

Good MornING Asia - 9 December 2019

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In this bundle



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By Robert Carnell



Asia Morning Bites

ASEAN Morning Bytes

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Opinion | 8 December 2019

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Different reasons for inaction

The BSP won't cut rates this month, because inflation nipped up a tenth above the consensus forecast, to come in at 1.3% for November. We don't think they are done just yet, but this is an opportune time for them to take a pause from the easing they have been putting in place over the year.

For the Fed, well, there is still technically still room for them to ease further, but they had signalled a pause pretty clearly recently, so it would have taken a mild disaster for them to get back off the fence and start cutting again. As it is, we go into this week's meeting with the US data holding pretty firm. Payrolls last week, admittedly distorted by the return of about 48,000 General Motors staff following strikes ([see also James Knightley's detailed report](#)) was nonetheless, a solid set of figures. Again, more from the Fed is probable in 2020, Knightley thinks, but for this year, that's all folks.

And then there is the ECB. This is a central bank that, like the Bank of Japan, is in my opinion, completely out of options. That won't stop people like relative newcomer and Chief Economist, Philip Lane, telling us the opposite. But like the Black Knight in Monty Python's Holy Grail, just saying, "'tis but a scratch" when your arm has been hacked off, does not make it true (you can find your own link on You Tube for this).

Of all three of the central banks, the ECB meeting might be the most interesting from the point of view of seeing what contortions they will pull to preserve the facade of having anything to bring to the table but a bit of jawboning. But whatever is said, is unlikely to prove particularly market moving. Indeed, as the festive season unfurls, and seasonal lunches threaten to go on into the afternoon, you might well consider that extra glass of port instead of dashing back for an uneventful press conference. Your choice obviously...

UK - can we trust the polls?

As we head towards the polls in the UK's de-facto second referendum on Brexit, it looks as if Boris Johnson's Conservative party are heading for a majority, and therefore, Brexit will become a reality. That said, the polls have been *very* wrong before, and there are a number of seats that the Conservatives hold by a very thin majority, so even a small underperformance in terms of votes could mean a disproportionate loss of seats, and...a hung parliament.

I don't think anyone is looking for that, except perhaps our [UK Economist, James Smith, who talks about the risks in his latest piece](#). That could hit sterling hard if it happens.

One vote that won't make a difference at this election is mine. Westminster City Council has taken more than a month to process my postal voting application and send me ballot papers. They arrived last Friday. I shall be trotting off to the post office immediately after this note has gone out, but I think the chances of my ballot papers arriving by noon on Thursday are vanishingly thin. So whatever happens, don't blame me!

Trade - some more negativity

The rhetoric on trade swung back to a more negative tone on Friday, amidst the positivity of the US labour report. White House Adviser, Larry Kudlow suggested that haggling over the amount of agricultural produce China will buy from China is holding up a phase-one deal.

President Trump told reporters last week that he had "no deadline" for a deal. And with no sign of US negotiators booking flights to Beijing for any deal signing, the December 15 deadline for the next round of tariffs looks rather perilous. The sense of optimism evident in markets may not make it quite to the end of the year.

OPEC cuts

Oil took some support from the announced production quota cuts at the end of the OPEC-plus meetings over the weekend. The new quota reduction cuts production by 500,000 bpd to the end of the first quarter of 2020. But Saudi Arabia will overcomply with those targets, increasing the effective scale of these cuts. Watch out for our Daily Commodity Feed on "Think" later.

In the meantime, [here is the link to the commodities page](#).

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EM Space: Central bank meetings and tariff deadline to dictate trading direction

- **General Asia:** With the data calendar stacked with central bank meetings (Fed, ECB, and BSP) and lots of activity data, it's going to be a pretty busy week for markets. Trade anxiety will continue to play a key role in shaping investor sentiment.
- **Thailand:** The University of the Thai Chamber of Commerce's Consumer Confidence Index fell to more than five-year low of 69.1 in November from 70.7 in October. The ninth consecutive fall foreshadows continued weak domestic demand going into 2020. We are sceptical the proposed hike in the daily minimum wage hike in 2020, the second hike in as many years will do any good to revive confidence.
- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno indicated that inflation and GDP should fall within their respective targets for the year. His comments come a week ahead of the BSP's last policy meeting of the year, where Diokno is expected to leave policy rates unchanged.
- **Indonesia:** Finance minister Indrawati indicated that conditions remained right for further easing from Bank Indonesia (BI) with stable inflation while growth faced global headwinds. Meanwhile, BI's deputy governor Damayanti hinted at more policy easing ahead, noting that economy had entered an era of low inflation allowing for greater

monetary policy accommodation and that BI had other monetary tools at its disposal.

What to look out for: Fed meeting and China inflation

- Taiwan trade (9 December)
- China money supply (9 December)
- Philippine trade (10 December)
- China inflation (10 December)
- US inflation (11 December)
- Fed meeting (11 December)
- BSP meeting (12 December)
- ECB meeting (12 December)
- US PPI inflation (12 December)
- Hong Kong industrial production (13 December)
- US retail sales (13 December)

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