the appropriate level for the current state of the economy. 1% is the low end of the BoT's 1-4% target range for inflation. Aside from brief spikes inflation has barely moved above this level since 2015, nor do we see any strong reasons for it to do so in 2019. As such, the case for the BoT leaving the policy on hold in the near-term remains strong.
- **Indonesia:** Indonesia floated $3bn worth of foreign denominated bonds to pre-fund 2019 budget requirements, showing Indonesia's "strong commitment to increase the liquidity of dollar-denominated bonds", according to the Finance Ministry. Indonesia will sell $750 million worth of 5-year, $1.25bn of 10-year and $1bn worth of 30-year paper on 11 December, which may help the IDR strengthen further into the year-end.
- **Philippines:** November inflation is due today with the market looking at a 6.3% rise in prices from the same period in 2017, slower than 6.7% rise in October. We think improved supply conditions contributed to lower food and transport prices. Lower inflation should allow the central bank (BSP) to leave the policy on hold in December.

What to look out for: OPEC meeting

- Taiwan inflation (5 December)
- India RBI meeting (5 December)
- Philippines inflation (5 December)
- US ISM PMI non-manufacturing (6 December)
- OPEC meeting (6 December)a

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