

ASEAN morning bytes

General market tone: risk off

US stocks managed to steady on bargain hunting amidst reports that the US and China were coming closer to a consensus on trade by the G20 meeting later in the month.



International theme: Powell says the economy remains strong but wage growth lacking

- Reports that the US and China were working double time to hammer out a deal by the G20 meeting buoyed risk sentiment. Retail sales remained positive but missed estimates for October. Fed Chairman Powell reiterated that the economy was “in a good place” although wage growth was not where he wanted it to be.

EM Space: Asia to track the rebound on US-China trade hopes

- **General Asia:** Asian equity markets are likely to trace the rebound in risk sentiment after positive reports on US-China trade relations. Energy players may also benefit from the oil bounce but gains will likely be marginal given the build-up in US stockpiles.
- **Malaysia:** 3Q GDP figures will be reported on Friday with the market looking at a 4.6% expansion after the 4.5% print in the second quarter of the year. Household consumption will likely support the overall growth print but weak trade data will provide an offset.

- **Indonesia:** Bank Indonesia (BI) unexpectedly hiked rates at its policy meeting, bringing its key rate to 6.0% for a total of 175 bps worth of rate hikes in 2018. Despite the recent rally enjoyed by the IDR, Governor Warjiyo acted to narrow the widening current account deficit with inflation still very manageable. After posting a surprise trade deficit of \$1.82bn, BI may have decided to keep the pressure on rate hikes to shore up the currency ahead of another Fed hike in December.
- **Philippines:** The Bangko Sentral ng Pilipinas (BSP) hiked policy rates on Thursday, a move seen by 11 out of 19 analysts to anchor inflation expectations. BSP hiked despite lowering its 2019 inflation forecast by 0.8 percentage points to 3.5% after the Senate passed the rice tariffication bill. The BSP reaffirmed its readiness to act to safeguard its price and financial stability mandates, retaining a relatively hawkish tone with possible 50 bps in the offing over the policy horizon. The peso should benefit from the rate hike which should offset the slowing trend seen in overseas Filipino remittance flows which showed a disappointing growth print for September.
- **Philippines:** The Philippines reported September Overseas Filipino (OF) remittance levels, showing flows totalled \$2.237bn to bring the year-to-date amount to \$21.294bn, or 2.5% up for the year., Troubling details showed remittances out from Saudi Arabia, UAE and Qatar fell by 12.3%, 19.9% and 12.3%, respectively. The Philippine relies heavily on OF remittances for both dollar liquidity and purchasing power and with flows cooling off we could see the peso pressured in the medium term and consumption to remain hampered by elevated borrowing costs and high inflation.

What to look out for: GDP from Malaysia and Hong Kong

- MY 3Q GDP (16 November)
- HK 3Q GDP (16 November)
- US industrial production (16 November)

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