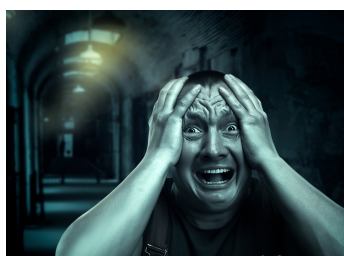


## Good MornING Asia - 6 February 2018

Overnight falls in equities have at least checked the previously relentless bond yield ascent. The USD is slightly stronger against Asian FX, but only slightly stronger against the EUR. Oil is a bit lower too

### In this bundle



#### The fall continues

Overnight falls in equities have at least checked the previously relentless bond yield ascent. The USD is slightly stronger against Asian FX, but only...

By Robert Carnell



#### Indonesia

#### Indonesia: 4Q upside surprise bodes well for 2018

GDP growth of 5.2% in Q4 slightly beats consensus forecast of 5.1%. Improving domestic demand will likely see 2018 growth at 5.4%

Opinion | 5 February 2018

## The fall continues

Overnight falls in equities have at least checked the previously relentless bond yield ascent. The USD is slightly stronger against Asian FX, but only...



scared

# -0.92%

Ytd price change for S&amp;P 500

Its not that bad...yet

### Typical!

Only a little over a week ago, I performed one of my sporadic assessments of pension and other investments and was pleasantly surprised. Funds I had not looked at in over a year were actually worth considerably more than I had imagined. Retirement might be a little better than the bread and water existence I had been expecting. Why am I telling you this? Well mainly because if I performed the same assessment today, following the Dow's worst points fall ever yesterday, the bread and water diet would look very much on the cards.

Still, "easy come, easy go", as they say. My earlier surprise that I was doing OK now looks like a

fairly accurate indication that markets were overstretched. Now I can wait until a bottom is found, and then spend the next year watching markets climb the wall of worry. I certainly can't afford to stop saving in these markets.

There has been nothing substantial overnight to propel further losses, merely the sell-off of the previous day gathering momentum. That suggests we have some way to go yet before these markets begin to look attractive to the value community. The S&P500 is, for example, not even down a full percent year to date, though that probably tells us more about how strong the gains in January were than anything else.

The original catalyst for the sell-off was the unexpectedly strong January wages growth in the US, though viewed in the right perspective, wages growth in the US is still weak in absolute terms. This wage data propelled thoughts of a more aggressive Fed. But such thoughts are now being pared back as markets flounder. We can't look for this to provide much support though, that really would be circular thinking. But eventually, these and other such factors will begin to provide support and stem the decline.

The same circular logic ought to apply outside the Fed too. That said, global financial uncertainty should add further to the widely held belief that the RBA will not deliver any tightening of policy when it meets later today. Wages have not yet started rising meaningfully in Australia, nor inflation. And until we see more signs that this is happening, Governor Lowe and his team can rest easy.

The ECB can also declare itself far from victory in the war to raise inflation, as Draghi did in the EU parliament yesterday, without sounding too foolish, or reckless. In these markets, caution looks warranted. Though the same remarks will begin to lose credibility again the moment sentiment begins to firm.

Aside from Philippines inflation data, which could nose higher on the weaker PHP, there is not much else on the calendar today. As we mentioned yesterday - that does not mean markets will be quiet. It's what you can't see that usually worries humans, and that includes investors. So a day without data guidance leaves us still in the dark...scary.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

[robert.carnell@asia.ing.com](mailto:robert.carnell@asia.ing.com)

# Indonesia: 4Q upside surprise bodes well for 2018

GDP growth of 5.2% in Q4 slightly beats consensus forecast of 5.1%. Improving domestic demand will likely see 2018 growth at 5.4%



Source: Shutterstock

# 5.2%

## 4Q GDP growth

Domestic demand drivers improve performance

Better than expected

## Household, government and business spending growth looks promising for election year 2018 and 2019

Domestic demand drivers recorded improvements in 4Q, in line with expectations. Household spending grew almost 5%, a slight uptick from 3Q's 4.9%. Government spending moderately accelerated to 3.8% YoY from 3.5% in 3Q while business spending showed some improvement. The fourth quarter performance puts the average growth for 2017 at 5.1%, also in line with expectations.

Growth in 2018 looks promising. Indonesia goes to regional elections at mid-year which culminates

with a national election in 2019. Election years show significant improvements in domestic demand, especially government spending. The last major election showed an additional 2ppt increase in government spending growth.

Household spending is also likely to rise on the back of moderate inflation for most of this year. Business spending is also likely to show sustained improvement with construction and manufacturing leading the growth. Net exports would again positively contribute to overall growth on the back of elevated commodity prices and higher global growth.

We expect 2018 GDP growth of 5.4%, within the central bank's 5.1% to 5.5% growth forecast and ahead of the consensus estimate of 5.3%.

### 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>.