

ASEAN Morning Bytes

General market tone: Wait and see. The market seems to have judged the latest round of the US-China trade tariff salvo to have been less than severe although caution will still likely dominate sentiment to keep any rally muted.



International theme: That wasn't so bad now was it? Or is there something more?

- With scant developments on the economic data release calendar, save for mixed US housing data and the expected BoJ inaction, the market rallied slightly judging that the US-China trade debacle was less severe than anticipated. Investors will continue to monitor developments on this front but rising US Treasury yields may keep the rally at bay.

EM Space: Waiting to exhale on possible fallout from initial US-China tariff salvo

- **General Asia:** Asian financial markets will likely continue to trend gingerly higher with market players assessing the extent of the latest round of tariffs thrown about by China and the US. Rising US Treasury yields may cap gains while optimism will also likely be tempered

as Canada and the US appear miles apart on a deal.

- **Malaysia:** CPI inflation dipped to over three-year low of 0.2% in August. With sufficiently positive real interest rates, the Malaysian ringgit will remain among Asia's top-performing currencies in the remainder of the year, and probably beyond. The risk to our end-2018 USD/MYR rate forecast of 4.25 is tilted to the downside. Malaysia's anti-graft body yesterday arrested former PM Najib in relation to 1MDB and \$628m he received in his personal account in 2013.
- **Thailand:** Car sales continued on a steady strong pace they have been on since April this year and surged by 28% YoY in August. The Bank of Thailand policy committee voted 5-2 for an on-hold policy yesterday, a shifted from 6-1 at the August meeting. The policy statement was almost verbatim as the previous one. The BoT maintained its forecast GDP growth of 4.4% this year and 4.2% next but trimmed inflation and export growth forecast for 2019. We remain of the view that there will be no change to BoT policy in the remainder of the year.
- **Indonesia:** Indonesia's central bank continued to shore up the currency through rhetoric with Deputy Governor Dody Waluyo pledging support from the Bank of Indonesia to maintain the stability of the IDR. The BI is expected to follow through on this sharp hawkish commentary with a rate hike on 27 September 2018.
- **Philippines:** The price of staple rice surged by 20.3% in September which will likely push the overall inflation print past the 6.5% level. This puts additional impetus for the BSP to hike rates by 50 bps at its upcoming policy meeting on 27 September 2018.

What to look out for: Any developments on the trade front

- Eurozone consumer confidence 9/20/2018
- US existing home sales 9/20/2018
- US-Canada trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)