

Good MornING Asia - 7 August 2019

As an uneasy calm returns to markets, but some indicators are still sending a more medium-term bearish message

In this bundle



Market calm returns...tick, tock

As an uneasy calm returns to markets, but some indicators are still sending a more medium-term bearish message



Asia Morning Bites

ASEAN Morning Bytes

General market tone: Wait and see. The market calm has returned after two sessions of heavy losses but the caution prevails.



China

China fixes the yuan higher

Today's fixing is an even bigger depreciation move, but some were expecting the fix to be higher still, and the market response is more balanced



Singapore

Singapore short term rates drop

3M SIBOR falls - this could be a clue that off-cycle easing is imminent



Philippines

Philippines: Inflation continues downward trend, July inflation at 2.4%

Base effects and slowing food prices helped push inflation to 2.4% for July

Opinion | 7 August 2019

Market calm returns...tick, tock

As an uneasy calm returns to markets, but some indicators are still sending a more medium-term bearish message



Source: Shutterstock

All is well...really?

Apparently, the US still wants the Chinese trade team to come to Washington in September for talks. This, according to White House Economic Adviser, Larry Kudlow. But this sounds a bit like being invited to the birthday party of the kid who bullies you at school. I'd probably tell my parents I didn't want to go. That, or fake an illness. But together with China's moderate CNY fixing yesterday and bill sale announcement, this has all poured some soothing oil on troubled market waters.

These factors help to explain the shift in day-to-day volatility. A more permanent balm for markets is the market perception that the Fed stands ready to get out the magic rate-sponge at any hint that the economy/markets may have a fall. And the Fed seems happy to provide that assurance, though unusually, ultra-dove - Bullard - is sounding a little less dovish than usual. He hinted overnight that he would like to wait and assess the data more before any further easing. That said, it seems we simply aren't allowed any sort of meaningful correction in today's central bank steadied world - that is, except the really big ones that follow from this sort of free-money stabilization.

As a result, the S&P500 is still up almost 15% year to date - that - despite the recent large falls, though helped by a bounce yesterday. Of course, the bond market tells a different story, though

that is probably the first derivative of the "Fed-put" that I talk about above.

In contrast to financial assets, look at the real-asset world of Brent crude oil prices, down below \$60/bbl, copper, at \$256/lb its lowest since June 2017, and gold, rising to close in on \$1500/oz, and you get a very different picture of what is going on right now. And for my money, it is a rather more credible one.

Asia/Pacific central banks in action today

After the big swings of the past few days, Asian FX seems to be finding some stability. We get some Asian central bank Action today, though the recent currency weakness could tip the balance for the more marginal calls towards no-change.

In no particular order: The RBNZ meets this morning and the consensus is well behind a rate cut. We also sway this way, though we are feeling decidedly less confident after some much stronger than expected labour market data yesterday. The main argument for the RBNZ to cut today now rests on not disappointing markets, which have the cut fully priced in, and catch up with the RBA. Neither are strong arguments, but changing a forecast on the day of a meeting is usually a mistake, so we will stick with this call, cross our fingers and hope for the best. Relative NZD strength helps support the rate cut call.

Prakash Sakpal also offers his thoughts on the Reserve Bank of India and Bank of Thailand below:

"We retain our contrarian view of the monetary policies in India and Thailand as respective central banks announce their policy decisions today. There is a solid consensus backing a 25 bps policy rate cut by the Reserve Bank of India (RBI) but no change in the Bank of Thailand (BoT) policy. In contrast, we think economic conditions in India warrant a pause in RBI easing after three straight rates cuts (total of 75bp cut) in as many meetings so far this year, while the accelerated growth slowdown in Thailand calls for greater policy accommodation. Once again, we don't mind being wrong for the right reasons.

We read RBI Governor Das' recent remarks that the easing was more than the actual rate cuts as hinting at pause. He considered the very shift of the policy bias from neutral to easing in the June meeting as equivalent to an additional 25bp rate cut. We don't think a prudent policy would want to risk excessive easing for an economy facing higher inflation in the future. In Thailand, talk of imminent fiscal stimulus may have solidified the consensus for no BoT easing just yet. However, there are still heavy political headwinds for the weak coalition government in getting fiscal stimulus through parliament. We don't think the BoT can afford to wait for the economic situation to get worse before acting. And, against the current backdrop of CNY depreciation, contagion on the emerging market FX, the Indian rupee's underperformance suggests the RBI should leave rates on hold, whereas Thai baht's sustained outperformance provides grounds for the BoT to complement its latest effort to arrest rapid currency appreciation with a rate cut".

Elsewhere - Taiwan - rays of light for electronics?

