

ASEAN Morning Bytes

General market tone: Wait and watch

The US Fed remains on course to a 'gradual tightening', thanks to sustained strong economic growth and falling unemployment rate. The economic risks remain roughly balanced.



International theme: Strong US economy - Gradual Fed tightening

- The US Federal Reserve remains on course for the fourth rate hike of the year in December. Aside from a signal of moderating fixed asset investment growth, the statement was little changed from the previous meeting. Reversing the post-midterm movement, stocks slipped and the USD gained against most G-10s while 10-year treasury yields were little changed.

EM Space: Back to the wait and watch mode, China data providing some direction

- **General Asia:** Following overnight moves in the US, we think the Asian markets will likely shift to the 'wait and watch' mode. China data on CPI and PPI may provide some direction. China exports with a robust 21% YoY growth in October downplayed the trade war impact, though this may not last for too long.

- **Indonesia:** Incumbent President Jokowi has revised his growth target from 7% to 5-6% as his political party readies for next year's April election. Jokowi pointed to mounting global turmoil, most notably the protracted trade debacle between the United States and China. With economic objectives now more geared for stability, we expect the Bank of Indonesia to keep policy rates unchanged at its next meeting as the IDR has enjoyed a healthy appreciation for the month on improving risk sentiment.
- **Philippines:** Philippine 3Q GDP slowed to 6.1%, slipping below market consensus for a 6.2% gain as household spending took a hit from above-target inflation and elevated borrowing costs. Consumption posted a 5.2% expansion but overall growth buttressed by double-digit growth in government spending and capital formation (14.3% and 16.7%). On top of slower consumption, net trade numbers weighed on growth with the trade deficit sapping 4.06 percentage points from growth. With consumption growth slowing, the BSP may be forced to hold off on hiking rates at its 15 November meeting to give the economy some breathing room.
- **Malaysia:** September industrial production data today will help to fine-tune GDP estimate for 3Q18. Our estimate GDP growth slowed to 4.1% YoY in 3Q from 4.5% in 2Q, warranting continued central bank policy accommodation. As widely expected, BNM left the policy on hold yesterday citing continued downside risks to the economy from global trade tensions as well as the constraint on public sector spending as the government strives to narrow the budget gap.

What to look out for: China CPI, UK 3Q GDP

- CH Oct inflation (9 Nov)
- ID 3Q current account (9 Nov)
- MY Sep industrial production (9 Nov)
- UK 3Q GDP (9 Nov)
- US Oct PPI, Nov Univ. of Michigan Confidence (9 Nov)