

ASEAN morning bytes

General market tone: risk off

Equity markets in the US remained pressured with tech share weighing, offsetting early gains in energy players after oil prices managed to rebound from steep losses.



International theme: Tech shares remain vulnerable, markets fret global growth

- Energy prices managed to recover on Wednesday, helping boost appeal for energy players but tech shares continued to weigh on sentiment on poor sales projections for hardware. Despite the bounce in crude oil, market players remain worried about the global growth outlook.

EM Space: Asia to rebound?

- **General Asia:** Asian equity markets may rebound on the bounce in oil prices but the rally may not be convincing with Chinese economic data showing mixed trends and with risk sentiment still smarting from the recent oil price slide.
- **Thailand:** The Bank of Thailand (BoT) kept policy unchanged, a move predicted by the majority of analysts with inflation at the lower end of the target and with manufacturing and exports slowing. However, given that 3 out of 7 voting members were in favor of

increasing rates, the BoT may be closer to finally adjusting its policy rates to defend the currency and ensure inflation remains in check with growth posting now four straight quarters of above-4% growth.

- **Indonesia:** Bank Indonesia (BI) meets on Thursday for a rate-setting meeting with analysts expecting the central bank to leave rates untouched. With inflation relatively held in check, the central bank has been busy hiking rates to steady the IDR, which came under pressure given general risk-off tone and concerns about the widening current account. With the IDR seeing some relief for the time being, appreciating by roughly 2.8% for the month, BI may look to keep the powder dry for the time being although Governor Warjiyo will likely retain his hawkish bias.
- **Philippines:** The Senate approved bill 1998 or the rice tariffication bill, which removes quantitative restrictions on rice imports but slaps a 35% tariff from grain from ASEAN and a 50% tariff on rice coming from other regions. The bill is seen to generate up to Php 27.7 bn in revenues but these are expected to be redeployed to a fund to improve the competitiveness of local rice production. On the inflation front, the bill is seen to shave off as much as 0.73 percentage points from 2019 inflation if it is implemented next year. The bill goes to a bicameral vote for approval.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) meets to decide on monetary policy today with the Bloomberg consensus at 11 out of 19 analysts expecting a rate hike. ING expects the BSP to stand pat given the decelerating trend seen in local inflation although the BSP may need to retain its hawkish stance to keep market guarded over possible rate hikes in the future with inflation still above target.
- **Philippines:** The government has approved the proposal to postpone the scheduled excise tax of Php2 on domestic fuel but will conduct quarterly reviews to determine if the taxes may be reinstated. The suspension would result in annual foregone revenue of Php41.6 bn but this may be partially offset by up to Php14 bn from VAT collections. The delay in the excise tax may help limit inflation but it may lead to increased borrowings by the government to shore up the foregone revenue.

What to look out for: CB decisions

- PH central bank meeting (15 November)
- ID central bank meeting (15 November)
- ID trade data (15 November)
- PH OF remittances (15 November)
- US retail sales (15 November)
- MY 3Q GDP (16 November)