

## Asia week ahead: Deal, no deal, or extended truce

Two key events that will push everything else into the background next week – the deadline to reach a deal on US-China trade conflict and the second Trump-Kim summit



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### ➔ US-China trade truce ends, or it doesn't?

One more week before we wake up to the 1 March deadline that marks the end of the trade truce between the US and China. It's not a hard deadline as President Trump recently suggested before the last round of talks currently taking place in Washington. We think this round of talks is unlikely to be the last round, given the scepticism, and with both sides miles apart - an extension of the

truce appears to be the most likely outcome.

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*I can't tell you exactly about timing. The date is not a magical date because a lot of things are happening. We'll see what happens. - President Trump*

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For now, markets should take comfort in the fact that both sides are aiming for a deal, have started to outline it, and are working out agreements on the stickier issues. Nothing concrete yet, and we may not see anything until the next Trump-Xi meeting later in March.

Aside from the looming deadlines, the focus will be on China's Purchasing Managers Index data. The Lunar New Year holiday slack imparts downside risk to the consensus of little-changed manufacturing PMI from the January reading of 49.5.

### ➔ **The second Trump-Kim Summit may not be the last either**

The second Trump-Kim Summit takes place in Hanoi, Vietnam, on 27-28 February, and this too is unlikely to be the last meeting between the two leaders aiming to end North Korea's nuclear programme. There was little progress after the Singapore summit, with no significant indications by North Korea for complete de-nuclearisation, while President Trump seems to be in no rush to achieve it either as the US sanctions on North Korea continue.

Like the Singapore meeting, we may end up with too much fanfare and not any meaningful advance. However, the news that the North Korean leader is prepared to shut a main nuclear facility is a hopeful sign.

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*We're in no rush whatsoever, we're going to have our meeting... we'll see what happens and I think ultimately we're going to be very successful. - President Trump*

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The Trump-Kim summit is likely to overshadow economic news from South Korea where lots of activity data including business confidence and exports, as well as the central bank meeting is scheduled. Latest export data with deepening contraction isn't good news for the Bank of Korea after having hiked the policy rate by 25 basis points in late 2018. Our base case is a stable central bank policy well into 2020.

### ➔ **Things aren't looking too great for Asia's growth numbers**

Aside from February manufacturing PMI from the region, January industrial production data will be a guide to GDP growth in the first quarter, as weakening exports weigh down manufacturing and GDP growth.

Meanwhile, Hong Kong and India are the last Asian countries to report fourth-quarter GDP data for

2018, and we expect them to join the majority of regional countries who have posted slower growth. In our view, if India gets 6.6% GDP growth in 4Q18, this won't be great news for Prime Minister Modi just before the election, though it would validate the central bank's policy rate cut earlier this month.

6.6%

India's GDP growth in 4Q18

ING Forecast

## Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
<b>Monday 25 February</b>					
Philippines	-	Dec Budget Balance (PHP bn)	-	-	-39.1
Singapore	0500	Jan CPI (YoY%)	0.4	-	0.5
	0500	Jan CPI Core (YoY%)	1.8	-	1.9
South Korea	2100	Feb BoK Consumer Sentiment Index	97.0	-	97.5
<b>Tuesday 26 February</b>					
Hong Kong	0830	Jan Exports (YoY%)	5.0	-	-5.8
	0830	Jan Imports (YoY%)	-1.0	-	-7.0
	0830	Jan Trade Balance (HK\$ bn)	-10.6	-	-51.2
Singapore	0500	Jan Industrial production (MoM/YoY%)	1.5/-2.4	-/-	-5.6/2.7
Taiwan	0800	Jan Industrial production (YoY%)	-3.0	-	-1.2
	0820	Jan Money Supply (M2) (YoY%)	3.1	-	3.1
South Korea	2100	Mar BoK Business Survey Index, mfg	63.3	-	65.0
	2100	Mar BoK Business Survey Index, non-mfg	69.0	-	70.0
<b>Wednesday 27 February</b>					
Hong Kong	-	FY2019 Budget			
	-	4Q GDP (Q) (QoQ, SA/YoY%)	-/2.2	-/-	0.1/2.9
Thailand	-	Jan Manufacturing Index (YoY%)	1.5	-	0.8
South Korea	2300	Jan Industrial Production (MoM/YoY%)	0.2/-6.4	-/-	-1.4/1.6
<b>Thursday 28 February</b>					
China	0100	Feb Non-manufacturing PMI	54.5	-	54.7
	0100	Feb Manufacturing PMI	49.0	-	49.5
India	1200	4Q GDP (Q) (YoY%)	6.6	-	7.1
	1200	2019 GDP Annual (YoY%)	-	-	7.2
	-	Jan Fiscal Deficit (INR crore)	-	-	-15168.0
South Korea	-	7-Day Repo Rate	1.75	-	1.75
Taiwan	-	Peace Day Holiday			
Thailand	0730	Jan Current Account Balance (US\$bn)	3.7	-	5.0
<b>Friday 1 March</b>					
China	0145	Feb Caixin Manufacturing PMI	48.0	-	48.3
	-	End, or Extension, of Trade Truce with US			
India	0500	Feb Nikkei Manufacturing PMI	53.5	-	53.9
Indonesia	-	Feb CPI (YoY%)	3.0	-	2.8
	-	Feb CPI Core (YoY%)	-	-	3.1
Thailand	0030	Feb Nikkei Manufacturing PMI	49.8	-	50.2
	0400	Feb CPI (YoY%)	0.5	-	0.3
	0400	Feb CPI Core (YoY%)	0.7	-	0.7
Malaysia	0030	Feb Nikkei Manufacturing PMI	47.5	-	47.9
South Korea	0000	Feb Exports (YoY%)	2.9	-	-5.8
	0000	Feb Imports (YoY%)	5.8	-	-1.7
	0000	Feb Trade Balance (US\$mn)	4718.0	-	1294.0
	-	Independence Day Holiday			

Source: ING, Bloomberg, \*GMT