# Good MornING Asia - 4 December 2018

After the euphoria about the truce between China and the US over the weekend, investors seem to be now digesting the 90-day reprieve.

## In this bundle

Article | 4 December 2018

# ASEAN morning bytes

General market tone: Slight risk-on. After the euphoria about the truce between China and the US over the weekend, investors are now digesting the 90-day reprieve with details apparently being elusive. This could cause some investors to hold off on taking substantial bets while clarifying the details and with the OPEC meeting looming on the 6th.


## International theme: The details on the US-China deal are proving to be elusive as euphoria fades

- Global markets rallied on Monday but the initial rally may be tempered on Tuesday with investors now seeing conflicting reports on the details of the 90-day truce between China and the US. Market players will likely trade cautiously ahead of the OPEC meeting and until after details of the agreement between Washington and Beijing are ironed out.

## EM Space: Risk markets to tread cautiously while looking to OPEC meeting and details for US-China truce

- **General Asia:** Emerging markets will tread cautiously and look for details on the 90-day truce, including when the actual truce would begin amid conflicting news reports on about

the agreement. Meanwhile, oil has inched higher ahead of the OPEC meeting, which should provide another flavor to trading for the week after Russia pledged to slash output over the weekend.
- **Thailand:** Inflation returned to sub 1% territory in November as a sharp dip in transport inflation more than offset higher food inflation. It seems recent sharp plunge in oil price is coming through domestic fuel prices. Lower inflation coupled with slowing GDP growth provide more reasons for the Bank of Thailand to leave the monetary policy on hold in December.
- **Indonesia:** November CPI inflation of 3.2% YoY was in-line with expectations. Core inflation inched up to 3.0% from 2.9%. The inflation reading remains well-within Bank Indonesia's policy target but Governor Warjiyo retained his hawkish stance recently and will be looking more to IDR movements for direction on policy rates.
- **Philippines:** Price pressures appear to be abating in the Philippines with fuel rollbacks, leading to adjustments in public transport fares of PHP1 for *jeepneys*, signaling the worst may be over for now. With inflation seen to decelerate in the coming months, a planned excise tax on fuel of PHP2.00, however, was reinstated, but recent developments on food and energy inflation may still help the BSP to hold off on hiking rates at least for the December meeting.

## What to look out for: PMI figures, OPEC meeting and inflation

- Fed Kaplan speech (4 December)
- Taiwan inflation (5 December)
- India RBI meeting (5 December)
- Philippines inflation (5 December)
- US ISM PMI non-manufacturing (5 December)
- OPEC meeting (6 December)

### Author

**Nicholas Mapa**
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

# G20: Don’t cry victory yet

The ceasefire between the world’s largest trading nations is positive because the signals coming from the preceding negotiations were rather pessimistic. The ceasefire means that the planned elevation of import tariffs by the US are off for the next three months. But there is a long way to go before there is a real deal

Source: Shutterstock

## Little time for a deal

Although the deal between China and the US is mainly a question of buying time, China has committed itself to import more industrial, agricultural products and energy from the US.

If President Trump is consistent in his demands, the reduction of the bilateral trade deficit has to be more than China’s offer of US$70bn last spring, which was not good enough for Trump. Trump has demanded a halving of the deficit, which means a reduction of US$190bn. It is not clear how far China is prepared to go.

Another reason to wait before cheering the end of the trade war is that 90 days to work out a broad agreement is very short. Especially because the agreement should also encompass a deal on more sensitive issues like the theft of intellectual property and forced technology transfers in joint ventures. Most wide-ranging bilateral trade agreements take years to negotiate.

A positive is that both parties did not say that China's ‘Made in China 2025’- strategy will be part of the coming negotiations. This could mean that Trump has accepted that this is a ‘no go’ for China.

## Uncertainty continues for WTO

On the WTO there is just a commitment to talk about reforms. No steps made on the content side, so it is too early to say whether a deal is possible. Trump will keep the WTO under high pressure by blocking the appointment of judges for the appellate body as long as his demands for reforms are not met. If there are no new judges before 1 December 2019, it will paralyse the WTO.

This approach fits the strategy that we have seen in all the trade battles that President Trump has started thus far. And it means that the closer we get to the December deadline, the larger the pressure will become on the other countries that are more attached to the survival of the WTO, to give in to Trump's demands.

