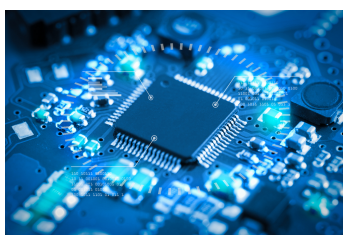


## Good MornING Asia - 20 November 2018

Look away from markets for a few days, and when you turn back, the outlook has changed dramatically - USD lower, Fed expectations reeling, bond yields way down and stocks too. Nice for emerging markets while it lasts, but only whilst the US growth story still holds together too.

### In this bundle



#### Turn your back and look what happens

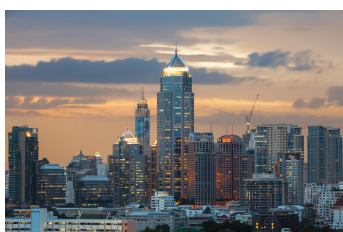
Look away from markets for a few days, and when you turn back, the outlook has changed dramatically - USD lower, Fed expectations reeling, bond yields way...

By Robert Carnell



#### ASEAN morning bytes

General market tone: Wait and see. Bluechip technology shares weighed on overall sentiment with major stock indices falling on Monday. Lackluster US...



#### Thailand

##### Thailand: A huge downside GDP miss

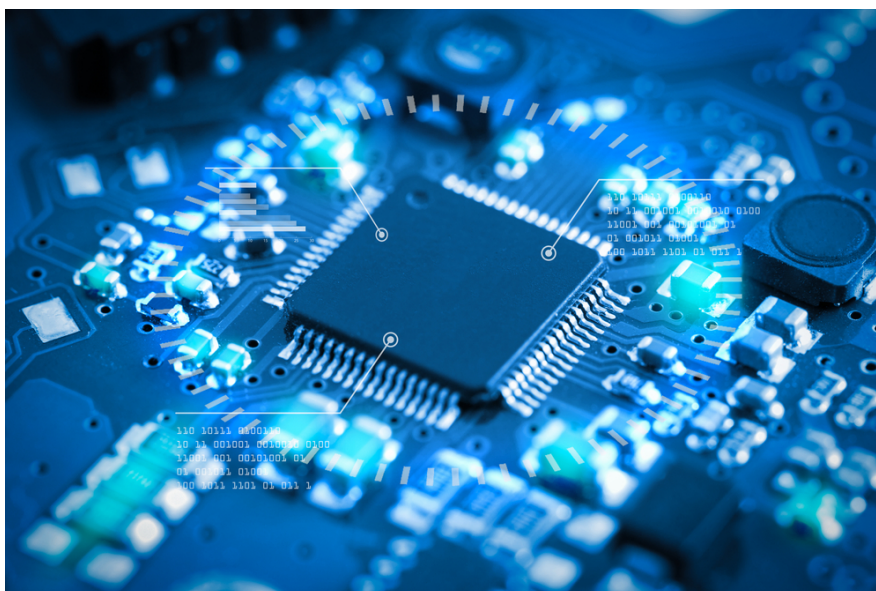
The 3Q18 performance is bad enough to dent the official optimism about the economy this year and the next, with continued 4%-plus GDP growth. It should...

---

Opinion | 19 November 2018

## Turn your back and look what happens

Look away from markets for a few days, and when you turn back, the outlook has changed dramatically - USD lower, Fed expectations reeling, bond yields way down and stocks too. Nice for emerging markets while it lasts, but only whilst the US growth story still holds together too.



### All change

I've been buried in a presentation for a few days and haven't really had my eye on markets as I've grappled with what I hope are some fancy new charts. And a bit like when you have been away from home and see your kids again, to think, "My how they've grown", my first take this morning was "My, they look weak". Now I don't need to tell you this - you're better plugged in than me in all probability. But it does affect the way I look at the world, and what I might expect to happen on a number of levels.

1. The Fed - markets have gone on a big downer with respect to the Fed. The current effective Fed funds rate is 2.20%, near the top of the 2.0-2.25% target range owing to issues with the interest on excess reserves. So to judge what the market is expecting from Fed policy decisions, I look at Fed funds futures, which are based on the average effective Fed funds rate over the relevant contract month, not any part of the policy target. And if I do this, it shows a December hike still firmly priced in. The weakness of stocks has not dented that. But thereafter, they diverge sharply, with only one further hike fully priced in by the end of

2019, though the balance of risks still supports a second hike. As a house, we remain in line with the Fed for three 2019 hikes. Though this does raise questions about what the stock market will do if the Fed sticks to its guidance and our house view ends up being right. It makes you think...

