

## Asia week ahead: Trade ends 2018 on a weaker note

So far, the December data out from the region has indicated that 2018 has ended on a weaker note for Asian trade. The message from the raft of trade data out next week is unlikely to be any different



Source: Shutterstock

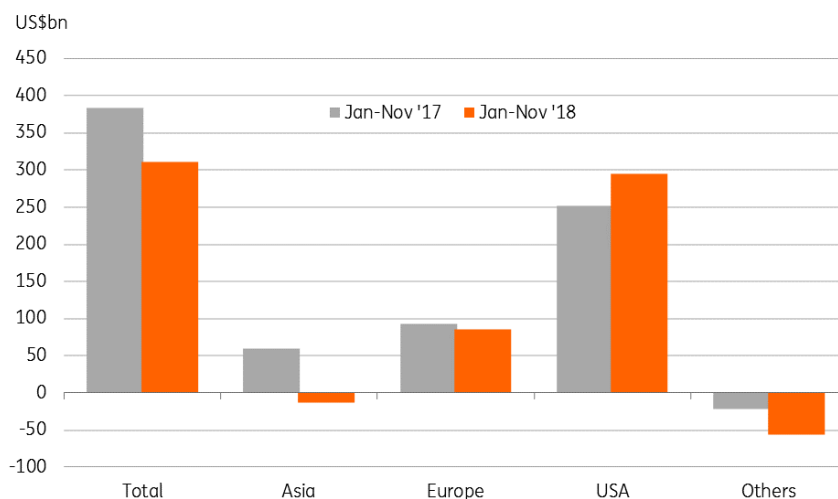
### ➔ Trade data dominates calendar

The week kicks off with trade data from China, followed by India, Indonesia, and Singapore.

Given that both, Korea and Taiwan posted negative export growth numbers last month, we can infer that the consequences of the US-China trade war are slowly working their way through the regional and expect upcoming trade releases to reinforce the impact.

Undoubtedly, China data will be watched closely as the latest round of trade talks have ended on a positive note but without much material progress. Will there be anything in this report to cheer President Trump? Nothing really at all. Judging by China's ongoing widening trade surplus - one month's figures aren't going to make any dent. China's trade surplus with the US surged 17% in the first 11 months of 2018 from a year ago even as the total trade surplus was 19% lower on the year.

## China's swelling trade surplus with the US



Source: CEIC, ING

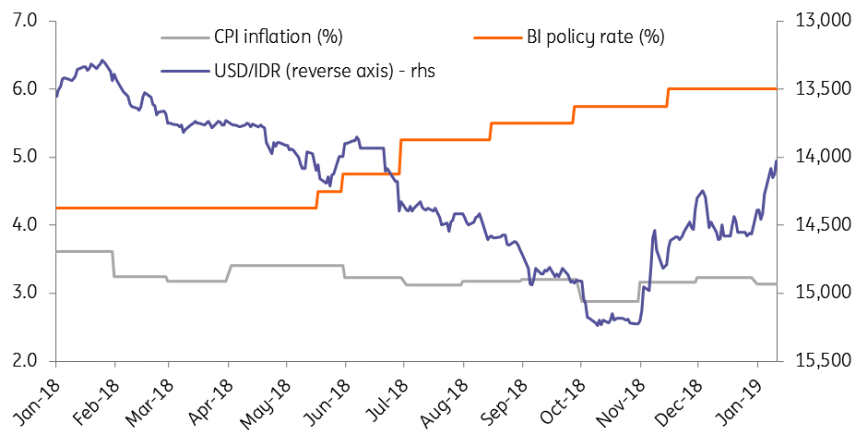
## ➔ Indonesian central bank to leave policy on hold

Indonesia's central bank will meet next week (17 January), and we expect another pause this month after the Bank paused tightening in December following a cumulative 175 basis point hike since last May.

The central bank's tightening was mostly geared toward supporting the currency during the emerging market volatility spikes, while inflation had been well-behaved. 2019 has started on a positive note for the Indonesian rupiah with 1.9% appreciation against the USD so far - the most among the Asian lot, warranting no change to the policy. However, the elevated trade deficit reinforces the currency's continued vulnerability to potential emerging market routs and the increased political risks domestically.

