

ASEAN Morning Bytes

General market tone: Wait and see.

Market sentiment improved ever so slightly but mainly on bargain hunting with market players still looking to developments on the trade front for direction



International theme: IMF-WB tell markets to brace for risks ahead

- Stocks managed to recover on Friday after a volatile session but mainly on bargain hunting but recent caustic rhetoric out from Washington may spark renewed tension to push oil prices higher. IMF-WB meetings concluded with a message we all know: brace for risks from trade wars and higher interest rates.
- ECB minutes and the Italian budget appear to be brewing on the sidelines but the general tone will follow the warning from the IMF and the World Bank about potential risks.

EM Space: EM Asia looks for cues after volatile week, the Italian job clouding the periphery

- **General Asia:** Asian markets managed to make up some lost ground on Friday after an extremely volatile week of trading with investors still worried about global growth.
- **Malaysia:** Anwar Ibrahim, Prime Minister Mahathir's pick as his successor, made his formal

entry in the parliament after winning a by-election in Port Dickson with a landslide 71% votes. The markets are now focused on the upcoming national budget for 2019 on November 2, especially turn the fiscal policy takes under the new administration after PM Mahathir's recent signal of new taxes. Local media suggest that the widely talked-about capital gains and inheritance taxes won't be introduced in the 2019 budget.

- **Thailand:** Markets are closed today for the King's Memorial Day holiday.
- **Indonesia:** Bank of Indonesia Governor Warjiyo assured market players that the level of international reserves held by the central bank remains "more than enough" even as he indicated that he felt the current IDR levels pointed to a currency that was undervalued given Indonesia's current fundamentals.
- **Philippines:** The government is likely to approve the suspension of an additional PHP 2.50 excise tax on fuel, which is scheduled for implementation on January 1, 2019. Domestic inflation has remained well-beyond the central bank's target of 2-4% with the planned move said to be carried out to anchor inflation expectations. The government, however, warned that the move, even if implemented may not result in a drastic drop in overall prices given that global oil prices remain elevated.
- **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 PHP seen to remain on the back foot given the sustained outflow of the Peso, possibly convincing the central bank to hike rates again to contain the currency's slide.

What to look out for: EM trade data and FOMC minutes

- 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)

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