

Good MornING Asia - 30 November 2018

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International theme: G-20 Summit, Trump-Xi meeting, FOMC

- The key highlight of the weekend G-20 Summit is the meeting of US President Trump and Chinese President Xi Jinping on the trade tensions. Hopes of a breakthrough may be misplaced, but the fact that both sides are coming to the table to discuss the issue is in itself a positive for markets for now.
- Among other things, diplomacy between the US, Russia, and Saudi Arabia will be closely watched for what it means for oil prices.
- Carrying forth a dovish tone from Chairman Powell's speech (or the other way round) the FOMC minutes signaled more flexible policy approach going into 2019. According to the ING house view, the Fed policy currently can no longer be described as 'accommodative', but it remains some way off from being restrictive.

EM Space: Investors seen on the sidelines ahead of G-20

- **General Asia:** Investors are likely to stay on the sidelines ahead of the G-20 where Trump-Xi meeting on trade steals all the attention. Any positive outcome from the Trump-Xi meeting will be positive for markets, but that's something for Monday, after the end of G-20 Summit.

- **Indonesia:** Bank Indonesia (BI) director Hendarsah indicated that the central bank would “provide room” for the IDR to strengthen in line with market mechanisms. Emerging market currencies had reacted to dovish comments from Fed’s Powell with the BI showing it would let the currency appreciate and continue to regain some lost ground for the year.
- **Philippines:** The Bangko Sentral ng Pilipinas forecasts November inflation to fall between 5.8-6.6% as the recent plunge in global crude prices have reflected substantial declines in domestic pump prices. Governor Espenilla indicates that the CPI trends show that inflation should revert to target by 2019-2020.
- **Thailand:** October balance of payments data is due. Our view of a narrowing in the current account surplus to \$2bn from \$2.4bn in September is consistent with consensus. A Bank of Thailand’s policymaker Somchai Jitsuchon pointed to the US-China trade spat as being the key risk to growth going forward.

What to look out for: G-20, China PMI

- China manufacturing PMI (30 November)
- G20 meeting (30 November)
- OPEC meeting (6 December)

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Asia week ahead: What's in store for the Trump-Xi meeting?

The outcome of the G-20 summit this weekend, especially the Trump-Xi meeting on trade will set the tone for Asian markets next week. The Reserve Bank of India's policy meeting and inflation and trade releases will be the other market drivers



Source: Shutterstock

➔ The Trump-Xi trade truce talks?

The much-anticipated meeting is here, and it's fair to say the rhetoric ahead of the Trump-Xi summit has been mixed. The trade war is already on, tariffs on \$260bn Chinese goods have already come into effect, and, considering President Trump's persistent bashing, any u-turn from here looks to be a remote possibility. However, the fact that the two sides are coming to the table to discuss the issue further is in itself a positive development. Any breakthrough from their talks

may even blunt the next salvo of hikes in the tariff rate from 10% to 25% on \$200bn of Chinese goods, and keep additional tariffs at bay.

Another thing to look out for this weekend is the diplomacy at work between the US, Saudi Arabia, and Russia, which is critical for the global oil price and, in turn, for Asian economies challenged by the steep prices.

➔ The Reserve Bank of India's policy tight-walk

The central bank of India's bi-monthly policy meeting next week will be yet another test of the central bank's autonomy. In a strong majority, 20 out of 23 analysts surveyed by Bloomberg anticipate the central bank leaving policy on hold. We agree with the majority, but this isn't a non-event, especially when there is speculation about the RBI giving in to government pressure to ease monetary policy.

India's central bank meeting next week will be yet another test of its autonomy

At the last meeting in October, the RBI shifted the policy stance from 'neutral' to 'calibrated tightening.' We don't think it will revert to neutral policy, let alone an outright rate cut. Unless it succumbs to government demands to boost liquidity in the banking system to support GDP growth. So far, the RBI has followed on measures to ease the ongoing liquidity crunch by using policy tools other than interest rates.

We don't think the argument for a rate cut is strong enough just yet. And if we get one next week, it won't be great for the rupee

Growth is indeed slowing, but it's not crashing. Look out for GDP data tomorrow, and inflation has been contained under the central bank's 4% comfort level in recent months, which is where it's expected to stay until the end of the current financial year with low oil prices.

