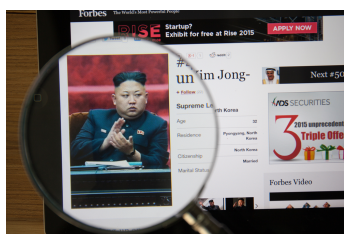


Good MornING Asia - 27 February 2019

It's the Trump-Kim summit today in Vietnam, or is it the Kim-Trump summit? In any case, we aren't holding our breath for anything market-moving. Great for the media though.

In this bundle



Words will be spoken

It's the Trump-Kim summit today in Vietnam, or is it the Kim-Trump summit? In any case, we aren't holding our breath for anything market-moving....

By Robert Carnell



Asia Morning Bites

ASEAN Morning Bytes

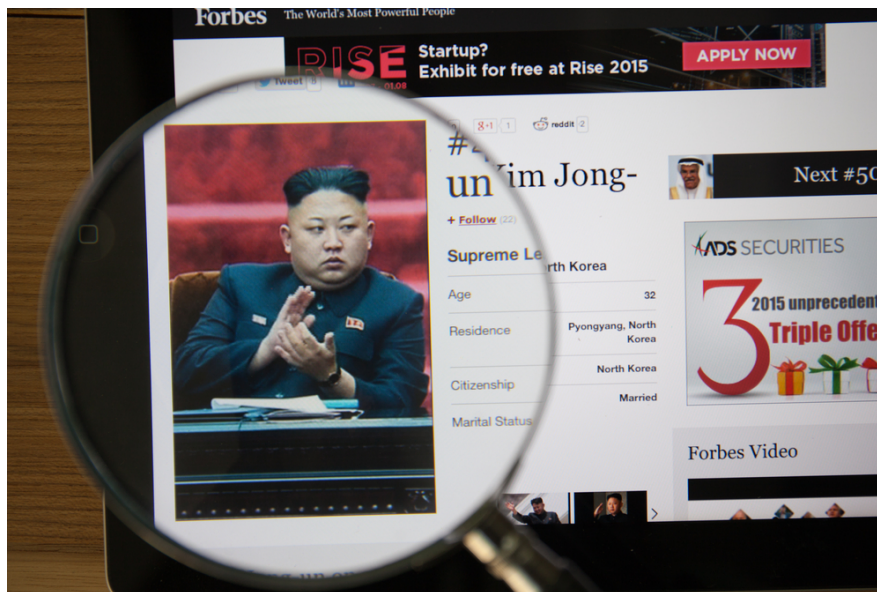
General market tone: Risk-on. Emerging markets set for modest gains as Powell continues to preach patience on rate hikes.

By Nicholas Mapa

Opinion | 26 February 2019

Words will be spoken

It's the Trump-Kim summit today in Vietnam, or is it the Kim-Trump summit? In any case, we aren't holding our breath for anything market-moving....



President, North Korea

Paper will be signed and flourished

Call me a sceptic (I am by the way), but after the Singapore summit last year, I am not holding out much hope for anything too market moving from the Vietnam summit today. Like the previous one, there will be plenty of great photo opportunities. For Vietnam, this is a chance to showcase their beautiful country. But it's more than a glorified "travel infomercial", as it shows the world that Vietnam has joined the league of countries to be taken seriously, a message that won't be lost on Beijing.

As for the summit itself, words will be spoken, pictures will be taken, hands shaken and papers signed with commemorative pens and then flourished. But by Friday, when the dust has settled, and pictures of Hanoi's motorcycle-thronged streets are fading into memory, will anything have actually changed? I'll let you fill in your own answer here.

Powell sticks to the script

Fed chair Jerome Powell stuck to the "cautious" script in his testimony to the Senate yesterday ([see also here](#) for our US economists' views), which moves to the House of Representatives today. He struck a solidly neutral tone, in contrast with the market view that sees the FOMC's next move

as downwards. Markets have not moved substantially in response to the speech, and today's re-hash to the House will offer even less in my view, as the quality of debate usually takes a noticeable dip after the Senate version.

