

ASEAN Morning Bytes

General market tone: risk-off

Risk aversion continued to be the theme with traders increasingly worried about the still elevated levels for bond yields and the potential impact of the trade war on global growth.



International theme: Here we go again?

- Stocks dropped overnight with the Dow giving up almost 1,300 points in two sessions with traders dumping risk given increased uncertainties over global growth and rising borrowing costs.

EM Space: EM Asia battered too

- **General Asia:** Asian markets were broadsided on Thursday with the technology players bearing the brunt of the hit as Alphabet shares tumbled in the US. On Friday, we may see energy players in Asia track the losses on Wall Street given the drop in crude oil prices.
- **Malaysia:** August manufacturing data yesterday reinforces our forecast of GDP slowdown to 4.1% in 3Q from 4.5% in 2Q. Apart from slowing exports and manufacturing, a tighter fiscal policy stance will be a potential headwind to GDP growth. We maintain our view that the central bank will leave monetary policy on hold through 2019.
- **Thailand:** In another swing in rhetoric, a Bloomberg story quoted the Bank of Thailand's Senior Director Don Nakornthab saying that the economy was solid enough to absorb a

quarter or a half point rate hike. With elevated global economic uncertainty, any move towards tightening could hurt the economy more than helping it, as growth is poised to slow and inflation has started to recede. We aren't forecasting any BoT policy move this year, and none until after the planned elections in February 2019.

- **Indonesia:** The Bank of Indonesia partnered with the Monetary Authority of Singapore for a bilateral local currency swap and a Dollar repurchase agreement. Details have yet to be released but the Bank of Indonesia has looked to external deals to help complement its various monetary measures including hiking rates 5 times in 2018.
- **Philippines:** Philippine government officials kept up the hawkish rhetoric with the central bank deputy governor and Finance chief both signaling the willingness to hike rates further to tame inflation. Speaking at the sidelines of the IMF-WB meetings in Indonesia, top-level officials have pointed to further rate hikes by the regulators, pointing to at least another rate hike by the BSP going into 2019 with inflation still elevated.
- **Philippines:** Foreign selling in the local equity market has hit a 31-session streak as investor sentiment continues to sour on the Philippines. Official data shows \$440 million left Philippine bond and equity markets in September and we expect this to continue into October. Inflation and possible weaker growth prodded the flight with the Peso seen to remain on the back foot given the sustained outflow of the Peso, possibly convincing the central bank to hike again further to contain the currency's slide.

What to look out for: ASEAN trade numbers

- IMF-WB annual meeting in Bali (12-14 October)
- Indonesia trade data (15 October)
- India trade data (15 October)
- PH OFW remittances (15 October)
- US retail sales (15 October)
- China CPI inflation (16 October)
- FOMC minutes (18 October)
- Fed Bullard (18 October)
- Fed Kaplan (19 October)