

## ASEAN morning bytes

General market tone: Slight risk-on.

Market players continued to place their hopes on the ongoing US-China trade for some positive breakthrough, while some clarity about the US government operations is awaited at President Trump's national address



### International theme: All eyes remain on US-China trade talks

- Bargain hunting lifted stocks further overnight with risk sentiment improving given hopes for a US-China trade deal. Meanwhile, oil prices continue to trudge higher, seemingly unnoticed with benchmark Brent crude oil up 9.14% for the year at \$58.72/barrel.

### EM Space: World Bank trims EM growth outlook due to trade tensions

- **General Asia:** Risk sentiment remains on the mend despite the downward revision by the World Bank of its global growth forecast (2.9% from 3.0%) for 2019 just as US President tweeting about the current trade talks in Beijing as “going very well”.
- **Malaysia:** The Moody's sees Malaysia's GDP growth slowing to 4.7% in 2019 and further to 4.5% in 2020, below the 2015-18 average rate of 5%, but no threat to the country's A3/Stable sovereign rating. The agency noted ‘large and diversified economy with healthy

medium-term growth prospects, and relatively high government debt partially offset by a favorable debt structure and large domestic savings' as supportive of sovereign credit profile. The renewed uptrend in crude price comes as a boost to the economy and this has driven the Malaysian ringgit to a 4-month high of 4.11 against the USD.

- **Indonesia:** Indonesia will likely struggle to hit its growth target of 5.3% for 2019 according to finance minister Sri Indrawati. The government, however, remains confident that momentum remains intact and that growth will still likely be above 5%. Meanwhile, the minister indicated that the government will be monitoring global growth trends and look to possible fallout from the US-China trade war for direction.
- **Philippines:** Domestic liquidity conditions remain relatively tight with the central bank reporting 8.4% money supply growth for November, the 3rd straight month of single-digit growth. With short-term rates remaining elevated and inflation slowing, this could be the opening for the BSP to conduct the first of its much-anticipated reserve requirement cut as early as the 1Q meeting. Meanwhile, bank lending posted strong double-digit growth of 16.8% but this was the slowest pace of expansion since early 2016 as 175 bps BSP rate hike sapped some demand for loans.

## What to look out for: Fed chatter and minutes, US-China trade talks

- Fed Evans speaks (9 January)
- US Fed Rosengren speaks (10 January)
- US Fed meeting minutes (10 January)
- Philippines trade (10 January)
- Fed Powell speaks (11 January)
- Fed Bullard, Evans and Clarida speak (11 January)

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