

ASEAN Morning Bytes

General market tone: Wait and see.

Asian markets will likely tread water on Tuesday ahead of Fed Chairman Powell's testimony.



EM Space: All eyes on Fed Chairman Powell's congressional testimony

- **General Asia:** Investors will likely opt to keep to the sidelines ahead of Fed Chairman Powell's testimony to the Congress as hopes for deep rate cuts are being scaled back. With the data release calendar thin before Wednesday, anxiety has built up and will likely keep investors from making any substantial bets.
- **Malaysia:** Bank Negara Malaysia, the central bank, announces its monetary policy decision at 3 pm local time. We are part of the solid consensus forecasting no change to the BNM policy. In a pre-emptive move at the last meeting in May, the BNM cut its policy rate by 25bp to 3.00%. And just It has also eased guidelines for bank lending to SMEs. The economy is holding up well with growth likely picked up in 2Q from 4.5% in 1Q. And inflation continues to be negligible, allowing plenty of space for more easing if required though we believe the BNM will preserve this space for the future.
- **Indonesia:** Growth targets in Indonesia have been lowered for 2020 to 5.2-5.5% (from 5.3-5.6%) given the current global outlook on the US-China trade war. Meanwhile, the government expects the IDR to trade within the 14,000-14,500 range next year while

inflation will settle within the 2-4%.

- **Thailand:** The Bank of Thailand Governor Veerathai Santiprabhob told media yesterday that the central bank was ready to adjust policy, noting that the benchmark rate could go up or down depending on what the central bank sees suitable for the economy. The economy is sputtering and the next move in the BoT policy rate will be down, in our view. We anticipate two 25bp cuts to the policy rate in August, and in the fourth quarter, taking it to 1.25% by end-2019. Echoing our view, the World Bank has warned prolonged political uncertainty as being a key risk for the economy ahead (see our "[Political stalemate hurts Thailand's economy](#)").
- **Philippines:** Government spending rose 6% YoY in May following the passage of the spending bill. However, the year-to-date spending is still down by 0.8% YoY, dragged down by 4% contraction in infrastructure spending, a key component to the administration's flagship build-build-build agenda. We expect sustained soft spending growth pushing the central bank for another policy rate cut in August.

What to look out for: Fed speakers, US inflation data

- Malaysia BNM meeting (9 July)
- US JOLTS jobs opening (9 July)
- China money supply (9 July)
- China trade (10 July)
- Fed Bostic and Powell speak
- Philippines trade (10 July)
- US wholesale inventories (10 July)
- FOMC meeting minutes (11 July)
- Fed Bullard speaks
- US inflation (11 July)
- Singapore GDP and retail sales (12 July)
- Malaysia industrial production (12 July)
- Japan industrial production (12 July)
- India inflation (12 July)
- US PPU (12 July)
- China trade (12 July)

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