

Asia week ahead: How will Malaysian markets react to a political shift?

Politics may overshadow economics and markets in Malaysia and India, while hopes rise of a breakthrough in the second round of Sino-US trade talks



➔ Malaysia – Are markets caught off guard?

Sentiment in Malaysian markets next week will be driven by the surprise outcome of the general election held on Wednesday, 9 May ([see “Malaysia: Mahathir returns, uncertainty lingers” for more](#)). Due to a public holiday on the remaining days of this week, investors had no chance to react and have been forced to wait until markets re-open on Monday, May 14. We anticipate the knee-jerk reaction to be more negative than positive, as investors had been pricing in continuity of previous government policy, and the unexpected voter verdict has caught them off guard.

The Malaysian currency (MYR) has lost 2.2% against the US dollar since early April. We expect weakness to continue until the political dust settles. Meanwhile, Malaysia's GDP and balance of payments data for the first quarter (due Thursday, 17 May) is expected to reveal that the economy

continued to perform well coming into 2018. We forecast steady, strong GDP growth of 5.6% year-on-year in 1Q18. But for now, nothing matters more than politics.

5.6%

ING forecast for Malaysia GDP growth in 1Q18

Year-on-year

➔ China – Will second round trade talks with US see breakthrough?

A Chinese delegation led by Vice Premier Liu He will visit the US for another round of trade talks, after a stalemate in the previous round a week ago. With both sides remaining firm on their stance, any breakthrough may appear to be a less probable proposition. What's good for the markets, for now, is that at least they are coming to the table to talk it through. However, the Xi-Trump phone conversation this week on a possible consensus to resolve the issue is keeping hopes high for the upcoming talks.

Chinese data on the calendar in the coming week are industrial production, fixed asset investment, retail sales and housing market data for April. We forecast a modest pick-up in economic activity growth. Absent a significant trade shock, the Chinese economy will continue to grow steadily this year.

➔ India – What's in store for Modi's BJP in Karnataka?

Assembly elections in the southern state of Karnataka are held on Saturday, 12 May. Prime Minister Modi's Bhartiya Janata Party (BJP) will take on ruling Indian National Congress (INC) for the 224 assembly seats. The outcome of this and other state elections later in the year will be an important guide to whether the BJP retains power at the national level in the general elections to be held in mid-2019.

Although politics is capable of nudging the focus away from economics, the key economic data on inflation and trade is unlikely to go unnoticed in an ongoing selloff in local financial markets. Our forecasts look for an acceleration in consumer price inflation and the wider trade deficit in April, suggesting there will be no respite from the weak market sentiment.

➔ Indonesia – Will central bank move to tightening?

Indonesia's central bank (Bank Indonesia) announces its monetary policy decision on Thursday, 17 May. We aren't forecasting a hike at this meeting but will not be surprised if BI delivers one, which is required to stem a selloff in the Indonesian rupiah (IDR) and the sovereign debt. Inflation has been anchored within BI's 2.5-4.5% policy target but a weak currency and rising global oil prices have increased the chances of it accelerating above target. We do not think one rate hike will be enough and have pencilled in one more towards the end of the year.

