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