

Good MornING Asia - 27 March 2019

Investors may be pushing the market higher on bargain hunting although gains likely to be capped amid lingering US-China trade and the Brexit risks

In this bundle



Asia Morning Bites

ASEAN Morning Bytes

General market tone: Wait and see. Investors may be pushing the market higher on bargain hunting although gains likely to be capped amid lingering...

By Nicholas Mapa



China

Hong Kong: Exports drop further

Hong Kong's exports fell further in February. We think this is partly a Chinese New Year effect and partly a reflection of weak manufacturing due to...

ASEAN Morning Bytes

General market tone: Wait and see. Investors may be pushing the market higher on bargain hunting although gains likely to be capped amid lingering...



EM Space: Poor US data and hawkish Fed not enough to turn sentiment

- **General Asia:** Investors will continue to look to the US-China trade talks as well as the raft of US economic data reports at the end of the week for direction. Two Fed speakers overnight hinted at possible rate hikes still down the line should data support the view. However, the US economic releases on Tuesday were very soft with consumer sentiment and housing data both negative. The Brexit uncertainty continues to linger in the background.
- **Thailand:** February industrial production surprised on the downside with 1.6% YoY fall. Weak IP contrasts with strong export growth in the last month. Despite a mixed set of February data, GDP growth remains on track to our forecast of a further slowdown to 3.1% in the current quarter from 3.7% in 4Q18. And the THB remains resilient to intensified political noise after Sunday's general elections. Political parties opposed to the Thai junta are due to hold a joined briefing today in Bangkok.
- **Malaysia:** In a boost to consumer spending, the government is reportedly returning MYR 37bn in GST and income tax refunds to people.
- **Philippines:** The Senate president looks to break the long-standing deadlock between the upper and lower house to get the spending bill passed into law. The upper house

transmitted the budget bill to the President but with strong reservations. Government spending has been bogged down in early 2019 given the budget impasse with the government operating under last year's spending plan.

What to look out for: US China trade talks in Beijing

- US trade (27 March)
- US core PCE and GDP (28 March)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Hong Kong: Exports drop further

Hong Kong's exports fell further in February. We think this is partly a Chinese New Year effect and partly a reflection of weak manufacturing due to...



Source: Shutterstock

It's not just the Chinese New Year

Hong Kong's exports fell 6.9% year-on-year in February after falling 0.4%YoY in January. The decline looks bad compared to a month ago but in fact, it is even more severe than it looks when we consider the base effect.

The value of exports was HK\$228.67 billion in February 2019, lower than HK\$245.74 billion in the same month last year. We can't just blame the Chinese New Year for this result. Trade tensions and the downward product cycle of electronic parts are also significant factors.

Imports look like a less severe problem, but that's not the case

Imports fell 3.8%YoY in February, which is better than the 6% drop in January. But again, the base effect masks weakness.

The value of imports was HK\$277.51 billion in February 2019, which was less than HK\$288.48 in the same month a year ago.

Unlike exports, which are over 90% re-exports, some imports into Hong Kong are actually consumed there. So softness in imports could indicate weakness in Hong Kong's domestic economy.

We may need to revise down GDP growth

We have yet to see February's retail sales data, which will be published on 1 April. By then, we will have a better understanding of Hong Kong's domestic economy, which we still expect to grow by 2.2% in 2019.

A downward revision to our GDP growth forecast is likely if the upcoming data continues to signal a significant weakening of the economy.

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>.