In six months world leaders will discuss the progress of reforming the WTO at their next G20 meeting. Developed nations want China and other large emerging economies to give up their status as 'developing nation' within the WTO and the benefits that come along with it. China is thus far not prepared to give in. Once again, China faces a difficult choice in the months to come: does it want to call President Trumps bluff and risk that the US paralyses the WTO? Or will China compromise to save the international guard dog of trade, an institution that watches over a framework that helped China, like many other countries, to increase living standards of its people

## Author

**Raoul Leering**
Senior Macro Economist
raoul.leering@ing.com

**Iris Pang**
Chief Economist, Greater China
iris.pang@asia.ing.com

Report | 3 December 2018 Philippines

# Philippines 2019 GDP outlook

Philippines growth in 2019 could post its lowest print since 2015. Inflation and rate hikes in 2018 should curtail consumption and investment momentum in the first half of 2019. We expect a recovery in the second half of 2019

Source: Shutterstock

## Author

**Nicholas Mapa**
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

Article | 3 December 2018 Thailand

# Thai inflation returns to sub 1% territory

Lower inflation coupled with slowing GDP growth provide more reasons for the Bank of Thailand to leave the monetary policy on hold in December. But expect food to be displacing transport as the key driver of inflation in 2019

Source: Shutterstock

**0.9%** CPI inflation in November

Lower than expected

## Lower oil price have kicked in

Breaking the brief 1% plus trend, the consumer price inflation dipped to 0.9% year on year in November from 1.2% in October while core inflation eased by half a percentage point to 0.7%. We anticipated no change in both measures from their October levels.

What stood out the most was a sharp slowdown in the transport component to 1.6% in November from 3.9% in October as the recent plunge in global crude oil prices works its way through to domestic fuel prices. Lower transport inflation more than offset higher food inflation of 1.0% than 0.3% in October, while inflation in other components remained mostly unchanged over the course of two months.

We maintain our forecast of 1.1% inflation for 2018.

## Paving way for more being inflation outlook

We see food displacing transport as the key driver of inflation in 2019. The low base effect is at work in the food component and could push the annual increases to as high as 3% by mid-2019.

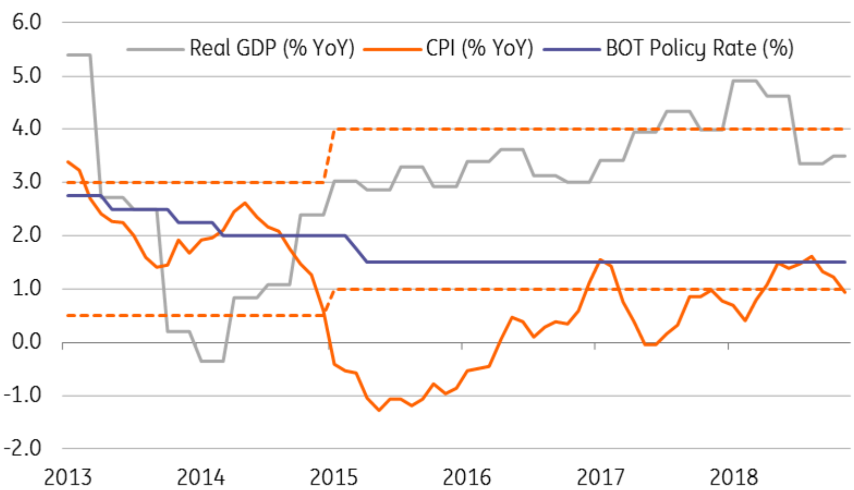
On the transport side, the 30% plunge in global oil prices over the last two months doesn't look to be completely reversible as slower global growth weighs down demand.

As such, the risk to our 2019 inflation forecast of 1.3% remains on the downside.

## Why the central bank needs to tighten the policy?

In the recent past, inflation hasn't been a policy concern and is unlikely to become one shortly either. And GDP growth has dipped below what appears to be the government's 4% comfort level in the third quarter, which is where it likely to remain for most of next year. Yet, the noise about the central bank hiking at its next meeting is on the rise.

