ASEAN Morning Bytes

General market tone: Risk-off.

Equity markets continued to slide on protracted fears on global trade after acerbic comments from a US official on China's trade practices, while Mario Draghi's comments on EU nations' fiscal discipline also sent dealers to seek safety

International theme: Risk sentiment remains scant after Draghi comments

- Equity markets continued to slide as investors remained cautious given the on-going US-China trade spat. Mario Draghi's remarks on fiscal discipline, alluding to Italy, forced bond yields to pullback.

EM Space: China's 3Q GDP likely to show slightly slower growth

- **General Asia:** Markets are likely to trade sideways with a downward bias after the Wall Street selloff, while market players also looking to China's 3Q GDP report for more direction.
- **Malaysia:** The government unveiled the mid-term review of the 11th Malaysia Plan (2016-2020), aiming for an inclusive growth, sustained development, and fiscal consolidation. It scaled back growth target for the plan period to 4.5-5.5% from 5-6%, and inflation target to 2-3% from 2.5-3%. In a sign of shelving the plan to balance the budget by

2020, the fiscal deficit is projected at 3% of GDP over the period. We remain of the view that positive terms of trade shock from rising oil will cushion the economy in the medium-term.

- **Thailand:** The commerce ministry projects 8% export growth in 2019, led by strong growth in exports to China (12%) and ASEAN (8.2%). At 9% year-to-date through this year export growth was steady at the pace a year ago. The escalation of the US-China trade war is the potential risk to exports next year, though it also opens an opportunity for increased intra-regional trade to bypass tariff barriers.
- **Philippines:** The anticipated stock re-issuance of a major conglomerate that was expected to bring in a sizable amount of foreign flows was priced lower than expected. This development moves in-line with our new forecast for the Peso to consolidate by year-end after an expected $2bn bond issuance by the government.
- **Philippines:** The government approved a Php1 increase in city bus fares for the first 5 kilometers and a P0.15 increase in provincial buses for every kilometer after 5 kilometers to help operators recover costs associated with elevated crude oil prices.

What to look out for: China 3Q GDP

- China 3Q GDP and retail sales (19 October)
- US existing home sales (19 October)
- Fed Kaplan (19 October)

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com