2. Stocks look weak. This is backed up by some very ill-informed technicals (I read about a third of "Murphy" before I got bored...the easy bits). I'm concerned in particular by the tech sector. Oversupply in the semiconductor industry is an issue for Asia (prices as well as volumes under pressure), and made worse by an apparent lack of demand for some well-known producers of hi-tech products (you know the brand I mean), and a drop in demand for chips to run crypto-currency mining, now that the bottom seems to have fallen out of that market. That's not good for KRW or TWD, but in general, it is not a good backdrop for Asia, now that everyone has got in on the chip-game. For those not at the cutting edge of this technology, and operating as price takers in this increasingly saturated market, that is concerning.
3. The USD is weak. Even GBP has made some modest gains against the USD in recent days (which shows how weak it has been) and "proper" currencies have done much better still. So the love of all things USD is dipping sharply...though that does not extend to US Treasuries, where yields are now only 3.06% on the 10Y, which takes the 2s10s spread back to only 27bp, and indicates that market recession worries are mounting again.

Most of the preceding observations are in the short-term quite helpful to the backdrop of Asian FX, especially coupled with lower oil prices, and lower Treasury yields. But this benign market environment could be a deceptively enticing veil, masking some genuinely less encouraging times ahead. If we add a much weaker US growth picture to the story above, then I doubt that Asian markets would be looking quite so rosy.

## UK PM May still holding on to power

My understanding is that the European Research Group (ERG), the Eurosceptic cabal within the Conservative Party, are well short of the 48 letters calling for a vote of no-confidence in Theresa May. This means the EU-UK draft deal, remains the central point for discussion between the UK and Europe, and subject to minor tweaks from either side, is what we should expect to be the subject voted on in parliament in December, though perhaps later.

But here, I am not sure that May has the numbers. The Labour leader yesterday suggested his party would vote against the bill. And the DUP, who Theresa May requires to lead parliament, abstained from two votes on a Finance bill on Monday. The Labour leader has also apparently decided a second referendum might be worth considering...if so, then maybe our house view that politicians will vote for this deal at the last minute as the alternative is so horrific (no deal and WTO trading) could be challenged.

Certainly, the bravado from arch-Brexiteers seems to suggest that the reality of a no-deal Brexit has not sunk in, and perhaps never will. So if May doesn't have the opposition, who may be looking for an election, and she doesn't have the DUP and she doesn't have a chunk of her own party, then the arithmetic looks like my youngest son's maths homework - it usually doesn't add up.

## Author

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

---

Article | 20 November 2018

## ASEAN morning bytes

General market tone: Wait and see. Bluechip technology shares weighed on overall sentiment with major stock indices falling on Monday. Lackluster US housing data sent bond yields lower, which were already pressured by dovish comments from a Fed official.



### International theme: US-China trade spat in focus while investors watch oil

- The US dollar pulled back on falling Treasury yields with investors now cautious about the Fed's dot plots in 2019 in the wake of Clarida's comments. Poor outlook for heavyweight tech shares dragged on overall sentiment with investors turning to OPEC for direction on oil prices.

### EM Space: Should we start worrying about global growth?

- **General Asia:** Asian equity markets may take their cue from the retreat of tech shares overnight. Energy players may also be struggling given the recent slide in oil prices with investors now more concerned about the overall pace of global growth, especially with the cloud of uncertainty in US-China trade relations.
- **Indonesia:** Financial markets are on holiday today for the Prophet's birthday.
- **Malaysia:** Financial markets are on holiday today for the Prophet's birthday.
- **Thailand:** The 3Q18 GDP slowdown (3.3% vs. 4.6% in 2Q) is bad enough to dent the official

optimism about the economy this year and the next, with expectations of continued 4%-plus GDP growth. We have cut our growth forecast for 2018 from 4.2% to 4.1% but maintain a 3.8% forecast for 2019. The persistent downside growth risk should dampen the central bank's recent hawkish rhetoric on tightening ([read more here](#)).

