

Good MornING Asia - 25 January 2019

Not much positive news for the markets as fears of US-China trade deal being 'miles and miles away', protracted US government shutdown, and increased downside risks to the Eurozone (and global) growth dampen investor sentiment

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EM Space: Conflicting reports about the status of US-China negotiations add to anxiety

- **General Asia:** Investors will push markets gingerly higher to close the week but several headwinds will still likely keep optimism in check. Meanwhile, the US remains in partial government shutdown as two possible legislative measures to end the impasse have failed.
- **Malaysia:** The BNM policy statement yesterday noted that “On balance, the Malaysian economy is expected to remain on a steady growth path in 2019” and “Underlying inflation is expected to remain contained in the absence of strong demand pressure”. Inflation continued to surprise in December at 0.2% YoY, marking 2018 as the year of lowest annual inflation of 1% in almost a decade. We expect the BNM to leave monetary policy on hold all year.
- **Singapore:** December industrial production is due. The consensus of 4% YoY IP growth in the last month appears to be derived from the 5.5% YoY manufacturing growth in the advance GDP estimate for 4Q18. The risk is on the downside given an 8.5% YoY fall in NODX in December, which will in turn subject the 4Q advance GDP growth estimate of 2.2% to a downward revision.

- **Thailand:** Lavaron Sangsnit, head of finance ministry's fiscal policy office ruled out any more central bank (BoT) rate hikes this year. Just as Korea and Malaysia, where central banks left policies on hold yesterday, stable policy is our the baseline for the BoT as downside growth risks are rising and inflation remains among the lowest in Asia (0.4% in December).
- **Indonesia:** Bank Indonesia Governor Warjiyo reiterated his stance that the policy rate was close to peak although he ruled out the chance for a full reversal in the central bank's policy stance in the near term. Warjiyo vowed to remain "sound, consistent and transparent" after he hiked aggressively in 2018 to stabilize the IDR. Finally, the governor also gave his view that based on his models the IDR was "undervalued" and he will likely base his policy decisions on the IDR's stability.
- **Philippines:** Philippine 4Q 2018 GDP slipped below market expectations to 6.1% as investment growth slowed sharply and household consumption remained subdued due to inflation. Government spending saved the day, growing by 11.9% as public construction sustained double-digit growth and overall expenditure was up 12.6%. Investment growth slowed with durable goods purchases decelerating due to a contraction in road vehicle purchases. Slowing growth momentum opens the door for BSP to reverse the course and ease policy as early as 2Q 2019.

What to look out for: Fed decision, US-China trade talks

- Singapore industrial production (25 January)
- Hong Kong trade data (28 January)
- US wholesale inventories (29 January)
- Hong Kong retail sales (30 January)
- US Fed meeting (31 January)

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Asia week ahead: Indian budget steals focus

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Source: Shutterstock

➔ Indian government unveils an election budget

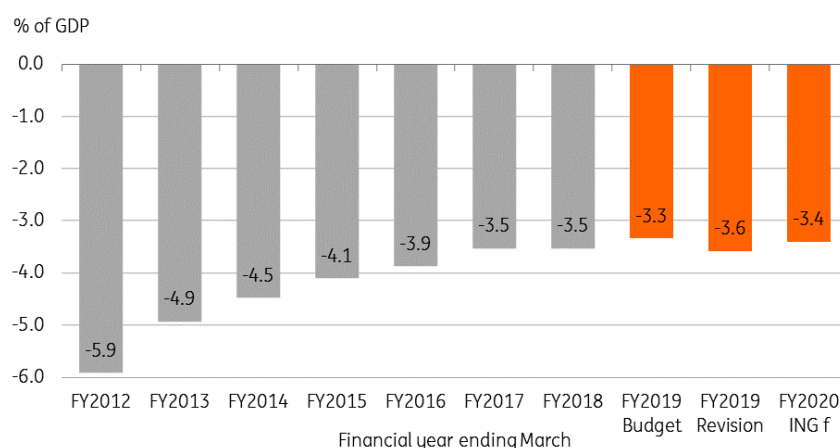
India's interim finance minister Piyush Goyal presents the FY2019-20 budget to the parliament on Friday, 1 February (Arun Jaitley is reportedly on medical leave). Growth will outweigh fiscal discipline as the Modi administration pushes its way for a second term in the general election scheduled for May this year.

As such, after an overshoot of the deficit in the last financial year and more likely again in the current year, hopes of any fiscal consolidation taking place in the next financial year are largely

misplaced. We see the revised budget for current FY2018-19 producing a deficit equivalent to 3.6% of GDP, well above the government's initial projection of 3.3% (consensus 3.5%). Our deficit forecast for the next financial year is 3.4%.

Persistently weak public finances will keep local government bonds and the Indian rupee under weakening pressure.