## Balance of economic risks tilted toward growth




Dotted lines are BoT's target for CPI inflaltion, currently 1-4%.

Source: Bloomberg, CEIC, ING

We believe the balance of economic risk is tilted towards growth, not inflation and that expectations of central bank tightening in December are misplaced. The Bank of Thailand has already signalled downside risk to its 4.4% growth forecast for the current year. Its growth and inflation projections for 2019 are 4.2% and 1.1% respectively.

We maintain our contrarian view that there will be no change to the 1.50% policy rate in December and are pencilling in a 25bp rate hike in 2Q19, which we will be looking to push out in time if growth continues to be under 4% in coming quarters.

## Author

**Alissa Lefebre**
Economist
alissa.lefebre@ing.com

**Deepali Bhargava**
Regional Head of Research, Asia-Pacific
Deepali.Bhargava@ing.com

**Ruben Dewitte**
Economist
+32495364780
ruben.dewitte@ing.com

**Kinga Havasi**
Economic research trainee
kinga.havasi@ing.com

**Marten van Garderen**
Consumer Economist, Netherlands
marten.van.garderen@ing.com

**David Havrlant**
Chief Economist, Czech Republic
420 770 321 486
david.havrlant@ing.com

**Sander Burgers**
Senior Economist, Dutch Housing
sander.burgers@ing.com

**Lynn Song**
Chief Economist, Greater China
lynn.song@asia.ing.com

**Michiel Tukker**
Senior European Rates Strategist
michiel.tukker@ing.com

**Michal Rubaszek**
Senior Economist, Poland
michal.rubaszek@ing.pl

**This is a test author**

**Stefan Posea**

Economist, Romania
tiberiu-stefan.posea@ing.com

**Marine Leleux**
Sector Strategist, Financials
marine.leleux2@ing.com

**Jesse Norcross**
Senior Sector Strategist, Real Estate
jesse.norcross@ing.com

**Teise Stellema**
Research Assistant, Energy Transition
teise.stellema@ing.com

**Diederik Stadig**
Sector Economist, TMT & Healthcare
diederik.stadig@ing.com

**Diogo Gouveia**
Sector Economist
diogo.duarte.vieira.de.gouveia@ing.com

**Marine Leleux**
Sector Strategist, Financials
marine.leleux2@ing.com

**Ewa Manthey**
Commodities Strategist
ewa.manthey@ing.com

**ING Analysts**

**James Wilson**
EM Sovereign Strategist
James.wilson@ing.com

**Sophie Smith**
Digital Editor
sophie.smith@ing.com

**Frantisek Taborsky**
EMEA FX & FI Strategist
frantisek.taborsky@ing.com

**Adam Antoniak**
Senior Economist, Poland

adam.antoniak@ing.pl

**Min Joo Kang**
Senior Economist, South Korea and Japan
min.joo.kang@asia.ing.com

**Coco Zhang**
ESG Research
coco.zhang@ing.com

**Jan Frederik Slijkerman**
Senior Sector Strategist, TMT
jan.frederik.slijkerman@ing.com

**Katinka Jongkind**
Senior Economist, Services and Leisure
Katinka.Jongkind@ing.com

**Marina Le Blanc**
Sector Strategist, Financials
Marina.Le.Blanc@ing.com

**Samuel Abettan**
Junior Economist
samuel.abettan@ing.com

**Franziska Biehl**
Senior Economist, Germany
Franziska.Marie.Biehl@ing.de

**Rebecca Byrne**
Senior Editor and Supervisory Analyst
rebecca.byrne@ing.com

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

**Timothy Rahill**
Credit Strategist
timothy.rahill@ing.com

**Leszek Kasek**
Senior Economist, Poland
leszek.kasek@ing.pl

**Oleksiy Soroka, CFA**
Senior High Yield Credit Strategist

oleksiy.soroka@ing.com

**Antoine Bouvet**
Head of European Rates Strategy
antoine.bouvet@ing.com

**Jeroen van den Broek**
Global Head of Sector Research
jeroen.van.den.broek@ing.com

**Edse Dantuma**
Senior Sector Economist, Industry and Healthcare
edse.dantuma@ing.com

