

## ASEAN Morning Bytes

General market tone: slight risk on. Investors will cheer the USMCA deal as the US now looks to renegotiate deals with China, Japan, India, and Brazil



### International theme: Exit NAFTA, enter USMCA

- Canada and the US struck a deal ahead of the midnight deadline with NAFTA reworked to the USMCA, helping ease some concerns about global trade

### EM Space: Asian markets seen to tiptoe higher, digesting USMCA with China still out for a holiday

- **General Asia:** Asian markets will tread cautiously on the developments on trade after the USMCA was forged with Trump seen to refocus on his trade negotiations with China.
- **Thailand:** As expected, CPI inflation eased to 1.3% YoY in September from 1.6% in August on lower food, housing, and transport prices. We expect inflation to hover close to the low end of the central bank's (BoT) 1-4% target through 2019. The BoT's desire to begin interest rate policy normalisation in order to create some policy space for the future continues to be a desire rather than a looming reality. September Business Sentiment Index was unchanged at the August level of 51.4, but the 3-month outlook index fell to 54.8 from 55.4 over the

same months.

- **Malaysia:** Nikkei manufacturing PMI remained in expansionary territory for the second consecutive month in September. Not only that, but the index at 51.5 in the last month was the highest since November. Rising oil price is positive for exports and manufacturing. It's also positive for the MYR. We are reviewing our end-2018 USD/MYR forecast of 4.25 for the downward revision.
- **Indonesia:** September inflation slipped to 2.88% as all major items saw disinflation despite a weaker currency. The latest print was a slowdown from the 3.2% gain in August while core inflation was also slower than previous, posting a 2.82% growth. With inflation relatively stable, look for Bank of Indonesia to focus on IDR stability in the near term as they deploy measures together with the national government to maintain financial stability by limiting volatility in the IDR.
- **Philippines:** Manufacturing in September continued to show a moderate expansion with PMI manufacturing at 52, slightly higher from the previous month although the report showed manufacturers were becoming increasingly concerned about inflation, suggesting that it may not have peaked in September. The expansion points to a still robust domestic economy but also highlights the weak demand for PHL exports, which could translate to sustained wider trade deficits.
- **Philippines:** Domestic pump prices saw another round of increases as crude oil prices remained above \$70/barrel. The much-anticipated 250,000 MT of rice imports arrived on 27 September and the government hopes this will be enough to slow the pace of price increases. Meanwhile, wheat and sugar prices are set to trend higher, seen to weigh on the consumer basket and keep the pressure on the BSP to hike rates anew at its November meeting.

## What to look out for: US NFP and Fed speakers

- Argentina-IMF credit line request (on-going)
- Central bank meeting Australia (2 October)
- Fed Powell speaking engagement (3 October)
- Philippine inflation (5 October)
- India central bank meeting (5 October)
- US non-farm payrolls (5 October)

### Author

#### Nicholas Mapa

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s),

as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.