

ASEAN Morning Bytes

General market tone: Wait and see.

The markets will continue to move sideways and digest data from the US and the latest geopolitical developments.



EM Space: US-NoKor summit ends abruptly, US GDP comes in higher than expected

- **General Asia:** US officials continue to blow hot and cold over developments on trade with China while the US economy performed better than expected and close to Trump's 3% target for the year. These developments should keep traders on their toes, given that trade issue with China remains unresolved while a stronger economy could mean the Fed rethinks its dovish stance.
- **Thailand:** The consensus of a rise in CPI inflation to 0.6% YoY in February from 0.3% in January rests on the low base effect. Inflation hasn't met the BoT's 1-4% target on a sustained basis in the last many years and we doubt it will this year. Besides the lack of demand-pull pressure, the strong currency has dampened imported inflation. We also see the risk of the Nikkei manufacturing PMI falling below 50 in February. Given the continued hawkish tone, we see little chance of the BoT easing this year, though we aren't ruling out a tale risk if other Asian central banks shift on the easing path.
- **Malaysia:** Nikkei Malaysia manufacturing PMI has been below the 50 boom-bust threshold

since October and likely remained there in February as weakening exports weighed down manufacturing.

- **Indonesia:** Bank Indonesia (BI) Governor Warjiyo pledged to provide liquidity and supply banks ample funds to shield them from the impact of their 175 bps rate hike in 2018. Warjiyo has centered his policy making on keeping the IDR stable, indicating his belief that the currency is currently undervalued and it could strengthen further. Indonesia also reports inflation later in the session with the market expecting February price gains to settle at 2.75%, well within the 2.5-4.5% target.
- **Philippines:** The central bank reported domestic liquidity growth slid to 7.6%, the 5th straight month of a single-digit growth and the slowest print since 2012 as liquidity conditions tightened. This could give the BSP some indications that a reserve requirement ratio (RRR) cut would be warranted in the near term, especially with its forecast of inflation settling between 3.7% and 4.5% in February.

What to look out for: US data dump

- Thailand inflation (1 March)
- Indonesia inflation (1 March)
- US core PCE (1 March)
- US PMI (1 March)