

ASEAN morning bytes

General market tone: Risk-off.

Market players will remain defensive on Friday with investors looking to the final OPEC decision on output curbs while digesting signals of a more dovish Fed



International theme: An arrest, a deferred output cut, and a dovish Fed

- Investors will be digesting the recent developments with the outlook on the US-China trade negotiations clouded by the arrest of a top Chinese business leader.
- OPEC decided to defer definitive output cuts until after speaking with Russia, while traders will also likely be cautious after gauging the veracity of a report signaling a more dovish Fed.

EM Space: Expect bargain hunting, though gains to be capped on caution

- **General Asia:** Bargain hunting may lift battered indices but gains will be capped given negative overhang from the China-US trade negotiations and the uncertainty over the OPEC supply cuts. The dovish Fed story may also foment a rally in Asian FX but traders will likely tread lightly while gauging the veracity of the report.
- **Thailand:** The University of Thai Chamber of Commerce's Consumer Confidence Index fell to

a six-month low of 80.5 in November. More reasons for the BoT to leave policy on hold at the December meeting. In an interview to local media, Governor Veerathai Santiprabhob expressed worries about financial stability amid persistent drag on the economy from high household debt. It's hard to imagine that the central bank will want to risk even more downside by raising rates, which will hurt households more than most other sectors.

- **Indonesia:** Indonesia reported data on consumer confidence with the latest reading showing a more optimistic outlook in November as local markets rallied and the IDR recovered. All sub-indices recovered as inflation remained in check and the currency appreciating almost 6% for the month but the swoon of the IDR in December may reverse the optimistic outlook and keep Bank Indonesia hawkish.
- **Philippines:** Business confidence dipped to 27.2 in 4Q, down from the previous print of 30.1 as investors turned skittish to close out the year. Respondents cited soaring inflation, a weaker exchange rate, elevated borrowing costs, weak volume of sales orders, and lack of raw material supply as their reasons for being less optimistic. Consumers were likewise also pessimistic with the index dropping to -22.5 from -7.1 previously, the lowest level since 4Q 2014. The less optimistic view from both consumers and businesses may point to slowing economic growth in the 4Q of the year. We expect the BSP to pause tightening at the December meeting.

What to look out for: international reserve numbers, OPEC final decision

- Malaysia GIR (7 December)
- Philippines GIR (7 December)
- Thailand GIR (7 December)
- US non-farm payrolls (7 December)
- US consumer confidence (7 December)

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