

ASEAN morning bytes

General market tone: Risk off.

The bears were out in force with the Fed projected to hike rates while global growth appears to be headed for some speed bumps in 2019. Trading to remain defensive on Tuesday.



International theme: Market players braced for impact as risk assets were dumped ahead of the Fed meeting

- Despite Donald Trump's recent overture, the Fed looks set to hike rates again on Wednesday with market players anxious to see if the economy can handle more policy tightening given expectations for slowing growth.

EM Space: Emerging markets are expected to take a hit as investors stay defensive with the Fed on deck

- **General Asia:** Investors will likely offload risk assets on Tuesday as the Fed begins its two-day meeting with traders wary that more monetary tightening will further derail the fragile growth story in the US, which would eventually affect the global economy.
- **Indonesia:** Indonesia saw its trade deficit widen further with exports contracting while imports sustained their double-digit expansion. The trade deficit swelled to a 5-year gap of \$2.1bn, almost three times what was forecast by market analysts. Import growth actually

slowed from the previous month's pace but the disappointment in the export numbers dragged on the IDR with the trade deficit soaring. With the trade gap swelling, IDR came under pressure with Bank Indonesia supporting the currency by intervening in the spot market, according to BI executive director Nanang Hendarsah.

- **Philippines:** The Philippine central bank reported Overseas Filipino (OF) remittance growth for the month of October which moved past market expectations to post an 8.7% gain. OFs sent home a total of \$2.47bn in October, bringing the cumulative haul to \$23.77bn, up 3.1% from the same period in 2017. Despite the year-on-year gain, one area of concern that continues to fester is the contraction in remittances from the Middle East, which posted an 11th straight month of contraction and a year-to-date drop of 15.9%. Should cash sent home from this region remain in the red, overall OF remittance flows are expected to remain subdued, causing the PHP to struggle given its dependence on these flows for support.