

## A very different start to the week in Asia

Last Friday, Asia was dominated by negative sentiment over trade talks, this Monday morning, it's all smiles and optimism again. This could go on a while.



### In, out, in out, shake it all about...

I could probably pre-write my next morning note, basically reversing all the comments and all the market implications of today's missive. Perhaps there is a clever AI semantic programme out there that could do it for me, saving me the trouble of even getting out of bed?

Today seems the exact opposite of last Friday, where a sour trade-mood was working on markets, hurting risk assets, providing some support to the USD (despite dreadful retail sales figures) and weakening Asian FX across the board.

China, at least, is expressing some optimism on the talks. The US is sounding more guarded, though the US President seems to be more optimistic than some of his negotiators. Perhaps the worst outcome now might be an extension of the March 1 deadline to provide more time. That leaves room for plenty more 180 degree turns in sentiment before, we assume, some eventual "deal" is reached. And consequently, plenty more opportunity for markets to rally, then fade, then rally, then fade...

## Cars

One item that may flip the trade-mood back to sourness, is the expected decision on the national security threat to the US of auto imports. The report is due this week from the Commerce Department. Some speculate that this could result in tariffs of 25% on foreign cars. This is not just an Asian problem, though of course, big automakers Korea and Japan would be in the crosshairs. Importantly, this also drags the EU back into the fight and could see EURUSD break out on the downside which could see spillovers into Asian currency weakness especially for those currencies with basket-peg arrangements.

## Asia Day / week

Check out Prakash Sakpal's [Asia Week ahead](#) piece for detail of forthcoming releases and events. We'll write up this morning's Singapore NODX numbers separately if there is anything of interest to note. It's also Budget-day in Singapore today. The trade-centric city-state will try to strike the right tone of prudence, while at the same time providing domestic support against a softening external environment. As Prakash notes, Singapore has the financial strength to pull this off.

Otherwise, Prakash also notes that in terms of this morning's 4Q18 GDP for Thailand, there should be a pick-up in growth to 3.5% year-on-year from 3.3% in 3Q18. Underlying this is improved manufacturing growth even as exports continued to weaken. It's still not an exceptional starting point for the government, which is looking for 4% GDP growth in 2019. Besides global factors depressing exports, political uncertainty is likely to overshadow the economy this year. We expect annual GDP growth to slide to 3.8% in 2019 from an estimated 4.1% in 2018. We don't think this will be a sufficient reason for the Bank of Thailand to reverse December's 25bp rate hike, while the currency (THB) continues to be the investors' darling. Aside from the persistently large current account surplus, a major source of confidence in the currency probably rests on expectations that the military Junta maintains its grip on the government after elections in March, keeping political and economic stability.

## Author

### Robert Carnell

Regional Head of Research, Asia-Pacific

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

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