The other main focus today (besides the CNY fix) is Taiwan's trade data. Taiwan's GDP surprised on the upside recently, and their exports also rose in June from the previous year, providing more evidence that a trough is forming. We have seen some similar action elsewhere, Korea for example - at least in terms of levels, not year on year comparisons - and this may point to some moderation in the global tech slump we have been watching weigh on the region.

Of course, the latest escalation of the trade war could well undo what is probably a very fragile base of electronics demand, and so we won't read too much into any uptick, but it will provide at least a grain of encouragement that all is not doom and gloom in Asia.

Author

Alissa Lefebre

Economist

alissa.lefebvre@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 Klokk

Senior Economist, Netherlands

marcel.klokk@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.schroeder@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

ASEAN Morning Bytes

General market tone: Wait and see. The market calm has returned after two sessions of heavy losses but the caution prevails.



EM Space: Calm after storm

- **General Asia:** The market calm has returned after two sessions of heavy losses. Still, the caution prevails as investors digest recent turns in the trade and currency war, while more Asian central banks review monetary policies in light of the latest developments.
- **Thailand:** We retain our contrarian view of the BoT starting to cut the policy rate today, whereas the consensus is solidly behind no change to the 1.75% policy rate. Increasingly weak activity data recently has strengthened our conviction in our view that the economy needs easier policies. Even if the talk of the fiscal stimulus has been on the rise lately possible delay for the weak coalition government to implement it suggests the BoT will need to do all the heavy-lifting before the economy gets worse. Moreover, the rate cut will also help to arrest the runaway THB appreciation as the latest measures to this end are proving to be ineffective.
- **Philippines:** June trade figures are due today with exports likely posting a slight increase while imports remain in contraction on the back of weak capital goods and raw material imports. Sluggish imports have been attributed to the delay in the passage of the government budget as well as to weak corporate investment due to aggressive BSP policy tightening in 2018. The trade balance will likely remain in deficit, which will likely figure in a lackluster 2Q GDP print tomorrow.

What to look out for: China trade data

- Philippines trade (7 August)
- RBI meeting (7 August)
- Taiwan trade (7 August)
- Philippines GDP (8 August)
- BSP meeting (8 August)
- Singapore retail sales (8 August)
- China trade balance (8 August)
- US wholesale inventories (8 August)
- Japan GDP (9 August)
- China inflation (9 August)
- US producer prices (9 August)

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

China fixes the yuan higher

Today's fixing is an even bigger depreciation move, but some were expecting the fix to be higher still, and the market response is more balanced



New mid-point for CNY is 6.9683

Today's fix at USD/CNY 6.9683 comes close to the estimates published each day by some of those attempting to mirror how the People's Bank of China sets its mid-point relative to its trading partners. But it is nonetheless quite a big move and about double the increase seen yesterday. As we noted in our morning note today, a move of this size could theoretically see USD/CNY spot rise to 7.10, given the 2% trading band permitted.

But the moves so far don't look anything like this big, and it seems that some market participants were expecting the fix today to be even higher, so the actual result is "less unsupportive" than some had imagined.

High yielders in the region, like the Indonesian rupiah and Indian rupee, are still looking soft, but the low yielders, Korean won, Singapore dollar, seem to be taking some support from this fix.

USD/CNY - PBOC Fixing and the market spot rates



Source: Bloomberg, ING

Bill issuance announcement also provides some CNY support

Backing up what some are viewing as a stronger than expected fix, the PBoC also announced they would issue 30 billion of yuan bills in Hong Kong next week. The sales are part of regular issuance, but the amount is larger than needed to simply replace maturing bills, so should provide some boost to short term Chinese rates, and thereby to the CNY.

So, far from looking like the PBoC is embarking on an aggressive depreciation, it is looking more likely that they are now trying to put the brakes on yesterday's move and bring some two-way risk back to the CNY outlook.

This probably has nothing to do with the announcement from the US earlier this morning, that they would label China a "currency manipulator". Moreover, with that decision now made, and the implications of this less worrying than tariffs already in place, that genie is now out of the bottle, and can't readily be re-used.

We now have to wait to see how the US President views today's move, as it looks like he is personally taking control of US trade policy. If he views it negatively, the next step for the US could be to consider increasing the tariff rate on the latest \$300bn of goods from the planned 10%, to 25%. Then we will have to see how China responds to that. Watch this space...

Author

Alissa Lefebre

Economist

alissa.lefebvre@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.schroeder@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

Singapore short term rates drop

3M SIBOR falls - this could be a clue that off-cycle easing is imminent



Source: Shutterstock

1.879% 3M SIBOR
Down from 1.998%

Monetary Authority of Singapore (MAS) could be poised to ease

For some time now, we have been touting a view of an off-cycle easing by the MAS. The weak state of Singapore's export industries, hit by the global tech slump, as well as the trade and tech war, together with softer global trade, suggested to us that the next MAS move would be to ease policy. The current policy stance is a 'modest and gradual' appreciation of the SGD Nominal effective exchange rate (SGD NEER) path. We think this could be revised to flat.

