

Asean Morning Bytes

General market tone: Wait And See

The US has invited China for high level meetings on trade, moving up from previous mid-level discussion. EM markets will wait and see how the talks go with the ECB meeting later in the evening.



International theme: China Gets The US To Look, Trade Talks Continue

- Despite positive reports initially circulating, Canada and the US still have their work cut out for them as the two NAFTA members remain at odds on issues regarding Canadian dairy and media.
- China's gambit to call in the WTO may have worked as the warning shot got the attention of the United States. Reports indicated that Washington would like to hold high level talks regarding trade, as opposed to previous mid-level minister negotiations.
- Oil prices trended higher with WTI cresting the \$70/barrel level ahead of hurricane Florence and with US stockpiles dropping.

EM Space: Asian Players Remain On Their Toes

- **General Asia:** Asian markets will remain cautious, reacting to reports that the US would be

moving up to high-level discussion with China on trade issues. Apple launched the new line of iPhones which drew mixed reactions from the market.

- **Malaysia:** Anwar Ibrahim, leader of the ruling coalition Pakatan Harapan and would-be successor of PM Mahathir in two years, tried to regain the confidence of foreign investors after Mahathir cancelled/suspended some of the China-backed investment projects. He said the government's review was confined to "dubious" projects undertaken by the previous administration.
- **Malaysia:** Paving his way to active politics, Anwar will reportedly contest a by-election to be a member of parliament within two months.
- **Indonesia:** President Jokowi quipped that he and his team of Avengers would battle trade wars as he delivered a speech at the World Economic Forum conference in Hanoi.
- **Thailand:** Finance Minister Apisak Tantivorawong downplayed the need by the central bank to increase interest rates, saying this might hamper investment and debt servicing ability. The low inflation and potential growth risks from trade war are behind our view that the BoT will keep the monetary policy on hold this year. The BoT meets next week (19 September).
- **Philippines:** Super Typhoon Mangkhut is set to make landfall on Saturday with the farming sector rushing to harvest and salvage some produce. Peso breached the 54 handle given the peak season import demand and political noise. The Peso's underperformance may prod the BSP to conduct an off-cycle 50 bps rate hike today as Espenilla has indicated that such a move "is on the table".

What to look out for: The ECB meeting

- EZ ECB meeting 9/13/2018
- US CPI inflation 9/13/2018
- US Retail sales 9/14/2018
- US-China trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)

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