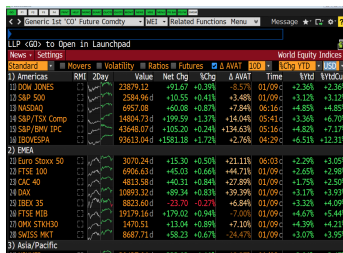


Good MornING Asia - 10 January 2019

Equity market screens are uniformly green today - the reason, the Fed minutes seem to confirm a pause is coming...but that is because downside risks have grown...

In this bundle



Index	Value	Net Chg	%Chg	Δ AVAT
1) Americas	23879.12	+91.67	+0.39%	-5.57%
10 DOW JONES	23879.12	+91.67	+0.39%	-5.57%
10 S&P 500	25849.61	+33.55	+0.13%	-0.90%
10 NASDAQ	6957.08	+60.08	+0.87%	-7.94%
10 S&P FTSE Comp	14804.73	+199.59	+1.37%	+14.04%
2) EMEA	93613.04	+1581.15	+1.72%	+2.76%
10 Euro Stoxx 50	3070.24	+15.30	+0.50%	-0.03%
10 FTSE 100	6966.63	+45.03	+0.66%	+44.71%
10 CAC 40	4813.58	+40.31	+0.84%	+27.89%
10 IBOVESPA	10893.21	+80.35	+0.73%	-29.39%
10 IBEX 35	8823.60	+23.70	+0.27%	+6.84%
10 FTSE MIB	19179.16	+179.02	+0.94%	-7.00%
10 DAX STRASZ	4870.51	+33.84	+0.69%	-7.02%
10 SWISS MKT	8687.71	+58.23	+0.67%	-24.47%
3) Asia/Pacific	39922.65	+123.62	+0.31%	-18.33%

Sea of Green

Equity market screens are uniformly green today - the reason, the Fed minutes seem to confirm a pause is coming...but that is because downside risks have...



ASEAN morning bytes

General market tone: Slight risk-on. Dovish Fed minutes and positive developments out from the US-China trade talks will likely keep the risk rally going...

Sea of Green

Equity market screens are uniformly green today - the reason, the Fed minutes seem to confirm a pause is coming...but that is because downside risks have grown...

Index	RMI	2Day	Value	Net Chg	%Chg	Δ AVAT	Time	%Ytd	%YtdCur
1) Americas									
11) DOW JONES			23879.12	+91.67	+0.39%	-8.57%	01/09 c	+2.36%	+2.36%
12) S&P 500			2584.96 d	+10.55	+0.41%	+3.48%	01/09 c	+3.12%	+3.12%
13) NASDAQ			6957.08	+60.08	+0.87%	+7.84%	06:16 c	+4.85%	+4.85%
14) S&P/TSX Comp			14804.73 d	+199.59	+1.37%	+14.04%	05:41 c	+3.36%	+6.70%
15) S&P/BMV IPC			43648.07 d	+105.20	+0.24%	+134.63%	05:16 c	+4.82%	+7.17%
16) IBOVESPA			93613.04 d	+1581.18	+1.72%	+2.76%	04:29 c	+6.51%	+12.31%
2) EMEA									
21) Euro Stoxx 50			3070.24 d	+15.30	+0.50%	+21.11%	06:03 c	+2.29%	+3.05%
22) FTSE 100			6906.63 d	+45.03	+0.66%	+44.71%	01/09 c	+2.65%	+2.98%
23) CAC 40			4813.58 d	+40.31	+0.84%	+27.89%	01/09 c	+1.75%	+2.50%
24) DAX			10893.32 d	+89.34	+0.83%	+39.39%	01/09 c	+3.17%	+3.93%
25) IBEX 35			8823.60 d	-23.70	-0.27%	+6.84%	01/09 c	+3.32%	+4.09%
26) FTSE MIB			19179.16 d	+179.02	+0.94%	-7.00%	01/09 c	+4.67%	+5.44%
27) OMX STKH30			1470.51	+13.04	+0.89%	+7.10%	01/09 c	+4.39%	+4.21%
28) SWISS MKT			8687.71 d	+58.23	+0.67%	-24.47%	01/09 c	+3.07%	+3.95%
3) Asia/Pacific									
31) NIKKEI			20427.06 d	+223.02	+1.10%	-18.37%	01/09 c	+2.06%	+3.47%

Bloomberg equity snapshot

Fed minutes confirm Powell's caution message

Markets relaxed even further on Wednesday after Fed minutes of the December FOMC meeting showed more discussion and more support for caution in the meetings ahead - seemingly in keeping with the more dovish message Powell presented following his not very generous comments at the FOMC press briefing. As others have also noted, the Fed minutes are not a transcript of the meeting, and their tone could have been tweaked to bring it more into kilter with the current message from Powell.