- **Philippines:** China's Xi Jinping is visiting the Philippines today with up to 135 deals set to be signed during his visit. Reports indicate that a Chinese firm would be investing up to \$2 bn in an industrial estate, which coincides with the first day of trading of the Yuan spot market in the Philippines.
- **Philippines:** The balance of payments for October was reported at -\$458m, slightly wider than the -\$368m in October 2017 but an improvement from September's \$2.696bn deficit. Portfolio flows for the same month showed an outflow of \$67.83m, indicating that the current account deficit was offset to some extent by possible direct investment inflows.
- **Philippines:** Budget Secretary Diokno indicated that the government was confident in keeping the budget deficit at 3% of GDP in 2018 after concerns mounted of a possible breach after 3Q numbers were reported. Diokno indicated that revenues are seen to ramp up towards the close of the year and that spending may pull back. Thus, 4Q GDP may face an uphill battle to crest the 6% handle with consumption, investment and government spending all seen to taper off.

## What to look out for: US-China trade developments

- HK CPI inflation (20 November)
- US housing starts (20 November)
- TH trade (21 November)
- US durable goods (21 November)
- US existing home sales (21 November)
- JP CPI inflation (22 November)
- SI 3Q GDP (22 November)
- MY CPI inflation (23 November)
- SI CPI inflation (23 November)
- TH GIR (23 November)

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

## Thailand: A huge downside GDP miss

The 3Q18 performance is bad enough to dent the official optimism about the economy this year and the next, with continued 4%-plus GDP growth. It should also dampen the central bank's hawkish rhetoric on tightening recently



Source: Shutterstock

**3.3%** 3Q18 GDP growth

Worse than expected

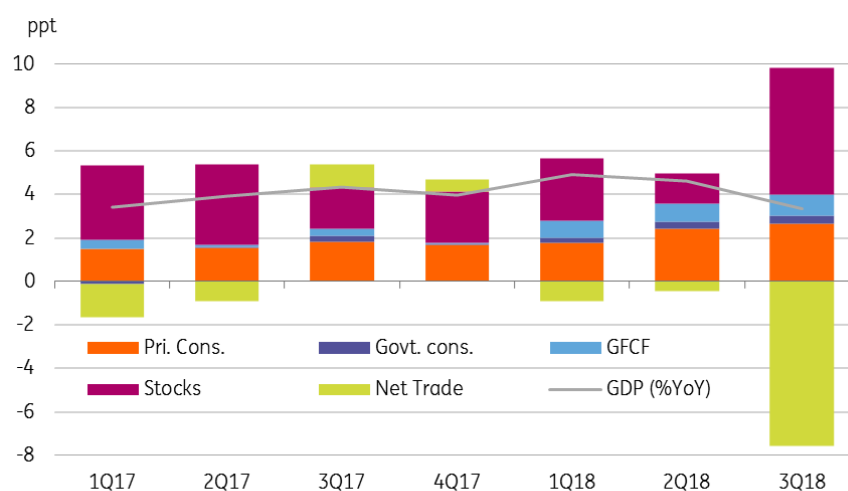
### Net trade dents GDP growth

Thailand's GDP growth slowed more than expected to 3.3% year-on-year in the third quarter of 2018 from 4.6% in the second quarter. The outcome was far below the analysts' consensus, which centred on 4.2% growth. We were at the low end with a 3.7% estimate.

As the graph below shows, net exports were the main drag on GDP growth in 3Q18, led by a sharp slowdown in export growth. While import growth remained robust, this seems to be more due to higher oil imports rather than an improvement in domestic demand. The contribution of private consumption to GDP was slightly better than the second quarter, while that of government

consumption and fixed capital formation was little changed. This left inventories in the prime spot as the GDP driver for yet another quarter, not a healthy sign for future growth.

## Where GDP growth is coming from?



Note: Bars may not stack up to GDP growth due to statistics

Source: Bloomberg, CEIC, ING

## No more reasons for optimism

We believe the data is bad enough to dent the official optimism on the economy's performance this year and the next, with continued 4%-plus GDP growth, as well as dampen the Bank of Thailand's (BoT) hawkish rhetoric on tightening recently. The National Economic and Social Development Board (NESDB), the agency responsible for the National Accounts statistics, forecasts 2018 GDP growth at 4.2%, slower than the finance ministry's 4.5% and the BoT's 4.4% forecasts.