We don't think the argument for a rate cut is strong enough just yet and if we surprisingly get one next week, it won't be great for the rupee. Recall what happened to the currency when the government and central bank row was at its peak a month ago.

6.50%

RBI repo rate

No change anticipated in December meeting

➔ Lower oil prices - a boon for Asian inflation

The recent downward trend in global crude oil price comes as a boon for most other Asian economies. Given that oil is down by more than 30% from its early October peak, all November consumer price data from around the region will be scrutinised for the impact.

Inflation data from Indonesia and the Philippines will be closely-watched as central banks in both countries continue to tighten policies this month despite the significant consolidation in their respective currencies over the past two months. Inflation in Indonesia has hovered around the 3% level in the last six months. Our forecast of a slight uptick to 3.4% in November from 3.2% last month comes from the low base effect rather than underlying price pressure, which will largely go unnoticed. But in the Philippines, the expected slowdown in inflation to 6.2% from 6.7% over the same months will be viewed positively by the markets.

Korea, Taiwan, and Thailand are the other countries reporting CPI data. Inflation in Korea is close to its peak but has already started to ease in the other two countries.

31% Fall in crude price
From the peak in October

➔ Balance of risks tilted toward growth

A raft of November manufacturing purchasing manager index and export data from across the region will help form our view on growth.

In the third quarter, GDP growth has slowed pretty much everywhere in Asia. It's hard to imagine any reversal, as what the trade data will likely reinforce. November exports from Korea and Taiwan's will be interesting given the recent collapse in technology stocks, and we forecast slower export growth for both countries.

We see the balance of risks for Asian economies as being tilted toward growth, not inflation.

Asia Economic Calendar

Country	Time*	Data/event	ING	Survey	Prev.
Saturday 1 December					
South Korea	0000	Nov Exports (YoY%)	6.5	6.6	22.7
	0000	Nov Imports (YoY%)	10	12.1	27.9
	0000	Nov Trade Balance (US\$m)	6693	6300.0	6466.0
Monday 3 December					
China	0145	Nov Caixin Manufacturing PMI	50	50.1	50.1
India	0500	Nov Nikkei Manufacturing PMI	52.5	-	53.1
Indonesia	0400	Nov CPI (YoY%)	3.4	-	3.2
	0400	Nov CPI core (YoY%)	-	-	2.9
Singapore	1300	Nov PMI	-	-	51.9
Taiwan	0030	Nov Nikkei Manufacturing PMI	46.5	-	48.7
Thailand	0300	Nov CPI (YoY%)	1.2	-	1.2
	0300	Nov CPI Core (YoY%)	0.8	-	0.8
South Korea	0030	Nov Nikkei Manufacturing PMI	49.8	-	51.0
	2300	3Q F GDP (QoQ/YoY%)	0.6/2.0	-/-	0.6/2.0
	2300	Nov CPI (MoM/YoY%)	2.1	-/-	-0.2/2.0
Wednesday 5 December					
India	0500	Nov Nikkei Services PMI	-	-	52.2
	0900	RBI Policy Decision (Repo Rate, %)	6.5	6.5	6.5
	-	3Q Current Account Balance (Q) (US\$bn)	-	-19.8	-15.8
Hong Kong	0030	Nov Nikkei PMI	-	-	48.6
Malaysia	0400	Oct Exports (YoY%)	4.6	-	6.7
	0400	Oct Imports (YoY%)	3.1	-	-2.7
	0400	Oct Trade Balance (RM bn)	11.6	-	15.3
Philippines	0100	Nov CPI (YoY%)	6.2	-	6.7
Taiwan	0800	Nov CPI (YoY%)	0.9	-	1.2
	0800	Nov WPI (YoY%)	5.4	-	6.0
Friday 7 December					
China	-	Nov Forex Reserves (US\$bn)	3013	-	3053.1
Hong Kong	-	Nov Forex Reserves (US\$bn)	-	-	423.1
Malaysia	0700	Nov Forex reserves, Month-end (US\$bn)	-	-	102.1
Philippines	-	Nov Forex Reserves (US\$bn)	-	-	74710.9
Taiwan	0800	Nov Exports (YoY%)	-0.1	-	7.3
	0800	Nov Imports (YoY%)	12	-	17.6
	0800	Nov Trade balance (US\$bn)	3.06	-	-

Source: ING, Bloomberg, *GMT

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