Whatever the reality, the case for a less automatic Fed policy approach in 2019 looks well supported now, though this is still consistent with our house view for a further 2 hikes this year, even if 1Q19 does mark a pause. And that too is not to be taken for granted. There is a long time to wait until March 21, plenty of inflation and wages data to come, and a data-dependent Fed will need to respond if the data moves in an unhelpful fashion. In the near term, those risks are weighted towards more hikes. The slowdown story is more likely to be an end of year affair.

Further, while a rally in stocks appears to be a reasonable re-pricing response given a greater

likelihood of a more subdued Fed in 2019, it does not provide the fuel for a concerted move higher over time. Against this, analyst earnings estimates are being revised down, not too surprising as all this Fed caution talk is against a backdrop where the downside risks have heightened, and where trade truce (some further upbeat remarks today) and Fed optimism is probably overdone. This could still end in tears.

Is Parliament taking control of Brexit?

The Brexit Saga's latest twist involves the government's response to what seems likely to be another failed attempt to pass the EU-Divorce settlement on January 15. PM May is being harried by parliamentary amendments to bring her response to parliament forward in only a few days, to prevent her trying to get the bill over the line through delay and brinkmanship. An alternative proposal will need to be put forward shortly. A plan-B is being considered, say government spokespeople. This could involve freezing article 50 whilst further concessions are sought. Could it even include a second referendum, this time with the May deal as the subject for a leave-vote? I hope so, though I openly confess to an enormous bias in this direction. We should know soon enough.

Datawise - not too much

It is a light calendar for economic releases today, with little of note from the G7. In Asia, we can expect to see Chinese December CPI figures today, which could reflect lower food prices as a temporary response to greater hog supply following swine-flu outbreaks. This impact won't last. December money supply and new yuan loan data will also be released sometime this week.

The Philippines releases its November trade figures today. The consensus view for which is a slight narrowing of the deficit from \$4210m in October.

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Article | 9 January 2019

ASEAN morning bytes

General market tone: Slight risk-on. Dovish Fed minutes and positive developments out from the US-China trade talks will likely keep the risk rally going although some market players may opt to book gains and to wait for fresh leads.



International theme: Fed minutes confirm dovish leaning

- With the market now expecting a dovish Fed, investors will likely turn their attention to rising oil prices, which continued their ascent overnight with scant data reports elsewhere.

EM Space: Investors seem to be looking for a new story line to trade on

- **General Asia:** Banking and inflation data out from China will likely be watched given the relatively light data calendar for the rest of the week. Technology and energy-related players will benefit again on Thursday.
- **Thailand:** Agriculture Minister Grisada Boonrach expressed concerns about the growing risk to the country's farm exports from the US-China trade war given that China is the biggest market for Thai rubber and wood exports. This follows warning earlier this week by Deputy Prime Minister Somkid about a "gloomy" economic outlook for 2019 for the export-dependent nation. Agriculture accounts for about 9% of Thailand's exports and GDP. We believe even greater hit to growth will likely be from automobile and electronics exports,

- each accounting for about 15% of total exports.
- **Indonesia:** Bank Indonesia (BI) reported that it was present in the NDF market to limit the IDR's volatility on Wednesday. The central bank is clearly targeting stability for the IDR. Executive director Nanang Hendarsah reported that BI looked to ensure liquidity in the DNDF market and stepped in at the 14215 level. We expect the central bank to continue to maintain its presence in the NDF market in the near term with investors eyeing speeches from Fed officials for more direction.
 - **Philippines:** The Philippines will report trade data later in the session with consensus centered on yet another substantial deficit on the back of a sustained double-digit imports growth and anemic export growth. The widening of the trade gap has been a key source of wider current account deficit and thereby depreciation pressure on the PHP. A persistently wide trade deficit will sustain a weakening bias on the PHP.

What to look out for: Fed chatter

- Philippines trade (10 January)
- Fed Powell speaks (11 January)
- Fed Bullard, Evans and Clarida speak (11 January)

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