4.25%

BI policy rate

Asia Economic Calendar

Country	Time	Data/event	ING	Survey	Prev.
Friday 11 May					
India	1300	Mar Industrial production (YoY%)	5.6	5.7	7.1
Singapore	0600	Mar Retail sales value (MoM/YoY%)	-0.9/1.5	0.8/1.5	-1.7/8.6
Monday 14 May					
India	0730	Apr WPI (YoY%)	3.5	2.83	2.47
	1300	Apr CPI (YoY%)	4.9	4.4	4.28
Tuesday 15 May					
China	0300	Apr Retail Sales (YoY%)	10	10	10.1
	0300	Apr Industrial Production (YoY%)	6.3	6.4	6
	0300	Apr Fixed asset investment (YTD, YoY%)	7.7	7.4	7.5
India	-	Apr Trade deficit (US\$bn)	-14500	-15200	-13692
	-	Apr Exports (YoY%)	5.5	-	-0.66
	-	Apr Imports (YoY%)	7	-	7.15
Indonesia	0500	Apr Imports (YoY%)	11.2	-	9.07
	0500	Apr Exports (YoY%)	7.8	-	6.14
	0500	Apr Trade balance (US\$mn)	1025	-	1091.7
Philippines	-	Mar OCW remittances (YoY%)	4	-	4.5
Wednesday 16 May					
Thailand	0805	Benchmark Interest Rate	1.5	-	1.5
South Korea	0000	Apr Unemployment rate (% SA)	-	-	4
Thursday 17 May					
Malaysia	0500	1Q GDP (SA QoQ/YoY%)	1.6/5.6	-/-	0.9/5.9
	0500	1Q Current account (Q) (MYR bn)	9800	-	12900
Indonesia	-	May 17 BI policy decision (7-day rev. repo %)	4.25	-	4.25
Singapore	0130	Apr Non-oil domestic exports (MoM/YoY%)	-/-	-/-	-1.8/- 2.7
Friday 18 May					
Singapore	-	1Q F GDP (Q) (YoY%)	-	-	4.3
	-	1Q F GDP (QoQ Annualised%)	-	-	1.4

Source: ING, Bloomberg

Author

Alissa Lefebvre

Economist

alissa.lefebvre@ing.com

Deepali Bhargava

Regional Head of Research, Asia-Pacific

Deepali.Bhargava@ing.com

Ruben Dewitte

Economist

+32495364780

ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee

kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands

marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic

420 770 321 486

david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing

sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China

lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist

michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland

michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate

jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition

teise.stellema@ing.com

Diederik Stadig

Sector Economist, TMT & Healthcare

diederik.stadig@ing.com

Diogo Gouveia

Sector Economist

diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials

marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor

sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist

frantisek.taborsky@ing.com

Adam Antoniak

Senior Economist, Poland

adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan

min.joo.kang@asia.ing.com

Coco Zhang

ESG Research

coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT

jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

Marina Le Blanc
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

Samuel Abettan
Junior Economist
samuel.abettan@ing.com

Franziska Biehl
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

Rebecca Byrne
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

Mirjam Bani
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)
mirjam.bani@ing.com

Timothy Rahill
Credit Strategist
timothy.rahill@ing.com

Leszek Kasek
Senior Economist, Poland
leszek.kasek@ing.pl

Oleksiy Soroka, CFA
Senior High Yield Credit Strategist
oleksiy.soroka@ing.com

Antoine Bouvet
Head of European Rates Strategy
antoine.bouvet@ing.com

Jeroen van den Broek
Global Head of Sector Research
jeroen.van.den.broek@ing.com

Edse Dantuma
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics

Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS

dmitry.dolgin@ing.de

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist

sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy

gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy

nadege.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist

+31(0)611172684

laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK

james.smith@ing.com

Suvi Platerink Kosonen

Senior Sector Strategist, Financials

suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri

thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors

maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland

piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece

paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research

marieke.blom@ing.com

Raoul Leering

Senior Macro Economist

raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios

maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy

Maureen.Schuller@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland

rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary

peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade

inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands

Dimitry.Fleming@ing.com

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey

muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China

iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research

+44 20 7767 6209

Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

James Knightley

Chief International Economist, US

james.knightley@ing.com

Tim Condon

Asia Chief Economist

+65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist

+31 20 563 8801

martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland

Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro

carsten.brzeski@ing.de

Viraj Patel

Foreign Exchange Strategist

+44 20 7767 6405

viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content

+44 (0) 207 767 5331

owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands

bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone

peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM

+1 646 424 6464

gustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance

+44 20 7767 5306

carlo.cocuzzo@ing.com