

ASEAN Morning Bytes

The trading week in Asia looks set to end of a positive note as growing odds of another Fed rate cut this month buoy risk appetite.



0.9% Philippines inflation in September

Lower than expected

EM Space: Asian central banks remain on easing path

- **General Asia:** The US economic data continues to unfold on a weaker side, adding to odds of the Fed accelerating its easing cycle by cutting rates again in October. While this will sustain most Asian central banks on the easing path, the Reserve Bank of India is getting far ahead of others with another policy rate cut today.
- **Malaysia:** August trade data is due with consensus looking for a pick-up in exports growth to 2.7% YoY from 1.7% in July. Electronics has been the source of surprising strength of Malaysian exports this year. While we believe it remained in play amid a seasonal smartphone launches during this summer. Firmer exports support our view of GDP growth staying near the top end of BNM's 4.3-4.8% forecast for 2019.

- **Thailand:** Prime Minister Prayuth Chan-Ocha warned trouble if the lawmakers fail to pass the budget for the fiscal year 2020 (already started on 1 October) his government is due to present to the parliament this month. A weak coalition government with a slim majority in the lower house faces difficulty in getting its policies off the ground. The fate of the \$10 billion stimulus package announced in August hangs in balance. This is why we think the Bank of Thailand should cut policy rates sooner rather than later.
- **Philippines:** September CPI inflation came in below expected at 0.9% YoY (consensus 1.1%). A sharp dip from 1.7% in August was mainly from food and utility prices. We expect continued negative spells in the basket-heavy food component (-0.9% in September) to keep inflation below the BSP's 2-4% target in the months ahead, leaving the door open for further policy rate cuts while growth is likely to miss the target this year.
- **Indonesia:** President Jokowi clarified that Bank Indonesia (BI) remained independent and that he was confident Governor Warjiyo would know when and in what direction to move rates. Previously more neutral, Warjiyo has turned around to whip out three rate cuts to boost growth, in-line with Jokowi's policy directive to boost growth via investments. We expect BI to remain open for further cuts as growth seems to have displaced currency stability as a monetary policy driver.

What to look out for: RBI policy and US jobs data

- Reserve Bank of India meeting (4 Oct)
- Indonesia consumer confidence (4 Oct)
- Malaysia trade (4 Oct)
- Philippines inflation (4 Oct)
- US nonfarm payrolls (4 Oct)