Good MornING Asia - 17 December, 2018

Investors will likely keep sidelined awaiting the Fed's dot plot later in the week with protracted Brexit drama and poor economic data out from China giving traders all the incentive to remain defensive.

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ASEAN morning bytes

General market tone: Risk off. Investors will likely keep sidelined awaiting the Fed's dot plot later in the week with protracted Brexit drama and poor economic data out from China giving traders all the incentive to remain defensive.

International theme: Markets to remain sidelined ahead of the Fed meeting

- The key event for the week remains the Fed dot plot graph with investors gauging whether the FOMC will indeed formalize their more dovish slant in 2019.

EM Space: Emerging markets to keep to the sidelines awaiting the Fed's dot plot

- **General Asia:** Investors will likely remain in a holding pattern awaiting the outlook of the FOMC for rates in 2019 while geopolitical concerns and a sputtering China all seen adding to risk aversion. Energy prices slid further with traders bracing for slowing economic growth next year.
- **Singapore:** Despite a welcome bounce in electronics, Singapore's Non-Oil Domestic Exports (NODX) for November fell 2.6% from a year ago. The likely pass-through to November industrial production suggests that Singapore is finishing the year on a soft note and further

tightening of monetary policy in April 2019 looks doubtful.

- **Indonesia:** Indonesia reports November data for trade with Bloomberg forecasts showing single-digit growth in exports while imports are expected to grow by 11%. This would translate to a trade gap of roughly $790 million, less than half of the previous month as import compression continues to kick in.
- **Philippines:** The Philippine central bank reported January-September Balance of Payment numbers showing a deficit of $5.1bn with the current account deficit widening substantially to $6.47bn or 2.7% of GDP. The larger than expected deficit was traced to the surge in imports of goods which surged by 43.5%. As a percent of GDP, the current account deficit is 2.7%, three times higher than forecast.

What to look out for: Fed meeting

- Singapore non-oil exports (17 December)
- Indonesia trade (17 December)
- EU inflation (17 December)
- Philippines OF remittances (17 December)
- Hong Kong unemployment (18 December)
- US housing starts (18 December)
- Japan trade (18 December)
- Malaysia inflation (19 December)
- Thailand trade (19 December)
- Fed dot plot (19 December)
- BoE meeting (20 December)
- BoJ meeting (20 December)

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Singapore's non-oil domestic exports shrink

Despite a welcome improvement in the electronics sector, non-oil domestic exports (NODX) shrank 2.6%YoY in November from a year ago.

Container yard

-2.6%YoY Non-oll domestic exports

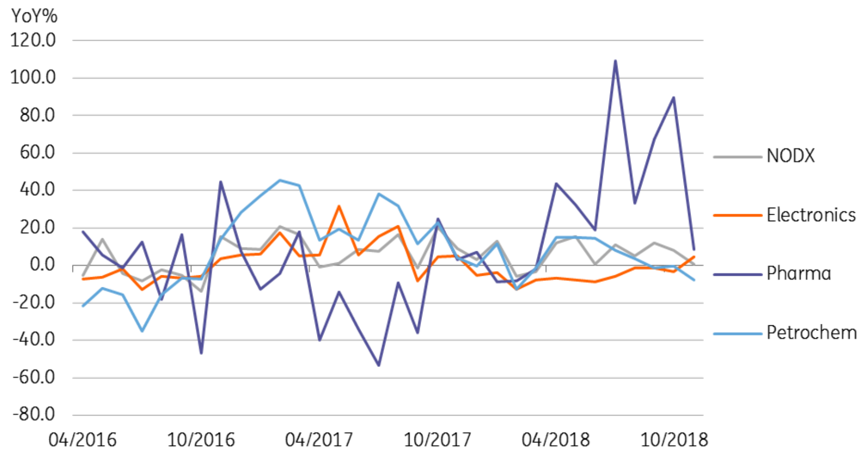
Worse than expected

Annual NODX growth slips into negative territory

It has looked on the cards for some time, though up until now, one or other of the major NODX components has usually managed to put in a heroic outperformance and keep the total looking respectable. Not this month.

The November NODX decline of 2.6%YoY (-4.2%MoM) managed to shrug off even a bounce in electronics of 4.5%YoY from the 3.6% decline in October, as chemicals production fell from 31.2% growth to only 2.7% in November. A huge dip in pharmaceuticals from 89.7%YoY to only 8.4% did most of the damage, though petrochemicals also slid further after a 0.1%YoY decline in October, extending to a 7.8% decline in November.

Singapore November NODX



NODX could also weigh on output growth

Singapore is pushing its tech sector hard, and this will likely become a more important contributor to future growth, but for the time being, more traditional industrial output remains the main driver for the economy and for activity indicators like industrial production. Although the month-on-month correlation with NODX is not terribly good, it's not zero, and this raises the chances of soft November production which in turn, would make it hard for 4Q18 GDP to finish on a strong note.

Absent any early 2019 upturn (and the weakness of Singapore exports to China this month makes us hesitant to predict this), the MAS will find reasons to tighten monetary policy again in April 2019 harder to come by than it did this year.

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