India: Fiscal deficit - derailed consolidation



Source: CEIC, ING

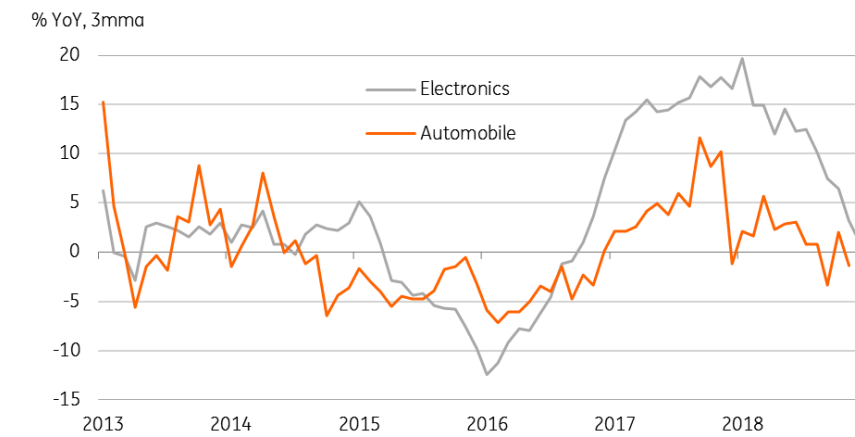
➔ Export weakness weighs on manufacturing

The trade and PMI releases from the rest of the region will likely reinforce the export-led slowdown in manufacturing coming into 2019 – not a good start to the year.

China's PMI will be closely watched. The manufacturing index fell below 50 in December for the first time since mid-2016, indicating contraction in activity, while services continued to grow. We aren't anticipating any bounce in activity in January, though the front-loading for the Lunar New Year holiday, which falls in the first week February, leaves scope for an upside surprise. Moreover, China's industrial profits data paints a clearer picture. Profits ended 2018 with negative growth and 2019 has seen a weak start as well.

Korea's trade for January, the first trade data from the region and probably from the world, is expected to show the deepening of export weakness as the downturn in global electronics and the automobile sector and a slowdown in China dampened export demand.

Asia: Electronics and autom



Source: Bloomberg, CEIC, ING

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Monday 28 January					
China	0130	Dec Industrial Profits (YTD, YoY%)	-3.0	-	-1.8
Hong Kong	0815	Dec Exports (YoY%)	-1.8		-0.8
		Dec Imports (YoY%)	-5.0		0.5
		Dec Trade Balance (HK\$ bn)	-45.0		-45.0
Tuesday 29 January					
South Korea	2100	Feb BoK Business Survey Index, mfg	69.5	-	71.0
	2100	Feb BoK Business Survey Index, non-mfg	71.0	-	72.0
Wednesday 30 January					
Hong Kong	0830	Dec Retail Sales Value (YoY%)	3.4		1.4
		Dec Retail Sales Volume (YoY%)	3.2		1.2
Malaysia	0900	Dec Trade Balance (RM bn)	5.7	-	7.6
		Dec Exports (YoY%)	5.8	-	1.6
		Dec Imports (YoY%)	8.7	-	5.0
Thailand	-	Dec Manufacturing Index (YoY%)	-1.0	-	1.0
South Korea	2300	Dec Industrial Production (MoM/YoY%)	-2/-1.5	-/-	-1.7/0.1
Thursday 31 January					
China	0100	Jan Non-manufacturing PMI	53.0	-	53.8
	0100	Jan Manufacturing PMI	49.0	-	49.4
India	1100	Dec Fiscal Deficit (INR crore)	-	-	68042.0
	1200	2018 GDP Annual (YoY%)	-	-	7.2
Singapore	0230	4Q Jobless Rate (Q) (% , SA)	2.2	-	2.1
Taiwan	0800	4Q P GDP (YoY%)	1.6	-	2.3
		Central Bank December Minutes			
South Korea	2300	Jan CPI (MoM/YoY%)	0.4/1.3	-/-	-0.3/1.3
Friday 1 February					
China	0145	Jan Caixin Manufacturing PMI	-	-	49.7
India	0500	Jan Nikkei Manufacturing PMI	52.5	-	53.2
		FY 2019-20 Budget (Deficit, % of GDP)	-3.4	-	-3.6
Indonesia	-	Jan CPI Core (YoY%)	-	-	3.1
		Jan CPI (YoY%)	3.0	-	3.1
Taiwan	0030	Jan Nikkei Manufacturing PMI	-	-	47.7
Thailand	0030	Jan Nikkei Manufacturing PMI	49.5	-	50.3
		Jan CPI (YoY%)	0.3	-	0.4
		Jan CPI Core (YoY%)	0.7	-	0.7
South Korea	0000	Jan Imports (YoY%)	-8.0	-	0.9
		Jan Trade Balance (US\$mn)	4683.0	-	4342.0
		Jan Exports (YoY%)	-5.0	-	-1.2
		Jan Nikkei Manufacturing PMI	48.8	-	49.8

Source: ING, Bloomberg, *GMT

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