

ASEAN morning bytes

General market tone: Slight risk-on.

Investor sentiments remain mixed given the lack of fresh leads although bargain hunting may lead to slight gains.



EM Space: Market looking for direction with eye still on US-China trade negotiations

- **General Asia:** Market will likely move sideways with an upward bias as investors are still grappling for direction amid lack of fresh developments.
- **Indonesia:** Indonesia posted a better-than-expected 4Q growth of 5.18% to lift full-year growth to 5.17%, supporting President Jokowi's re-election bid in the upcoming elections scheduled for April. Consumption helped offset a substantial trade gap. The economy is seen to enjoy better economic prospects in 2019 with consumption receiving a boost from cash transfers and with the trade deficit likely to narrow given the government's efforts to curb imports.
- **Thailand:** As widely expected, the Bank of Thailand left policy rate at 1.75% yesterday noting that "accommodative monetary policy would remain appropriate in the period ahead". Two policy committee members still voted for a 25bp rate hike. The policy statement revealed no concern about strong THB appreciation threatening exports; 4.2% year-to-date currency appreciation is the most among Asian currencies. We remain of the

view that the BoT will leave policy on hold throughout 2019, but we are reviewing our call of the USD/THB rising to 33 on rising political risks.

- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) holds a policy meeting today with market expectations pointing to the central bank leaving rates unchanged. January inflation of 4.4%, a sharp slowdown from 5-6% in the second half of 2018, gives the central bank more reason to pause after hiking very aggressively to nip inflation in 2018. Market participants will be looking for changes in BSP's tone as well as any surprise cuts to the reserve requirement ratios (RRR) after Governor Espenilla indicated that recent inflation trends give BSP some "scope" to cut the RRR.

What to look out for: Central bank meetings

- Philippines policy meeting (7 February)
- India policy meeting (7 February)
- Bank of England meeting (7 February)

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