

ASEAN Morning Bytes

General market tone: Risk-off.

Minutes from the latest Fed minutes showed that almost all members of the FOMC remained in favor of raising rates, despite criticism from the White House



International theme: Risk sentiments swings on earnings and FOMC minutes

- Risk tone swung about on Wednesday as markets reacted to earnings reports from major corporates while also taking their cue from the FOMC minutes.

EM Space: US refrains from calling China a “manipulator”

- **General Asia:** Risk sentiment in the region will likely track the dour sentiment at the end of trading on Wall Street with risks of higher rates seen to weigh on markets. The US Treasury pulled back from calling China a currency manipulator, possibly to soothe some tension between the two sides as the trade war continues.
- **Indonesia:** Indonesia recorded a budget deficit of 1.35% of GDP, much lower than the level recorded in 3Q 2017 and down from 2% in 2Q 2018. The government attributed the improvement to improved tax collections, which were up 16.5%. The improved deficit numbers will limit the need for the government to borrow aggressively, helping boost

investor appetite for Indonesian bonds overnight.

- **Philippines:** The government granted the petition for a transport fare increase of PHP 1.00 for jeepneys, the iconic, soon-to-be-extinct, mini-buses used by Filipinos. The almost 10% increase in transport costs will likely exert further upward pressure on CPI inflation in the coming months and will likely call the BSP to action with another 25 bps rate hike at its December meeting.

What to look out for: Fed speakers

- Bank of Korea meeting (18 October)
- US initial jobless claims (18 October)
- Fed Bullard (18 October)
- Fed Kaplan (19 October)