

ASEAN Morning Bytes

General market tone: Wait and see.

Investors may opt to pull back and turn defensive on Tuesday after China sets a relatively low GDP target.



EM Space: Market players may decide to stay sidelined to await US labor market data on Friday.

- **General Asia:** Speculation that both the US and China are close to signing a deal will keep market players slightly upbeat with some reports indicating that a signing summit could take place as early as mid-March. Meanwhile, investors will also be looking to the slew of economic data reports, the ECB meeting and developments on Brexit for direction.
- **Malaysia:** Central bank (BNM) announces its monetary policy decision today at 3 pm local time. All 22 analysts in the Bloomberg survey (including us) forecast no change to the policy rate of 3.25%. Yet, we won't be surprised if the BNM moves to cut rates given that the high level of real interest rates allows room for such a pre-emptive move to revive inflation as well as support growth in the face of external risks ([here is more](#)).
- **Thailand:** Bank of Thailand Assistant Governor Vachira Arromdee said that the central bank intervened to curb the excessive strengthening of Thai baht (THB) than suggested by economic fundamentals. He expects the currency to remain volatile going forward. We see political noise ahead of the general elections on 24 March causing excessive volatility in the

local financial assets and the currency.

- **Indonesia:** Bank Indonesia's (BI) Governor maintains that the IDR has been undervalued given the economy's fundamentals, which are set to improve even further in the coming months. Governor Warjiyo believes that the currency will be stable in the future even as he expects at least one rate hike from the Fed in 2019. As such, Warjiyo indicated that rates are currently close to peak and that the central bank would look to boost the economy by shoring up liquidity in the market to support growth.
- **Philippines:** February inflation will be reported later in the morning session with the Bloomberg median estimate showing that inflation will likely settle at the top-end of the BSP's 2-4% target. Legislation allowing the free flow of rice imports coupled with benign oil prices will continue to push the headline print lower with the BSP afforded some leeway to ease back on policy, either through reserve cuts, policy rate reductions, or both.
- **Philippines:** President Duterte yesterday announced the appointment of his Budget Secretary, Benjamin Diokno, as the new central bank (BSP) governor. Diokno is a career fiscal policy manager and his tenure as BSP chief may signal expansionary monetary policy with less emphasis on inflation. Diokno has also been on record in the past in favor of a weaker currency.

What to look out for: US jobs data and China trade

- South Korea GDP and inflation (5 March) GDP: 3.1% Inflation 0.5%
- Philippines inflation (5 March)
- China Caixin PMI composite (5 March)
- Australia RBA meeting (5 March)
- Malaysia BNM meeting (5 March)
- US ISM Manufacturing services (5 March)
- Australia GDP (6 March)
- Taiwan GIR (6 March)
- US ADP employment and trade (6 March)
- Fed Barkin speech (6 March)
- Australia retail sales and trade (7 March)
- Malaysia GIR (7 March)
- EZ GDP and ECB meeting (7 March)
- Fed Williams and Mester speech (7 March)
- Japan GDP (8 March)
- Taiwan trade and inflation (8 March)
- US NFP employment (8 March)
- China trade (8 March)