

Asia week ahead: Is this what calm after the storm looks like?

After the escalation of the trade and currency war unleashing a whole load of central bank policy easing in Asia this week, markets may get some room to breathe in a slightly shorter week ahead. Don't hold your breath though, there are plenty of data releases which could sustain volatility, particularly in China and India



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➔ China: Still, steady as she goes

This week saw a further escalation in trade tensions, further diminishing hopes of the two sides returning to the negotiation table in September. The next event risk could be a hike in the newly-

announced 10% US tariffs on \$300 billion of Chinese goods, (which are due to come into effect in September) to 25%, or even more as President Trump has hinted.

Despite all of this, the Chinese economy, especially exports have been performing quite well. Following slightly better manufacturing PMI for July, an [unusual export bounce](#) in July asserts this view, while also sustaining the upside potential for the rest of July economic data next week. Hence the above-consensus growth forecasts by our Chinese economist Iris Pang, who expects manufacturing to rise by 6.5%, fixed asset investment by 6%, and retail sales by 9.5% (consensus 6.0%, 5.9%, and 8.6% respectively). Meanwhile, July monetary data due any time from now until 15 August should reinforce that the authorities aren't letting their guard down in providing the necessary fiscal stimulus.

[China: Exports better than expected with unusual jump in some items](#)

➔ India: Test of RBI's aggressive easing

India's forthcoming manufacturing, trade, and inflation releases will be gleaned in the light of [RBI's additional rate](#) cut this week. Like China, India's 2% export growth in the first half of 2019 - the fastest among Asian countries - testifies that the Indian economy is performing well despite external headwinds, while stimulatory economic policies support domestic spending. As this holds a line under GDP growth, rising food price inflation has already begun to drive headline consumer price inflation higher.

With the escalation of border tensions undermining growth prospects further, we can't rule out RBI cutting rates further this year. We now pencil in additional 50 bp easing by year end, replacing our stable policy view.

So far economic data conforms to our view that the economy has had enough stimulus and the latest RBI rate cut wasn't really required. However, coinciding with the RBI meeting, the events about the disputed state of Kashmir may have had government's heavy hands in the RBI's unexpectedly big, 35 basis point rate cut decision this week. With the escalation of border tensions undermining growth prospects further, we can't rule out RBI cutting rates further this year. We are now pencilling in additional 50 bp easing this year, replacing our stable policy view.

[India's RBI cuts more than consensus by 35bp](#)

➔ The rest of Asia: Reeling under export weakness

July trade figures from Singapore and Indonesia will inform on the growth of these economies coming into the third quarter of the year. Singapore seems to be the weakest link in export performance in Asia with contraction in non-oil domestic exports now running in high teens (-17% YoY in June, -20% ING forecast for July). If so, any recovery from a sharp GDP slowdown in the second quarter would be a far cry, though we estimate a slight upward revision to 2Q growth to 0.2% YoY from 0.1% in advance report. Our Singapore watcher, Rob Carnell, sees this week's [sharp](#)

[fall in the 3-month SIBOR](#) (Singapore interbank offer rate) as a clue to the imminent off-cycle central bank policy easing.

However, alongside China and India, Malaysia is also another notable exception to the export-led GDP slowdown, as what we expect the country's GDP report for 2Q to reveal next week. Relatively firmer exports and manufacturing growth led us to raise our 2Q GDP growth forecast to 4.8% from 4.6%, following a brief slowdown to 4.5% in the previous quarter.

Also due next week is Malaysia's inflation data for July, which is likely to underscore the lack of inflation pressures, allowing the central bank to cut rates in the event that growth deteriorates. That's not quite our baseline though, with a forecast of stable BNM policy maintained for now.

[Singapore short term rates drop](#)

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Monday 12 August					
China	-	Jul Aggregate finance (Yuan bn)	1862.9	1625	2262.9
	-	Jul Financial institution loans (Yuan bn)	1400	1275	1663.6
	-	Jul Money supply (M2) (%YoY)	8.5	8.4	8.5
Tuesday 13 August					
India	1300	Jul CPI (YoY%)	3.4	3.1	3.2
	-	Jul Exports (YoY%)	-5.5	-	-9.7
	-	Jul Imports (YoY%)	-4.5	-	-9.1
	-	Jul Trade deficit (US\$bn)	-18.0	-15.2	-15.3
Singapore	0100	2Q F GDP (QoQ Annualised/ YoY%)	-2.9/0.2	-/-	-3.4/0.1
Wednesday 14 August					
China	0300	Jul Fixed asset investment (YTD YoY%)	6.0	5.9	5.8
	0300	Jul Industrial Production (YoY%)	6.5	6.0	6.3
	0300	Jul Retail Sales (YoY%)	9.5	8.6	9.8
India	0730	Jul WPI (YoY%)	2.0	1.9	2.0
South Korea	0000	Jul Unemployment rate (SA%)	4.1	-	4.0
Thursday 15 August					
China	0230	Jul 70-cities New home prices (% YoY/MoM)	10.5/0.5	-	10.8/0.7
Indonesia	0500	Jul Exports (YoY%)	-7.1	-	-9.0
	0500	Jul Imports (YoY%)	-16.2	-	2.8
	0500	Jul Trade balance (US\$m)	-205	-	196
Philippines	-	Jun OCW remittances (YoY%)	-0.1	-	5.7
Friday 16 August					
Hong Kong	0930	2Q F GDP (Q) (QoQ SA, YoY%)	-0.6	-/-	-0.3/0.6
	0930	Unemployment rate	2.9	-	2.8
Malaysia	0500	Jul CPI (YoY%)	1.5	-	1.5
	0500	2Q GDP (QoQ SA, YoY%)	0.9/4.8	-/-	1.1/4.5
	0500	2Q Current account (Q) (MYR bn)	5.3	-	16.4
Singapore	0130	Jul Non-oil domestic exports (MoM SA, YoY%)	3.9/-20.0	-/-	-7.6/-17.3

Source: ING, Bloomberg, *GMT

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