**Francesco Pesole**
FX Strategist
francesco.pesole@ing.com

**Rico Luman**
Senior Sector Economist, Transport and Logistics
Rico.Luman@ing.com

**Jurjen Witteveen**
Sector Economist
jurjen.witteveen@ing.com

**Dmitry Dolgin**
Chief Economist, CIS
dmitry.dolgin@ing.de

**Nicholas Mapa**
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com

**Egor Fedorov**
Senior Credit Analyst
egor.fedorov@ing.com

**Sebastian Franke**
Consumer Economist
sebastian.franke@ing.de

**Gerben Hieminga**
Senior Sector Economist, Energy
gerben.hieminga@ing.com

**Nadège Tillier**
Head of Corporates Sector Strategy

nadege.tillier@ing.com

**Charlotte de Montpellier**
Senior Economist, France and Switzerland
charlotte.de.montpellier@ing.com

**Laura Straeter**
Behavioural Scientist
+31(0)611172684
laura.Straeter@ing.com

**Valentin Tataru**
Chief Economist, Romania
valentin.tataru@ing.com

**James Smith**
Developed Markets Economist, UK
james.smith@ing.com

**Suvi Platerink Kosonen**
Senior Sector Strategist, Financials
suvi.platerink-kosonen@ing.com

**Thijs Geijer**
Senior Sector Economist, Food & Agri
thijs.geijer@ing.com

**Maurice van Sante**
Senior Economist Construction & Team Lead Sectors
maurice.van.sante@ing.com

**Marcel Klok**
Senior Economist, Netherlands
marcel.klok@ing.com

**Piotr Poplawski**
Senior Economist, Poland
piotr.poplawski@ing.pl

**Paolo Pizzoli**
Senior Economist, Italy, Greece
paolo.pizzoli@ing.com

**Marieke Blom**
Chief Economist and Global Head of Research
marieke.blom@ing.com

**Raoul Leering**

Senior Macro Economist
raoul.leering@ing.com

**Maarten Leen**
Head of Global IFRS9 ME Scenarios
maarten.leen@ing.com

**Maureen Schuller**
Head of Financials Sector Strategy
Maureen.Schuller@ing.com

**Warren Patterson**
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

**Rafal Benecki**
Chief Economist, Poland
rafal.benecki@ing.pl

**Philippe Ledent**
Senior Economist, Belgium, Luxembourg
philippe.ledent@ing.com

**Peter Virovacz**
Senior Economist, Hungary
peter.virovacz@ing.com

**Inga Fechner**
Senior Economist, Germany, Global Trade
inga.fechner@ing.de

**Dimitry Fleming**
Senior Data Analyst, Netherlands
Dimitry.Fleming@ing.com

**Ciprian Dascalu**
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com

**Muhammet Mercan**
Chief Economist, Turkey
muhammet.mercan@ingbank.com.tr

**Iris Pang**
Chief Economist, Greater China
iris.pang@asia.ing.com

**Sophie Freeman**
Writer, Group Research
+44 20 7767 6209
Sophie.Freeman@uk.ing.com

**Padhraic Garvey, CFA**
Regional Head of Research, Americas
padhraic.garvey@ing.com

**James Knightley**
Chief International Economist, US
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

**Karol Pogorzelski**
Senior Economist, Poland
Karol.Pogorzelski@ing.pl

**Carsten Brzeski**
Global Head of Macro
carsten.brzeski@ing.de

**Viraj Patel**
Foreign Exchange Strategist
+44 20 7767 6405
viraj.patel@ing.com

**Owen Thomas**
Global Head of Editorial Content
+44 (0) 207 767 5331
owen.thomas@ing.com

**Bert Colijn**
Chief Economist, Netherlands
bert.colijn@ing.com

**Peter Vanden Houte**
Chief Economist, Belgium, Luxembourg, Eurozone
peter.vandenhoute@ing.com

**Benjamin Schroeder**
Senior Rates Strategist
benjamin.schroder@ing.com

**Chris Turner**
Global Head of Markets and Regional Head of Research for UK & CEE
chris.turner@ing.com

**Gustavo Rangel**
Chief Economist, LATAM
+1 646 424 6464
gustavo.rangel@ing.com

**Carlo Cocuzzo**
Economist, Digital Finance
+44 20 7767 5306
carlo.cocuzzo@ing.com