

## 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)

## 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>.