Our FX strategists have also been looking at this, and how the Fed's pause supports carry trades - so if you have time, [give this linked article a squiz](#).

Perhaps the only snippet of the debate that really caught my eye was the hint that the Fed is considering amending their inflation target to one of price level targeting in response to a critical question from Senator Toomey. This is a subject that requires far more than a few measly words in this daily. But for what it is worth, if the Fed has failed to meet its inflation target on average despite adopting massive unorthodox policy stimulus, why does it think changing its target will make a difference? We have clear evidence from Japan that changing targets when the target itself lacks credibility doesn't work.

Emergency wall funding moves to the Senate

This isn't particularly market moving either, though after it was voted down in the House of Representatives 245-182 yesterday, the emergency funding for the border wall now moves to the Senate. The vote in the House fell short of a two-thirds majority that would overturn any Presidential veto. So even after deliberating for the allowed 18 days, any Senate vote for this (seems unlikely) would only send a message to the President, that the Senate wasn't simply a passive rubber stamping chamber.

Brexit pause now looking all but certain

After writing about this yesterday, there isn't much to add. UK MPs will almost certainly reject Theresa May's bill on March 12, and will then almost certainly vote to extend article 50, which the EU will almost certainly grant.

Its what comes next that concerns me, as there seems no prospect of any progress on the May draft bill, and the path to alternatives is hazy. I'm sure our UK economist, James Smith, will have answers for us shortly... though give him a day or two, [he's only just published ahead of this week's developments!](#)

Asia Day ahead

Its a quiet day on the Asia calendar today. South Korea has already reported very strong Manufacturing business sentiment survey results. The March index is 76, up from 65 in February, which dropped sharply from 71 in January. I think Lunar New Year effects are probably driving most of this. The index should settle down to something around the January level or thereabouts next month. Only then will we have an idea which way sentiment is really heading.

And it's 4Q18 GDP day in Hong Kong. Our Greater China Economist, Iris Pang is at the lower end of consensus with a 2.2% forecast.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

ASEAN Morning Bytes

General market tone: Risk-on. Emerging markets set for modest gains as Powell continues to preach patience on rate hikes.



EM Space: Jay Powell remains dovish, supporting positive sentiment for risk markets

- **General Asia:** Fed Chair Powell's comments before the Congress continues to show that the Fed will likely remain on hold for at least a few more months as he describes the economy as "solid but slowing". On the political front, Donald Trump meets North Korea's Kim in Vietnam, while the US Congress voted to veto Trump's emergency declaration on the border wall.
- **Thailand:** January industrial production growth came in at 0.2% YoY, lower than the consensus estimate of 1.1% growth and down from 1.2% growth in December. Coming on the heels of falling exports data foreshadows a weak GDP growth in the current quarter. On our forecast GDP growth dips to 3.1% in 1Q19 from 3.7% in 4Q18. Besides weak exports, public investment has been a missing ingredient in GDP growth. Separate reports of Thai Cabinet approving the extension of two mass transit lines in Bangkok is a hopeful sign.
- **Indonesia:** Bank Indonesia will allow the currency to appreciate further as they believe that the current level is "undervalued", according to Executive director Nanang Hendarsah from the monetary management group. The Indonesia Rupiah has been one of the best-performing Asian currencies for the year, surpassing the Thai Baht on Tuesday given strong foreign flows into the local bond and equity markets.

- **Philippines:** The Bureau of the Treasury (BTr) raised PHP 113.8bn worth of 5-year retail treasury bonds at the primary auction, the first issuance this year at a rate of 6.25%. The BTr indicated that demand for the 5-year bond was “strong” given that it was oversubscribed roughly four times the PHP 30bn issuance. The public offer for the bond will be from February 26 to March 8.

What to look out for: US data and trade developments

- Hong Kong GDP (27 February)
- US factory orders (27 February)
- US pending home sales (27 February)
- US GDP (28 February)
- Bank of Korea (28 February)
- Thailand inflation (1 March)
- Indonesia inflation (1 March)
- US core PCE (1 March)
- US PMI (1 March)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.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 <http://www.ing.com>.