

Good MornING Asia - 7 February 2019

The central bank policy meetings in India and the Philippines are the highlights of the day. Notwithstanding a solid consensus behind on-hold policies, we do not rule out any surprises, especially by the Reserve Bank of India which has been under pressure from the government to ease

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General market tone: Slight risk-on. Investor sentiments remain mixed given the lack of fresh leads although bargain hunting may lead to slight gains.

By Nicholas Mapa



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EM Space: Market looking for direction with eye still on US-China trade negotiations

- **General Asia:** Market will likely move sideways with an upward bias as investors are still grappling for direction amid lack of fresh developments.
- **Indonesia:** Indonesia posted a better-than-expected 4Q growth of 5.18% to lift full-year growth to 5.17%, supporting President Jokowi's re-election bid in the upcoming elections scheduled for April. Consumption helped offset a substantial trade gap. The economy is seen to enjoy better economic prospects in 2019 with consumption receiving a boost from cash transfers and with the trade deficit likely to narrow given the government's efforts to curb imports.
- **Thailand:** As widely expected, the Bank of Thailand left policy rate at 1.75% yesterday noting that "accommodative monetary policy would remain appropriate in the period ahead". Two policy committee members still voted for a 25bp rate hike. The policy statement revealed no concern about strong THB appreciation threatening exports; 4.2% year-to-date currency appreciation is the most among Asian currencies. We remain of the view that the BoT will leave policy on hold throughout 2019, but we are reviewing our call of the USD/THB rising to 33 on rising political risks.

- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) holds a policy meeting today with market expectations pointing to the central bank leaving rates unchanged. January inflation of 4.4%, a sharp slowdown from 5-6% in the second half of 2018, gives the central bank more reason to pause after hiking very aggressively to nip inflation in 2018. Market participants will be looking for changes in BSP's tone as well as any surprise cuts to the reserve requirement ratios (RRR) after Governor Espenilla indicated that recent inflation trends give BSP some "scope" to cut the RRR.

What to look out for: Central bank meetings

- Philippines policy meeting (7 February)
- India policy meeting (7 February)
- Bank of England meeting (7 February)

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Indonesia beats growth expectations at 5.18%

Indonesia's 4Q GDP grew by 5.18% despite a substantial trade deficit with momentum intact ahead of Jokowi's re-election bid



Source: Shutterstock

5.18% Indonesia 4Q GDP

Better than expected

Eighth consecutive streak of +5% growth

Growth in Indonesia managed to best market expectations with 4Q GDP hitting 5.18%, slightly faster than the Bloomberg consensus for 5.10% growth, to push full-year growth to 5.17%. Despite racking up a substantial trade deficit in the fourth quarter, despite the government's efforts to curb imports, the economy still posted decent growth in the run-up to President Joko 'Jokowi' Widodo's re-election bid in the 2Q.

Indonesia GDP



Source: Bloomberg

Growth expected to hover around 5% near term

With the government making headway in curbing import demand to reign in the current account deficit, growth is seen to remain at around 5% as consumption is set to buoy the overall economic growth momentum. With inflation in check and economic activity expected to pick-up ahead of the polls, household spending will look to offset the effects of the Bank of Indonesia's tightening cycle in 2018.

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