

ASEAN Morning Bytes

General market tone: Wait and watch.

Weak global economic outlook portrayed by world finance ministers and central bankers leaders weighs on investor sentiments.



EM Space: World leaders hint at more fiscal stimulus

- **General Asia:** The joint IMF-World Bank meetings over the weekend highlighted the ill effects of the ongoing trade spat between the US and China on the global growth outlook. With monetary policy stretched, global leaders have turned their eye to fiscal stimulus for additional support. The ECB President Draghi will chair his last policy meeting this week. In Asia, Bank Indonesia is likely to keep the powder dry for another possible cut before the end of the year.
- **Indonesia:** President Jokowi formally took his oath for a second term over the weekend, vowing to push for reforms to bolster Indonesia to a \$7 trillion economy in 25 years. In the further announcement today, Jokowi aims to revamp his cabinet with technocrats, industrialists and even former political rivals expected to be named to his new team. Bank Indonesia Governor Warjiyo has been mentioned as a possible candidate to be moved. Jokowi's directive is to spur growth via the investment route, which will be beneficial for the IDR.
- **Malaysia:** A huge surge in vehicle demand and production in September – sales up 43% YoY and production 22% -- is a reflection of the low statistical base rather than a sharp

turnaround in the sector a slew of sharp declines in recent months. We maintain our view of one more 25 basis point rate cut by Bank Negara Malaysia in the current quarter, while the fiscal policy continues to be restrictive.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) Governor Diokno reiterated his leaning for policy in the next few months, indicating that the 2019 rate cut cycle may be closed although he did keep open the possibility for a reduction for reserve requirements. In further positive for the Peso, the balance of payments remained in surplus in September, albeit a sharp narrowing to \$38 million from \$493 million in August. This brings the year-to-date surplus to \$5.57 billion, a sharp turnaround from a deficit of \$2.7 billion in the same period of 2018.
- **Thailand:** Trade figures for September are due today. We consider the consensus of 2.7% YoY export growth optimistic (ING forecast -2.0%). Electronics and autos and parts, the key export drivers with a combined 30% weight, continue to be weak. But import growth has been in deeper negative than exports this year, reflecting weak domestic demand and low oil prices. As such, 2019 is shaping to be the turning point in the trend of narrowing current account surplus since it peaked over 10% of GDP in 2016. We see annual surplus this year at about 7% of GDP (6.4% in 2018), which together with hawkish central bank policy should sustain the Thai baht at the top emerging market currencies in the rest of the year.

What to look out for: ECB meeting and US home sales

- Thailand trade (21 October)
- Malaysia GIR (22 October)
- US existing home sales (22 October)
- Malaysia inflation (23 October)
- Singapore inflation (23 October)
- Hong Kong trade (24 October)
- Bank Indonesia meeting (24 October)
- ECB meeting (24 October)
- US durable goods and new home sales (24 October)
- Singapore industrial production (25 October)
- Thailand GIR (25 October)

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