On its own, the 3Q18 data has pushed our 2018 growth forecast to 4.1% from 4.2%. We anticipate a further slowdown to 3.8% in 2019 (consensus 3.9%, BoT 4.2%).

## Weakening support for the THB

Our view of the BoT maintaining the policy rate at 1.50%, the level it's been at since early 2015, in the rest of the year remains on track. Aside from a softer USD and falling oil prices recently, we see no reason to remain positive on the Thai baht (THB) as the currency is also losing the strong support it enjoyed from the wide current account surplus. The THB's 1.9% depreciation since October is the worst among Asian currencies. We continue to see the USD/THB rising to 33.60 by the end of the year from the current spot rate of 32.96.

### Author

**Alissa Lefebre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

**Deepali Bhargava**



Regional Head of Research, Asia-Pacific  
[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

**Ruben Dewitte**

Economist  
+32495364780  
[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

**Kinga Havasi**

Economic research trainee  
[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

**Marten van Garderen**

Consumer Economist, Netherlands  
[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

**David Havrlant**

Chief Economist, Czech Republic  
420 770 321 486  
[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing  
[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China  
[lynn.song@asia.ing.com](mailto:lynn.song@asia.ing.com)

**Michiel Tukker**

Senior European Rates Strategist  
[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland  
[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania  
[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials  
[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Sector Economist, TMT & Healthcare

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

**ING Analysts**

**James Wilson**

EM Sovereign Strategist

[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**

Digital Editor

[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**

EMEA FX & FI Strategist

[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**

Senior Economist, Poland

[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**

Senior Economist, South Korea and Japan

[min.joo.kang@asia.ing.com](mailto:min.joo.kang@asia.ing.com)

**Coco Zhang**

ESG Research  
[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**  
Senior Sector Strategist, TMT  
[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**  
Senior Economist, Services and Leisure  
[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**  
Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Economist, Germany  
[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**  
Senior Editor and Supervisory Analyst  
[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**  
Sector Economist, Commercial Real Estate & Public Sector (Netherlands)  
[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**  
Credit Strategist  
[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**  
Senior Economist, Poland  
[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Oleksiy Soroka, CFA**  
Senior High Yield Credit Strategist  
[oleksiy.soroka@ing.com](mailto:oleksiy.soroka@ing.com)

**Antoine Bouvet**  
Head of European Rates Strategy  
[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst

[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist

[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy

[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporates Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist  
+31(0)611172684  
[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**  
Chief Economist, Romania  
[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**  
Developed Markets Economist, UK  
[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**  
Senior Sector Strategist, Financials  
[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**  
Senior Sector Economist, Food & Agri  
[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**  
Senior Economist Construction & Team Lead Sectors  
[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**  
Senior Economist, Netherlands  
[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Piotr Poplawski**  
Senior Economist, Poland  
[piotr.poplawski@ing.pl](mailto:piotr.poplawski@ing.pl)

**Paolo Pizzoli**  
Senior Economist, Italy, Greece  
[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**  
Chief Economist and Global Head of Research  
[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**  
Senior Macro Economist  
[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**  
Head of Global IFRS9 ME Scenarios  
[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**

Head of Financials Sector Strategy

[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

**Rafal Benecki**

Chief Economist, Poland

[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**

Senior Economist, Belgium, Luxembourg

[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**

Senior Economist, Hungary

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**

Senior Economist, Germany, Global Trade

[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**

Senior Data Analyst, Netherlands

[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania

+40 31 406 8990

[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**

Chief Economist, Turkey

[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**

Chief Economist, Greater China

[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**

Writer, Group Research

+44 20 7767 6209

[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**

Regional Head of Research, Americas

[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto: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](mailto:martin.van.vliet@ing.com)

**Robert Carnell**

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

**Karol Pogorzelski**

Senior Economist, Poland

[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**

Global Head of Macro

[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**

Foreign Exchange Strategist

+44 20 7767 6405

[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content

+44 (0) 207 767 5331

[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**

Chief Economist, Netherlands

[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**

Chief Economist, Belgium, Luxembourg, Eurozone

[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**

Senior Rates Strategist

[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**

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

[chris.turner@ing.com](mailto:chris.turner@ing.com)**Gustavo Rangel**

Chief Economist, LATAM

+1 646 424 6464

[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)**Carlo Cocuzzo**

Economist, Digital Finance

+44 20 7767 5306

[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)**Disclaimer**

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).