

ASEAN Morning Bytes

General market tone: Slight risk-on. Investors continue to react positively to the recent round of US-China trade tariffs with market players judging them to be less severe than initially anticipated. However, investors must be mindful that the US tariff jumps from 10% to 25% in only a few months down the line



International theme: Trump twitter account remains busy, turns his ire to OPEC

- Donald Trump turned his ire towards OPEC ahead of their meeting in Algeria with the US President calling on the “monopoly to get prices down now!”. With the mid-term elections around the corner, Trump looks to curry favor with the voting public.
- Canada and the US appear miles apart on their trade negotiations with Canadian foreign minister Freeland sticking to script that talks remain constructive.

EM Space: Enjoying it while it lasts, CB meetings looms in the coming week

- **General Asia:** Asian financial markets are seen to open higher, taking their cue from the

rally overnight in the United States. Investors will likely take stock of the trade developments but it would be worthwhile to consider the stacked central bank meeting calendar in the coming week as the Fed is all but poised to hike yet again on Wednesday.

- **Thailand:** Thailand reports trade data for August. We estimate a trade surplus of \$1.2 billion, a sharp positive swing from a \$516 million deficit in July. Chinese tourist arrivals in Thailand fell by 11.8% YoY in August, a sign that services being a drag on the current account surplus in the last month. We forecast 2018 current surplus equivalent to about 9% of GDP, a modest dip from 11% in the past two years. This is still strong enough to sustain the THB as an Asian outperformer in the remainder of the year.
- **Indonesia:** Government officials continue to wield moral suasion, asking exporters to convert up to half of the receipts to the local currency and keep rest onshore for up to six months in a bid to stabilize the IDR. On top of these efforts, the central bank has retained its hawkish stance and is projected to hike rates by 25 bps at its meeting on 27 September, according to the latest Bloomberg survey.
- **Philippines:** BSP Officer-in-charge Chuchi Fonacier vowed to smooth out volatility in the FX market although the Peso continues to feel no love from traders. Mid-month corporate demand and sustained foreign selling in the local stock market (which also failed to join the regional rally) could be the reason for the weakness. Traders may also be skittish on the anniversary of the declaration of martial law given the heightened political tension onshore. The BSP is widely expected to hike rates by 50 bps on 27 September.

What to look out for: Calendar loaded with CB meetings

- FOMC meeting September 25-26
- Reserve Bank of New Zealand meeting September 27
- Bangko Sentral ng Pilipinas meeting September 27
- Bank of Indonesia meeting September 27
- US-Canada trade negotiations (deadline: end of September)
- Argentina-IMF credit line request (on-going)

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