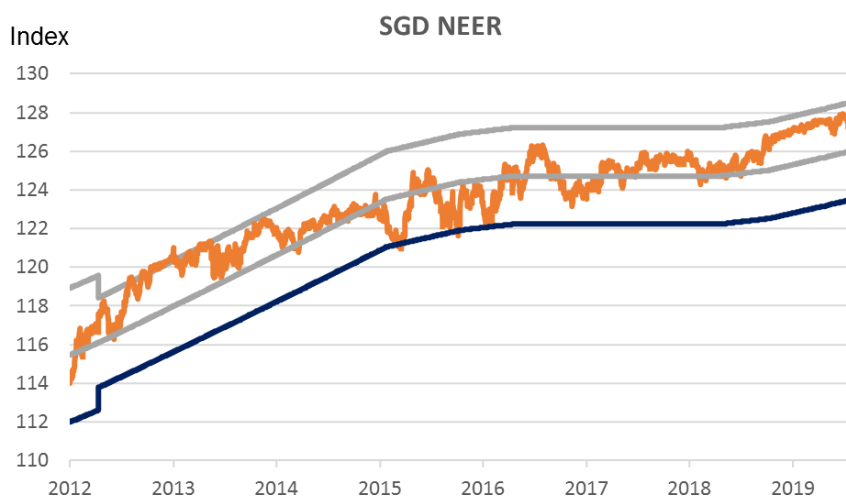
We also have suggested that the MAS would not want to wait until the next scheduled meeting in October before easing, and that an off-cycle easing was therefore likely. Moreover, we felt that if this was the case, then the MAS would most likely not want to hang about for too long. As time ticks on, any delay would mean that before too long, there might be no point in moving off-cycle and that they could just as well wait until the October meeting. In other words, we felt that an easing announcement was imminent.

Short term rates the clue?

With the path of the SGD a part-market, part-MAS outcome, short-term rates play a role, as they indicate the degree to which the authorities are working to maintain their NEER target. Until recently, 3M SIBOR has been on an upward path, with discrete upward steps indicating successive tightenings of liquidity as the MAS worked to maintain the NEER path.

3M SIBOR has just dropped abruptly in the last few days, and the SGD is heading back towards the midpoint of its projected range. This may well be just the clue we needed to indicate that an imminent announcement of a shift in policy stance from the MAS is on its way.

SGD NEER



Source: Bloomberg

3M SIBOR



Source: Bloomberg

Author

Alissa Lefebre

Economist

alissa.lefebvre@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.schroeder@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

Philippines: Inflation continues downward trend, July inflation at 2.4%

Base effects and slowing food prices helped push inflation to 2.4% for July



Rice for sale at a market in the Philippines

2.4%

July CPI inflation

second month of deceleration

As expected

Two data points confirm deceleration trend intact

July inflation slowed further to 2.4% from June's 2.7%, in line with market expectations and within the BSP's 2.0-2.8% forecast range. In comparison, July inflation was at 5.7% last year. Almost all subsectors posted slower price gains than the previous month except for education, as base effects of last year's implementation of free tertiary education faded. Key to the deceleration trend was the fall in the average retail price of rice in the month of July with the Rice Tarrification Law kicking in. Adding to this, electricity rates decreased for the third straight month this year. Meanwhile, transport inflation was also lower, possible causes include the free train rides students were permitted to take during specific time frames starting July 1st as well as lower pump prices due to lower crude prices. Furthermore, the Student Fare Discount Act was passed mid-July, granting students 20 percent discount on all public transportation.

It is also worth noting that a stronger peso had a hand in slower inflation for the month of July, helping to lower the cost of imported raw materials. Lastly, base effects continue to come into play. Base effects will continue to have a similar role in inflation data for the coming months with 3Q 2019 inflation expected to dip to 2%.

Price objective met, BSP to look to growth

With new data confirming the ongoing trend slowdown in inflation in the Philippines and the U.S. Federal Reserve cutting rates by 25bp last Wednesday, it is widely expected by the market that the Philippine central bank (BSP) will cut rates this Thursday, August 8. BSP has vowed to remain data-dependent with its focus shifting to the Thursday release of 2Q GDP with a market consensus of 5.9%.

Governor Diokno has telegraphed up to 50 bps worth of rate cuts for the balance of 2019 and we believe we will see at least a 25 bps rate cut (with door open for 50 bps) all the more so, given that 2Q GDP is likely to settle below the 6% handle.

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 www.ing.com.