We don't think the central bank's tightening cycle has ended just yet, which is why we forecast one more 25bp hike to 6.25% later in the current quarter before a lasting policy pause.

## Indonesia's tightening cycle isn't over just yet



Source: Bloomberg, ING

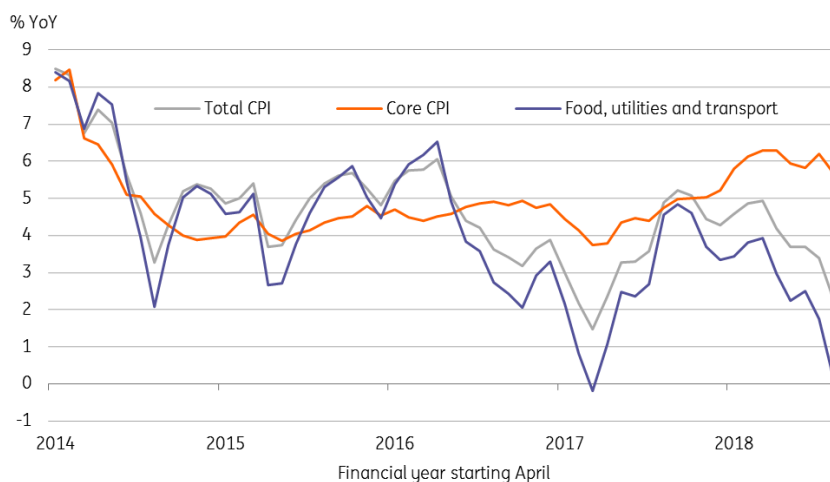
### ➔ No respite for the Indian rupee

Like Indonesia, India's high trade deficit hangs over the Indian rupee. But unlike the rupiah, the rupee retains its position of Asia's most underperforming currency coming into 2019. And there is nothing in the forthcoming economic data altering this state of affair.

Under the new governor, the central bank of India has upped its ante towards monetary easing to boost growth as the government wants before the elections in May this year. The consumer price data continues to be friendly for such a policy shift; we estimate CPI inflation to nudge further downwards to 2.2% year-on-year on lower food and energy prices in December.

We have now come to the view that the central bank will keep rates on hold throughout 2019, revised from our earlier view of two 25bp rate hikes in the second half of 2019. However, we won't be surprised by a cut either, given the odds of such a move before elections have now increased. We continue to see the rupee trading up to the 73 levels against the USD in this current quarter.

## India: Sharp deceleration in food and energy inflation



Source: CEIC, ING

## Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
<b>Monday 14 January</b>					
China	-	Dec Trade Balance (US\$bn)	59.7	51.1	44.7
	-	Dec Exports (YoY%)	2.6	2.0	5.4
	-	Dec Imports (YoY%)	0.0	4.0	3.0
India	0630	Dec WPI (YoY%)	4.5	4.5	4.6
	1200	Dec CPI (YoY%)	2.2	2.2	2.3
<b>Tuesday 15 January</b>					
India	-	Dec Trade Deficit (US\$bn)	-16500.0	-14500.0	-16670.7
	-	Dec Exports (YoY%)	4.8	-	0.8
	-	Dec Imports (YoY%)	7.0	-	4.3
Indonesia	0400	Dec Exports (YoY%)	0.1	-	-3.3
	0400	Dec Imports (YoY%)	6.3	-	11.7
	0400	Dec Trade Balance (US\$m)	-2010.0	-	-2050.0
Philippines	-	Nov OCW Remittances (YoY%)	5.3	-	8.7
<b>Thursday 17 January</b>					
Indonesia	-	BI Policy Decision (7-day reverse repo, %)	6.0	-	6.0
Singapore	0030	Dec Non-oil Domestic Exports (MoM% SA)	-4.4	-	-4.2

Source: ING, Bloomberg, \*GMT

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